

MA-5

Practice area: Access to markets, competitiveness of production chains with equity
2001: 1 consultant, 60 days; 2002: 2 consultants, 225 days; 2003-04: 3 consultants, 300 days
N.B. total days, at national and regional levels (considered to be 2 different clients)

The Ecuadorian Association of Coffee Growers Supporting small coffee growers in Ecuador

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Summary

The Ecuadorian Association of Coffee Growers (Corporación Ecuatoriana de Cafetaleros, CORECAF) has become a major organisation representing 5000 small coffee growers in Ecuador. SNV has supported the development of CORECAF to strengthen its position in the coffee sector, and to improve the management capacity to enable them to offer quality services and to ensure institutional sustainability towards their members in order to represent the small coffee growers in this sector.. SNV's assistance has evolved in response to changes in the coffee sector in general and within the organisation. The association has achieved significant successes in gaining recognition at both national and international levels, and in providing improved services for its members.

Context

Ecuador's 110,000 coffee growers, spread over three broad regions (Coast, Amazon and Eastern Highland), produce the two major varieties – arabica and robusta – traded on international markets. About 90% of them are small producers (having between 2,5 and 12 acres of land in which they produce between other products coffee). Since the late 1990s the international coffee market has been characterised by over-production, forcing prices down, and resulting in widespread poverty among small farmers.

Faced with this crisis, most producers stopped investing in maintaining their plantations, or abandoned them altogether. The neglected coffee bushes led to reduced yields, low-quality beans and even lower returns. The volume of Ecuador's coffee exports fell by 30% in just five years. However, many of Ecuador's small producers did not give up growing coffee – those with the smallest farms, located in areas with poor soils, and with little or no capital to invest, usually had no other more profitable alternatives.

CORECAF

In the 1990s a group of 20 coffee farmers in Amazonia came together to form a cooperative, which soon developed into an efficient extension service providing technical assistance for its members. As a result of a project funded by a Belgian NGO, this local initiative extended its activities to the regional level, and in 1998

became the Amazonian Association of Coffee Growers (Corporación Amazonica de Cafetaleros, CORACAF). Gradually, as CORACAF's credibility in the coffee sector increased, its membership expanded to include growers throughout Ecuador, and in 2000 it changed its name to the Ecuadorian Association of Coffee Growers (Corporación Ecuatoriana de Cafetaleros, CORECAF).

CORECAF now has 5000 members from the three main coffee-growing regions, and is now the major association of small coffee growers in Ecuador. CORECAF's mission is as follows: "Organise, represent and defend small scale coffee producers in their efforts to improve quality and efficiency of their farms.."

Over the years CORECAF, in collaboration with marketing associations, has provided a growing range of services, including research, training, extension, technical assistance and microcredit facilities, and even political lobbying. In 2001 CORECAF joined forces with its sister associations in Bolivia, Colombia, Peru and Venezuela to create the Comisión Andina de Productores de Café (CANCAFE), a regional platform for organisations of coffee producers throughout the Andes. CANAFE is now engaged in many activities to promote sustainable methods of coffee cultivation, and to improve the competitiveness and thus the livelihoods of small coffee growers throughout the Andes.

Opportunities and constraints

Despite the recent coffee market crisis, CORECAF has managed to identify market segments that offer profitable alternatives for the producers of both arabica and robusta coffees. Fortunately, the conditions in Ecuador are ideal for growing arabica, which is used to produce high-quality coffees for the specialised organic, fair trade and gourmet markets in North America and Europe, all of which have great potential.

In the case of robusta coffee, the global over-production is due mainly to the new plantations in Vietnam, yet Ecuador does not produce enough robusta to meet the demand from the domestic instant coffee industry. Ironically, in recent years Ecuador has had to import robusta beans from Vietnam to supply its domestic processing industry. In turn, the industry has become more competitive, and now exports large volumes of instant coffee (which has more added value than coffee in grain). Almost 50% of the coffee being exported is instant coffee. With destiny mainly to the countries of eastern Europe. CORECAF is therefore promoting the production of robusta coffee in order to supply this industry. It is also supporting the growers – through research to identify high-yield varieties and renovating old plantations – to help them become more competitive, and is entering into strategic alliances: For example they managed after a strong lobby process with the Ministry of Agriculture a deal with the exporting sector of instant coffee to absorb first a certain amount of the national coffee harvest before importing robusta from Vietnam. Another example of a strategic alliance is the creation of their own commercial enterprise "CafeEcuador", an enterprise in which small scale producers have actions (through the provision of their high quality coffee). This enterprise produces roasted and grinded coffee for the domestic market with the aim to pay better prices to the producers.

In promoting the interests of its members, CORECAF faces a number of challenges. The level of organisation among coffee producers in the coffee sector in Ecuador is still rather low. Only 5% of producers are members of unions or cooperatives,

although this figure is comparable with that for the agricultural sector, where according to the most recent census barely 4% of workers are organised. In Colombia a country well known for its success in the coffee sector has 80% of the producers organised and in neighbouring country Peru a 42% is organised. In Peru they managed to improve the production of coffee substantially in the last 5 years. Being organised was one of the critical factors for this rise (apart from investments from the development sector, governmental investment: stimulating alternative crops in stead of producing coca)

The coffee sector has always been controlled by industry and exporters, who are generally conservative and lack a long-term vision that would enable them to adapt to the new reality of the opening up of the global economy. These actors continue to see CORECAF as a direct threat to their interests in the production chain. When Corecaf got 2 votes in the National Coffee Board (in which there are 7 votes in total: with representatives of the exporting, sector, the industrialising sector and the individual coffee producers) this provoked a very hostile reaction from the exporting sector (they wanted to divide Corecaf by creating and reactivating other representative organisations)

CORECAF needs to be able to finance its activities from its own income, through innovative financing methods (e.g. *parafiscalidad* this is a tax charged from the coffee exports. From each bag of coffee being exporting 2% is withhold. This money is being administrated directly by the coffee sector (the National Coffee Board, this systems is also applied in Colombia with the difference that in Colombia the representative organizations of coffee producers administrates At the moment Corecaf does not have a direct access this “coffee fund” But Corecaf has initiated lobby and advocacy to make changes in the present law so that small scale producers through their representantive organization(s) can administrate directly this money. Another way to increase their income as Corecaf is through direct comercialising the coffee from their members. .

Within the association, there is a wide gap between a small group of experienced professionals and the leadership in terms of their understanding of the changes in the coffee sector. The leadership has only recently started to appreciate the extent of the crisis, and has very limited skills to translate the needs of small farmers into strategic actions. Like active participating in the national coffee board.it is still very difficult for them to maintain their position as small producers sitting next to powerfull people like the representatives of the industrial sector.

Another contrain is the lack of a coherent package of services offered by the membership organisation towards its members, like technical assistance in the coffee production and making visible to the members its efforts in lobby and advocacy at national level in order to protect the interest of small scale producers.

The role of SNV

Since 2000 SNV has supported CORECAF and its associates to strengthen the membership of the association and their position in the production chain. SNV has also provided advice on how the management can continue to provide quality services for members, and on how to ensure the sustainability of the institution both at the

organisational level and within the sector. SNV focused on two key groups: the management at national and regional levels, and the professional technicians contracted to translate the association's policies into efficient and effective activities.

SNV's assistance to CORECAF has evolved in response to the many changes in the coffee sector in general, and within the organisation. Whereas at first SNV's advisers merely commented on the association's policy approach, their role is now to serve as external consultants with activities focused on strengthening the internal capacities of the association. This process has been a valuable learning experience for both CORECAF and for SNV.

Products delivered by SNV::

- market chain analysis (at the same time doing a production Chain analysis and creating capacities within the organization to get a better understanding of this chain and creating capacities in doing an analyses)
- Coaching (offering coaching as a product towards the management part of the organization and offering training to create these capacities within the organization)
- Strengthening lobby and advocacy to improve negotiating skills of representative producers and management staff of Corecaf for example in order to fulfill their role in the National Coffee Board and at more international level (like the CAN: Community of Andean Nations¹ where an adhoc work group on coffee has been created on the demand of the small scale producer organisations from the countries involved)
- Advise in making a business plan (CafeEcuador)
- Advise in defining a finance strategy for Corecaf (how to generate more own income and be less dependent on the Cooperation sector), for example direct commercializing

Results

With the assistance of SNV, CORECAF has achieved some real successes:

- CORECAF has been involved in the formulation, negotiation and implementation of two development projects, with funding from the government of Belgium totalling US\$ 7 million, which will benefit more than 8000 coffee producers. . Because of the involvement in the project formulation the project subscribes the same objectives as Corecaf does (improve the position of small scale coffee producers)
- The association has received a subsidy US\$8 million from the national government of to stimulate the renovation of 20,000 hectares of robusta coffee plantations in Amazonia with very encouraging production results
- CORECAF is now a recognised institution at both regional and national levels. As a member of the National Coffee Council (Consejo Cafetalero Nacional, COFENAC) it is in a position to influence national policies for the coffee sector and ensure that they favour small producers.

¹ The CAN, Community of Andean Nations is an Economic and Politic Union between the Andean countries Venezuela, Colombia, Ecuador, Peru and Bolivia

- The association has recently carried out an internal reorganisation, including the decentralisation of functions to regional committees.
- Capacity building for the development, presentation and negotiation of funding proposals.
- The association helped to create and is an active participation in regional platform for organisations of small coffee growers throughout the Andes.
- More women are represented on regional and national committees, and are now advocating the inclusion of a gender approach in the policy for the coffee sector.

Contribution to poverty alleviation

According to data from the CAN project, many small coffee growers have benefited from improvements in yields and quality, more diverse production systems, and the higher prices paid to producers through various forms of direct marketing.

Some leaders of CORECAF are now serving as councillors and are able to influence municipal and provincial councils to improve the provision of basic services for coffee growers. The association is also working to empower women by encouraging them to take up management positions at regional and national levels, to ensure that the benefits obtained by the association reach the family as a whole.

Some figures:

- Increase in production from 5 to 15 coffee sacs (of about 40 kilos)per hectare for some 2000 producers
- Price paid to the producer is improved with 15%
- A subsidy has been canalised through Corecaf of 360 dollars per hectare of coffee towards coffee producers in the amazon region for impulsing diversification of crops and for compensating the low coffee prices
- The creation of an enterprise which commercialises directly the coffee of small scale producers in the coastal region, this will benefit in two years to 5000 producers
- Small scale producers have 2 votes in the National Coffee Board

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Resources

El III Encuentro de cafetaleros de la Comunidad Andina,

http://americas.org/item_16849

Ecuadorian Association of Coffee Growers (CORECAF)

www.sica.gov.ec/cadenas/cafe/docs/Corecaf.htm (in Spanish; English summary at www.sica.gov.ec/ingles/cadenas/cafe/docs/Corecaf.htm)