

ACCESS TO SUSTAINABLE MARKETS AND FOOD SECURITY FOR NICARAGUA'S COFFEE AND COCOA PRODUCERS

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Country: Nicaragua

Sector: Agriculture

CONTEXT

The persistence of poverty, inequality and economic exclusion continues to be a fundamental obstacle for the inclusive development of the Nicaraguan agricultural sector. In Nicaragua, 45% of the population live in impoverished conditions with more than 20% of those living in extreme poverty.

Being a predominantly agricultural country, the agriculture sector contributed 20.1% of GDP in 2010 (Economic Commission for Latin America and Caribbean). The percentage of the population engaged in agriculture has declined; in 2011 agriculture represented 14.2% of the economically active population, of which 7.8% were women¹. The average salary in the agricultural sector in Nicaragua is approximately 2.145.50 Córdobas monthly². Most work in the agricultural sector is seasonal.

Nicaragua has the lowest productive performance of the Central America region in coffee and cocoa production. More than the 90% of national production comes from small producers, who employ traditional crop management with severe limitations for reinvestment.

Coffee in Nicaragua is produced in eight departments, out of which five are the most important, located in the north central regions (Jinotega and Matagalpa) and northwestern (Nueva Segovia, Madriz and Estelí) of the country. These regions are home to 89% of the production, 91% of the producers and 85% of the national coffee area. Additionally, they have the highest concentration of poverty.

In Nicaragua there are 43,182 coffee producers, 92.6% of which are smallholders (39,988); Just 4.8 % are medium sized producers (2,083) and 2.6% are large producers (1,111)³. 73 exporter companies are registered in the Center for Export Procedures – CETREX, which include cooperatives, national and transnational companies. Coffee production approximates 1.9 million pounds of green coffee, generates 150,000 to 200,000 jobs and contributes on average USD 438 million to GDP, and provides employment and economic stability, particularly in rural areas. It is estimated that coffee activities generate between 150 thousand to 200 thousand jobs at national level.

Cocoa production requires a large workforce; it is estimated that more than 8,500 families are engaged in its production. The main production areas (historically), are located in the departments of the RAAN (Waslala), Río San Juan, Matagalpa and Jinotega. Cocoa productivity is low; the farming area for cocoa is approximate 11,027 ha and around 1,500 tons of cocoa are produced annually (194.5kg/ha to 250 kg/ha) – most of this considered high quality cocoa. Support for services and technological innovation is needed to achieve sustained increases in productivity.

¹ FAOSTAT. Country Profile 2012.

² MITRAB, 2012. National Commission for Minimum Salary. Deed No. 8. CNSM. 15/03/12

³ National Production Plan, MAGFOR/GRUN 2011-2012

Key barriers for coffee and cocoa producing families in Nicaragua: limited access to national and international markets, limited access to financial services, low productivity, and a high level of food insecurity.

Among the factors that generate problems are: i) 91% of producers rely on the production of coffee as their sole income, which reflects a limited diversification in the farms, ii) low crop productivity limits smallholders income returns iii) the price of the food has increased by 40% reducing its accessibility, iv) 80% of coffee producers are not able to meet the food needs of their families with their income from coffee.

Concerning cocoa, the producers (individuals and associated) fall into 3 categories (i) vulnerable producers - families that have cocoa plantations of less than 1 hectare; (ii) developing producers - holding between 1.5 hectares and 2.8 hectares, but with little market knowledge, limited and/or no involvement in value chains, with limited access to support services, but with potential; (iii) producers with experience and technical knowledge in the management of cocoa farming, with between 2.8 and 7 ha, producing in response to market demand; belonging to organisations in process of developing their business management and with potential of engaging with value chains.



Small-holder coffee farmer, member of Procafe coffee co-operative

The programme is working with 14 organisations encompassing **individual coffee and cocoa producers - often small farmers with little capital, poor market access, lacking technical assistance and facing low food security; technical staff of cooperatives and private partners; coffee and cocoa promoters.**

Participants:

Seven coffee cooperatives:

- Central de Cooperativas de Servicios Múltiples Aroma del café (CECOSEMAC)
- Cooperativa Multifuncional de Productores Exportadores de Café de San Juan de Río Coco (PROCAFE)
- Unión de Cooperativas Agropecuarias de San Juan de Río Coco (UCA SJRC)
- Cooperativa Agropecuaria de Crédito y Servicio Regional de Cafetaleros de San Juan de Río Coco (CORCASAN)
- Cooperativa Multifuncional Arca de Noé
- Cooperativa de Servicios Múltiples Santiago
- Cooperativa Agropecuaria y de Servicios para el Desarrollo Integral (La Esmeralda)
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Three cocoa cooperatives:

- Cooperativa Multifuncional Cacaotera La Campesina
- Caja de Ahorro y Crédito de Waslala (Caja Rural)
- Asociación Campesina de Waslala (ACAWAS)

Four coffee producing groups:

- Grupo de productores de la comunidad de Zinica (Waslala)*
- Grupo de productores de las comunidades del Naranjo y Puerto Viejo (Waslala)*
- Grupo de productores de Yalí (Jinotega)
- Grupo de productores de Mombachito (Boaco)

There is a high demand for the sector to address systemic issues. SNV's solutions strengthen inter-institutional relationships, the capacity and technical quality of technicians and promoters, address market demand and adequate technology/support services for coffee and cocoa production, as well as ongoing monitoring and follow-up.

This project is implemented by the alliance of SNV (leader), Exportadora Atlantic, S.A., FUNICA, University of Zamorano and UTZ Certified, which combines the expertise of all partners to achieve a greater impact on poverty reduction, through joint and complementary actions.

The alliance offers the partner's combined strengths: SNV's experience in Inclusive Businesses and technical knowledge of the coffee and cocoa sectors; access to coffee and cocoa international markets, financing, technological innovations, and high level commitment of Exportadora Atlantic, S.A.; the agricultural knowledge and the local innovation networks promoted by FUNICA; the management of agricultural administration and food security approaches through the strategic use of family gardens by the Zamorano and the implementation of inclusive initiatives, direct contact with groups of producers and the established and recognised sustainability practices by UTZ Certified.

SNV's Approach: Climate Smart Agriculture

SNV is promoting climate smart agriculture (CSA) solutions, working with local partners, the private sector and cocoa producers, to adapt to climate change and build resilience through market driven initiatives. Cocoa cooperatives incorporate Improved Agroforestry System, in order to increase farm productivity, improve food and nutrition security, promote biodiversity conservation and provide a variety of important products and services.

Agroforestry Systems for Cocoa

Although wild cocoa in the country has grown along a traditional agroforestry system (natural shadow and fast growing leguminous species) there are many problems associated with this traditional system. Therefore improved Agroforestry Systems in the Project include sustainability parameters for increasing crop productivity and family income, as well as to improve the food and nutrition security of cocoa producer families. The improved Agroforestry System, incorporates shade productive species, using superior cocoa varieties, selected based on yield, genetic resistance to pests and diseases, and degree of fineness. Training and technical assistance is given to cocoa producers to help them establish cocoa plantations that are well-organised and part of a diversified production system. The incorporation of this system is simple, economical, accessible and adaptable to the socioeconomic conditions of smallholder cocoa producers.

SNV's approach is based on a theory of change, starting with the definition and quantification of the food security problem and of the competitiveness of small and medium coffee and cocoa producers. The intervention strategy is defined in the following terms:

The inclusive business model is based on the present and potential demand of the coffee and cocoa market both at national and international level. Product diversification, food security & nutritional education are promoted. The participation of women in all the training processes, with technical assistance and business opportunities for family gardens and coffee, is incentivised. The process is participatory and actively engages coffee and cocoa producer organisations.

The programme works with organisations that are existing suppliers of Exporadora of the Swiss Ecom group and with new organisations that have the potential to be incorporated into the inclusive business programme. The project works both with producers that are already organised and those that are not formally organised. Partnerships are established with the public sector at different levels: local, regional and national for both chains.

Working with the technical personnel of Exporadora of the Swiss Ecom group and with the producer organisations, to secure technical assistance and services. The company's technical unit and the cooperatives coordinate directly to guarantee uniformity in the provision of the service over the five years of the Project. The use of local promoters is foreseen for the follow up of the technical recommendations with the producers and logistical support of the training and capacity-building processes.

Field promoters are included to support the technical assistance services to the coffee producers and in this way guarantee the sustainability of the service. The technical assistance service is carried out for both groups and individuals, with a focus on Good Agricultural Practices, highlighting rural promoters as the main channel bringing innovation to producers to ensure long term sustainability. The programme takes advantage of the innovation capabilities of Universities, the public sector and entrepreneurs. The Programme is linked to other initiatives that are being implemented in the country, and insights will be shared with the coffee and cocoa sectors. Key activities are developed with the personnel of the company and the organisations, which engage the following departments or areas:

Sustainable Management Service (SMS) and Technical Team of the Organisations: cover all areas related to technical innovations that are promoted by the company and the cocoa and coffee sustainable certification processes.

Regional Offices: through these branches, commercial contacts between the company and the producers (coffee buying) are established, the financial service for infrastructural investments, innovations, coffee commercialisation and the technical assistance processes.

Coffee processing plant (dry mill): Organisation of processing activities (gathering, drying and chain of custody), placing great importance on the quality control process and cupping in order to ascertain the coffee and cocoa type quality, produced by each organization.

Export area-commercialisation of the company and the organisations: the strength of Exportadore Atlantic, S.A. is crucial for the positioning of the producers at an international level, as well as the experience that some of the cooperatives have achieved in the recent years, with their engagement with the international market.

OUTCOMES

A direct link has been established between the company and the producer organisations to develop long-term relationships within the inclusive business model, which include financial aspects, commercial and technical assistance, training, monitoring and evaluation of all the activities of the project.

The technical assistance from the company and the organisations focus on product diversification and food security and will be directed at both groups of coffee and cocoa producers that are organised and legally constituted and who have a direct business relationship with the company and those who do not.

Outcomes at the end of the first period of implementation:

1. Fourteen producer organisations have been incorporated into the project: seven coffee cooperatives, three cocoa cooperatives and four coffee producer groups.
2. Strengthened the commercial performance of 120 out of 240 members, and the board of directors and technicians of 9 out of 20 producer organisations. 22% of the Boards of Directors and 28% of the organisations' technicians have improved their knowledge on business management.
3. New business relationships between producer organisations and buyers have been established, for both the national and international market.
4. Producer organisations improve their business performance, are able to provide better services to their associates, control costs, plan the organisation's growth. Ten coffee and cocoa cooperatives have undertaken an evaluation process and developed improvement plans for strategic areas of their business. Women participation in this process has been up to 20.4%.
5. The project's technicians and promoters have improved their knowledge and provide trainings and quality technical assistance on good agricultural practices, sustainable certification, management of crops and productive diversification to small producers. Development and promotion of technological innovations to producer families.
6. Through trainings and technical assistance, the small producers improved their skills for managing coffee and cocoa crops, implementing good agricultural practices. To date, 1,650 coffee producers (26.8% women) and 496 cocoa producers de cacao capacitados (24.5% women) have received technical assistance.
7. With sustainable certification training and technical assistance, smallholder producers have improved their crop management skills for coffee and cocoa, implementing recommendations of certifications such as UTZ, Rainforest Alliance, FLO and others.
8. The project's technicians and promoters have improved their knowledge on Farm Field Schools (FFS 's) and Food and Nutritional Security (FNS), providing training services and quality technical assistance. 50% of the project's technicians and promoters have been trained on farm field's schools (FFS) and food and nutrition security (FNS). Focusing on production systems, irrigation, biological pest control, better agricultural practices, post-harvest and organic production.
9. 30 out of 800 bio-intensive gardens have been established in the productive units of the beneficiaries, which improve the availability and access to healthy food and nutrition.

IMPACT

This programme will generate a positive impact: better integration of the overall sector, increased incomes for 5,000 smallholder coffee and cocoa producers, and of other actors in the value chain, the generation of new jobs, improving Nicaragua's positioning in differentiated coffee markets, economic diversification and improvement of families' nutrition security.

The improvement of productivity and the possibility to sell a higher volume of higher value coffee and cocoa to new markets is closely correlated with increased income and economic capacity. For these coffee and cocoa producing families, the increase in income will be up to 35% by the end of the project; giving them the opportunity to make improvements in product infrastructure, direct investments in crops and in the home, and improve the availability of resources to invest in food, education and other basic family needs.

The increase in income and productivity will have a direct impact on food and nutrition security, improving the availability of, and economic and physical access to foods that make up the basic diet of Nicaraguan families. Additionally, the establishment of the bio-intensive gardens will allow 800 beneficiary families to access at least two basic grain crops and two vegetable products, thereby improving their nutrition and health.

TESTIMONIALS

"The food security trainings give us knowledge to produce vegetables with higher quality, optimising planting areas and taking advantage of the resources we have at our disposal, such as organic kitchen waste and stubble crops for the production of organic fertilisers; thus reducing chemical use in our crops. We practice with systems that are accessible to families and that can be managed easily. Overall I am very pleased with these trainings".

Nicolas Jarquin, ACAWAS, Cacao producer cooperative, Sinica and Puerto Viejo communities, Waslala.

LESSONS LEARNED

- Promotion of developed activities of the project is a key factor, to raise awareness on the positive actions implemented by the alliance of the project in poverty reduction. This is important: to gain new partners, to capture attention from donors and to spread the results nationwide.
- Engaging low income groups in the inclusive business ventures of companies requires trust building, good knowledge of low income market needs and preferences, and different kinds of support such as financial access and hands-on technical guidance.
- Technology is not adapted by coffee and cocoa, therefore the project offers an integral technical assistance model with methodologies and tools adapted to the producers. It also manages a financial service adapted to small coffee and cocoa producers.
- Low level of commitment of the beneficiary organisations, so the project has engaged from the beginning the administration technical councils, technical administrative personnel of the cooperatives, for the project's activities.
- Changes in the directive, technical and administrative personnel of the private partner (Exportadora Atlantic S.A.) have been challenges to the implementation of the project, since the level of commitment of the new personnel changed, based on the limited information they might manage. In this sense, since the very beginning the project has encouraged and established the private partner's commitment at the higher possible level. It has also incentivised the technical personnel, through trainings, strengthening of capacities, fair treatment and refreshments about the project's goals and accomplishments.

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