

THE SPECIALTY COFFEE  
**CHRONICLE**

**NICARAGUA**

**OUR 2009  
PORTRAIT  
COUNTRY**

# Producing Quality Specialty Coffee

## AT THE HEART OF NICARAGUA: A RICH HISTORY, FAIR TRADE AND ORGANIC COFFEE, FORWARD-THINKING COOPERATIVES AND A “YES WE CAN” OUTLOOK

Story by Christopher Bacon, Rodney North and Phyllis Robinson  
Photos by Michelle Ford

Since the 1840s, when it was first planted as a commercial crop, coffee has played a critical role in shaping the society, economy, politics and even the physical landscape of Nicaragua.

Until recently, the nation's economy was dependent upon farming, with coffee as the leading farm export. Today, it still accounts for an estimated 30 percent of all foreign currency generated by agriculture, and it's the economic backbone for thousands of rural communities. In the late 1990s, coffee provided the equivalent of 280,000 permanent agricultural jobs in a country with only 5.6 million people. In 2008, Nicaragua exported approximately 210,000,000 pounds of Arabica coffee worth over \$250 million.

Coffee's role as a pillar of the national economy was highlighted during the 1999 to 2003 coffee crisis. The prolonged low prices, in combination with natural disasters like Hurricane Mitch and drought, helped trigger the collapse of three of the nation's six largest banks, threw tens of thousands of laborers out of work and contributed to wide-spread malnutrition in the countryside.

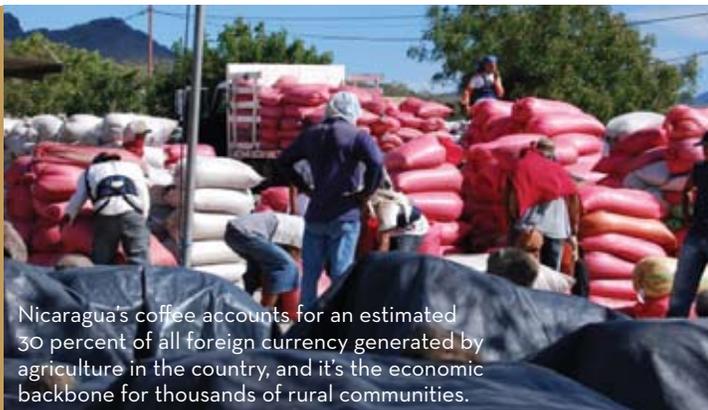
From those difficult years, some concluded that Nicaragua needed to lessen its dependence on commodity-grade coffee, as well as adopt farming methods better suited to volatile weather, minimizing the need for expensive imported inputs like chemical pesticides.

### CHANGES OVER THE YEARS

The scale and nature of coffee farming in Nicaragua has gone through many changes since its introduction, but especially in the last 40 years. In the 19th century, large plantations dominated Nicaragua's coffee industry. These were often owned by foreigners who were offered cheap land, credit, tax subsidies, infrastructure and favorable labor laws. But later in the century, small-scale family farms in the northern central mountains also began to add coffee to their traditional mixed-crop plots. To this day, the majority of Nicaraguan cafeteleros use a diversified approach, growing coffee for export even as they grow more than half of their own food.

In 1979, the Nicaraguan Revolution dramatically changed the industry. Under the Sandinista government's agrarian reform policies, many plantations were given to the laborers and re-organized as cooperatives. When Sandinistas were later voted out of office in 1990, plantations that had been collectivized were broken up into small farms, and many of the cooperatives collapsed when government support was withdrawn. Yet, even as some co-ops were shrinking or even disbanding, new ones like PRODECOOP, CECOCAFEN and SOPPEXA were being formed. Today, there are still large estates, employing tens of thousands of laborers and producing large volumes, but 95 percent of the nation's coffee producers are small or micro-scale growers, 45,000 in all, and small farmer co-operatives are again an important part of the nation's coffee industry.

Nicaragua's coffee sector has, of course, also been shaped by powerful external forces and trends, specifically:



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An Equal Exchange participant points to some of Nicaragua's coffee.

- a U.S. embargo of Nicaraguan coffee (1985-90)
- the collapse of the International Coffee Agreement (ICA) in 1989
- the growth of specialty coffee, organic coffee and fair trade
- and new approaches to marketing.

Some of these forces converged in 1986, and gave a hint of what was to come, when small U.S. importers, like Equal Exchange and Friends of The Third World, went to great lengths to circumvent the Reagan Administrations embargo and bring Nicaraguan coffee to the U.S. Equal Exchange and others were motivated by a sense of solidarity with the people, and especially the coffee farmers, of Nicaragua. Our goal was to use this, “The Forbidden Coffee,” as an opportunity to educate the public about the embargo, about the struggles of the Nicaraguan people, and more generally about how we are all tied to farmers around the world through our everyday grocery purchases.

In the late 1980s, these efforts would soon merge with parallel initiatives by UCIRI, a small-farmer co-op in Mexico, and Dutch solidarity activists who together were also creating an alternative to the normal practices of international coffee trading. In both cases, the goal was to create a model for trade that gave much greater priority to the needs of the coffee producers, bring their story to the forefront in northern countries, foster stable relationships between the growers, importers and the consumers, and reduce the role of the importer’s profit to that of a means and not an end unto itself. These aspirations seemed wildly idealistic, even unrealistic at the time, but have since struck a strong chord and resonated throughout the coffee industry and the public.

But 1989 to 1992 must have been as tumultuous a period, as witnessed by any coffee-growing country. In addition to the changes in government and land ownership, in those few years:

- The National Coffee Marketing Board was dissolved, meaning farmers and co-ops had to find their own exporters or learn to do it themselves.
- The United States, historically Nicaragua’s No. 1 export market, ended its five year embargo.
- And the ICA ceased to regulate global coffee exports. In six months, prices dropped to half their former level, hitting 61 cents in October, 1989.

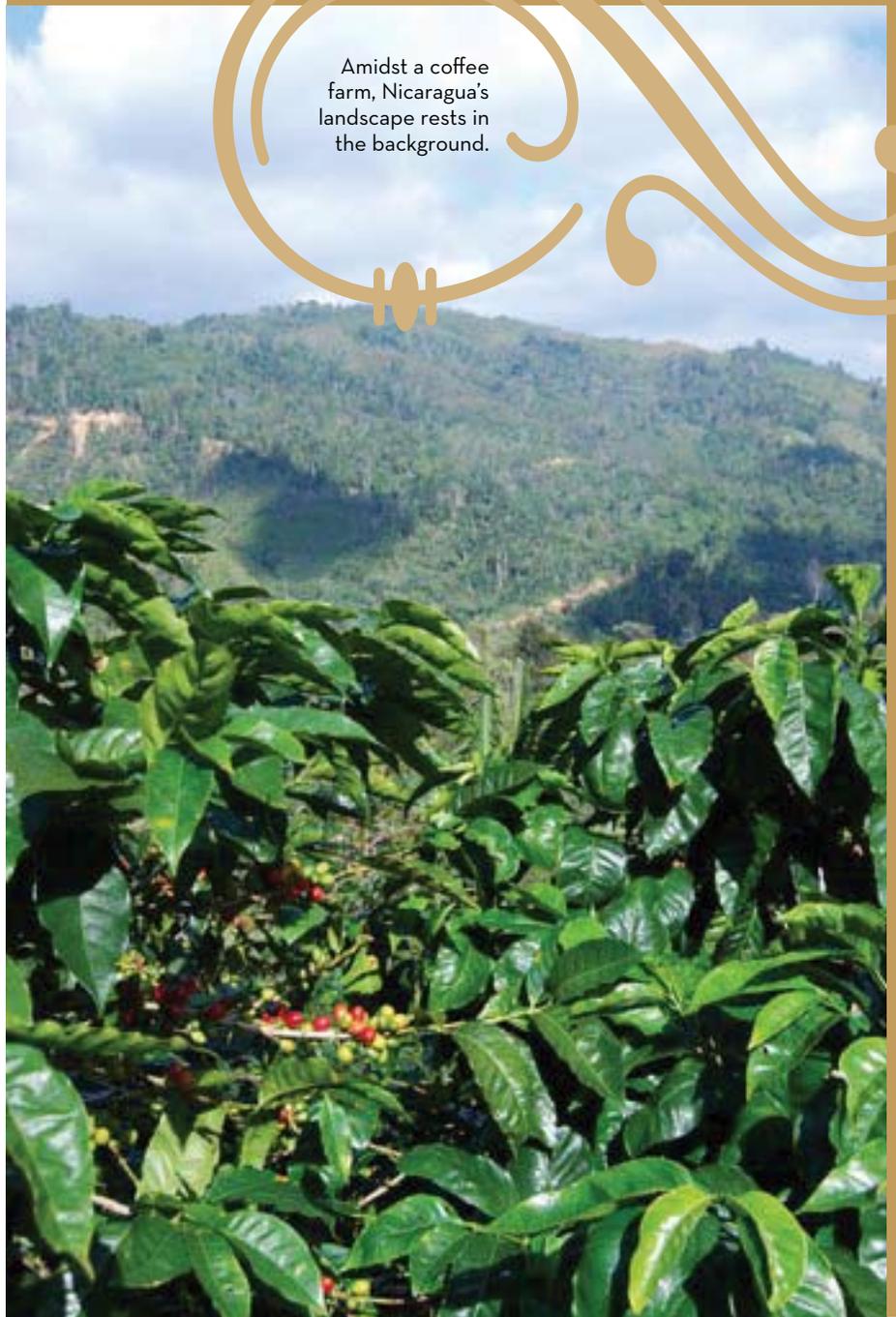
## COOPERATIVES

In this chaotic and challenging environment, a lifeline was offered by the new wave of farm cooperatives, by fair trade and by the new specialty and organic markets, which has been critical.

The cooperatives were organized around a bold vision of democratic participation, economic empowerment, and community development for the thousands of members they serve. As these cooperatives formed more direct connections to European fair trade roasters and U.S. specialty roasters, they saw the need to collaborate so they could focus on specialized commercialization practices and meet the increasing demands of the changing global coffee economy. These newer, export-oriented cooperative unions provided an agricultural processing infrastructure, strong quality assurance programs, and highly trained professional staff. Simultaneously, these cooperatives supported education, housing and environmental projects for their members. Others have used their fair trade premiums to create women’s savings and loans programs, and support diversification programs like agro-ecotourism and beekeeping—demonstrating how the cooperatives are much more than just a business enterprise.

Today, there are 19 cooperatives and cooperative unions in Nicaragua that sell into the fair trade market, and consistently Nicaragua has been one of the four largest sources of fair trade coffee for U.S. roasters. In 2007, these co-ops exported over 6,000,000 pounds of fair trade coffee to the United States. The fair trade sales for these cooperatives are often woven into their

Amidst a coffee farm, Nicaragua’s landscape rests in the background.



organizational development strategy.

After 2000, Nicaragua’s strongest smallholder coffee cooperatives decided to form the La Asociación de Cooperativas de Pequeños Productores de Café de Nicaragua (The Nicaraguan Association of Smallholder Coffee Cooperatives), or CAFENICA, to represent their collective political and economic interests. Today, CAFENICA represents more than 80 percent of the smallholders affiliated with fair trade cooperatives. The association is a platform to amplify the voices of small-scale farmers and defend their interests, aiming to influence coffee, rural development and fair trade policy at national and international levels. In Nicaragua, CAFENICA has represented smallholder interests in national coffee fairs, rural development policy debates, and as an active contractor for long-term research projects. The Nicaraguan cooperatives have used CAFENICA as an umbrella organization to participate in international industry fairs, including the SCAA and Hostelco in Spain.

## ORGANIC COFFEE

Organic coffee, much of it dual-certified as fair trade coffee, has been critical to the protection of Nicaragua’s natural resources. Nicaragua has pursued this approach more than most countries, and successfully so. And

at the same time, it has represented a way for growers to separate themselves from the NY 'C' market, to gain better prices.

Approximately 17 percent of the nation's coffee is grown organically, one of the highest rates in the world. In 2008, Nicaragua exported about five percent of the world's organic coffee, which currently represents a growing global market of 150,000,000 pounds per year. Organic farming eliminates the need for expensive inputs such as nitrogen fertilizer, herbicides or pesticides—an important benefit for cash-strapped farmers. Further, most importers, and all fair trade importers, pay premiums for organic coffee. For fair trade importers, it must be at least 20 cents a pound. Also important is that organic coffee, especially Nicaragua's, is increasingly getting high-marks for quality, as well as being acknowledged for how it captures CO2 and minimizes erosion during heavy rains, even as it increases moisture retention during droughts.

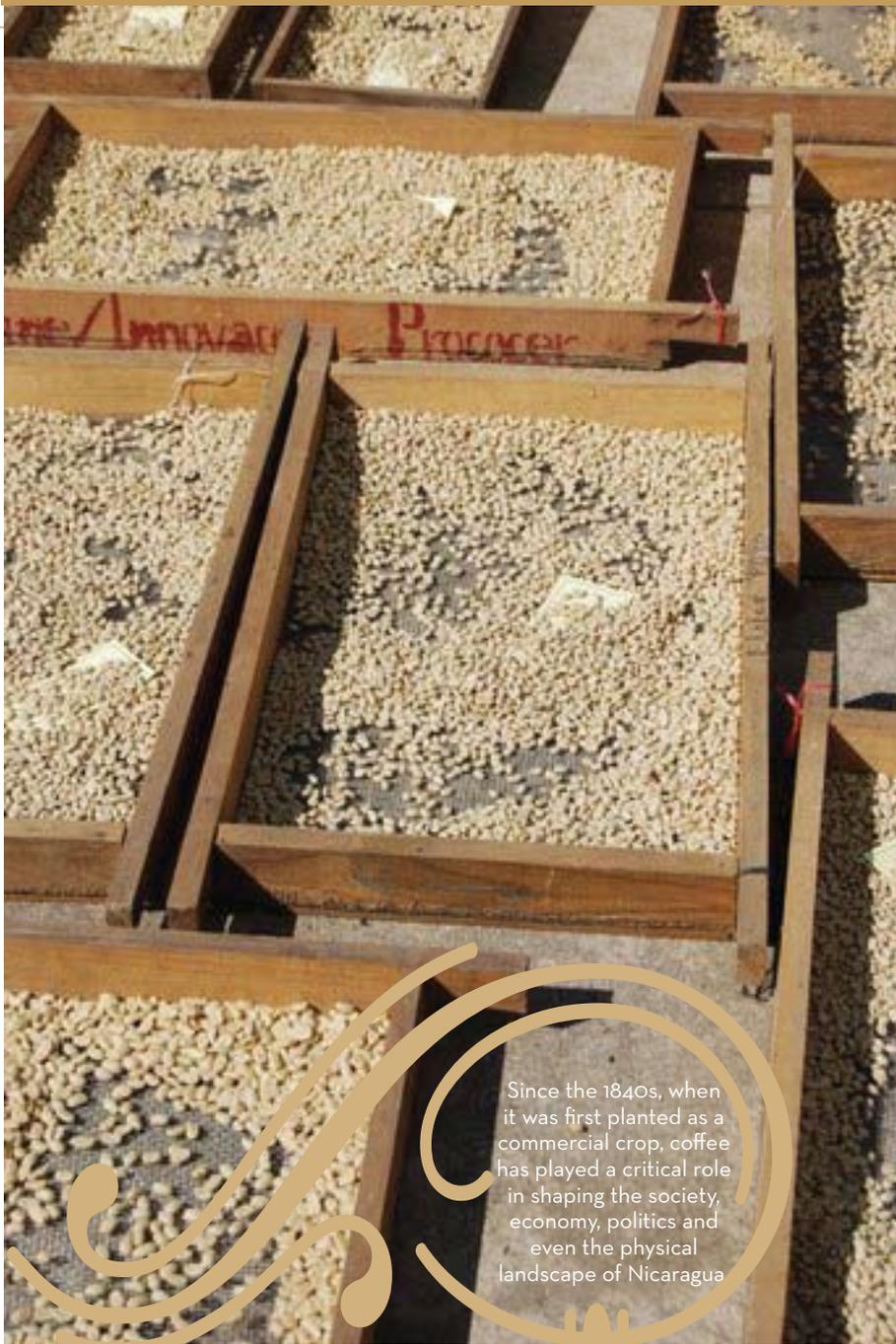
Forty-thousand coffee farming families often cultivate coffee in a way that preserves Nicaragua's precious forests and threatened biodiversity. These farmers cultivate their coffee under a canopy of native and exotic trees, and 95 percent of Nicaragua's coffee is considered "shade grown," depending on your definition. The shade trees and the farmers' management practices help sustain ecosystem services such as biodiversity, soil and water conservation. As Nicaragua's environment suffers high rates of deforestation, soil erosion and water contamination, the 250,000 acres under coffee cultivation have become increasingly important for the environmental services they provide, in addition to their significant economic output.

One common element of the growth of Nicaragua's successful participation in the fair trade and organic categories has been how the consuming public in importing countries is increasingly learning about the farmers behind their favorite cup of coffee. Whereas coffee was, before 1990, largely an anonymous product, since then it has become common for importers, roasters and coffee retailers to highlight the country, the region, the co-op and even the individual farmer who grew the coffee. Roasters now regularly tell the stories of the coffee producers and their sustainable farming practices to a public that increasingly makes their shopping choices based on such information.

One of the notable examples of this phenomenon has been the Nicaraguan Cup of Excellence (CoE) competition where, again, many trends in the new Nicaraguan coffee industry overlap.

Starting in 2004, the now well known CoE came to Nicaragua, a contest where an international panel of accomplished coffee cuppers painstakingly assess samples of all the nation's best lots. CoE competitions finish with a unique auction for the highest ranking lots that provide exceptional prices for the winning farmer and exceptional coffee for the winning bidders. At that time, many skeptics continued to argue that small-scale farmers and cooperatives were not capable of producing quality coffee.

CAFENICA and the smallholder fair trade cooperatives entered the competition and eventually won nine of the top 11 prizes. The awards were announced in the exclusive Social Club in Matagalpa, with many hardworking small-scale producers in attendance to receive the top awards. Merling Preza, general manager of one of the fair trade cooperatives,



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PRODECOOP, remembers this as one of the best moments in Nicaragua's cooperative's history—"The time when we showed them that 'yes we can.'" Later in the press conference, she said producing quality coffee, just like working to improve people's quality of life, is the "responsibilidad de todos" (everyone's responsibility).

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