THE NEXT GREAT SUSTAINABILITY CHALLENGE IN SPECIALTY COFFEE:
Addressing Hunger in the Coffeelands
Michael Sheridan – 15 February 2012

I have had the privilege to work with smallholder coffee farmers in Central and South America over the past few years as a project manager for Catholic Relief Services. Our work has helped farmers improve their livelihoods. At the farm level, smallholders have increased productivity through improved husbandry and renovation. At the farm enterprise level, smallholder cooperatives have improved their management capacity, accessed credit, developed new trading relationships, expanded exports and generated increasing returns to scale. As a result, smallholders are competing more effectively in the U.S. specialty market. But they are still struggling with seasonal hunger.

My experience with this issue over the past three years suggests there is no easy fix. It also suggests there is steadily growing interest within the industry in trying to address it.

Tracking industry interest in the issue of seasonal hunger in the coffeelands.

Concern about hunger in the U.S. specialty coffee industry is nothing new. When coffee prices fell a decade ago to historic lows, it was precisely concern about smallholder welfare – and the specter of famine in the coffeelands – that drove the phenomenal growth of Fair Trade Certified coffee sales.

Over time, as prices gradually rose and Fair Trade emerged as the ascendant social and economic option for smallholder farmers, it is fair to say that the issue faded from sight. We assumed, reasonably perhaps, that the increased coffee revenues delivered through Fair Trade and quality-focused direct trading relationships would be sufficient on their own to alleviate hunger and poverty. The narratives around these two approaches to sustainable trade suggested as much. Beginning in 2006, however, we began to rethink our assumptions, thanks in large measure to groundbreaking research commissioned by Green Mountain Coffee Roasters on household-level livelihood outcomes of smallholder farmers in its supply chain. The results revealed that even farmers selling coffee that was both Fair Trade and organic certified – the winners in the specialty coffee trade – are coping with food scarcity as many as eight months a year after the income from the annual coffee harvest runs out.

In 2009, at Sustainable Harvest's Let's Talk Coffee event in Nicaragua, I co-facilitated a session on food security in coffee communities with Green Mountain's Rick Peyser, whose leadership around this issue has been tireless and courageous. He expected 10-12 people to show up, mostly in representation of smallholder cooperatives and development agencies like mine that accompany them. Instead, more than 100 people crammed into the room, with more than a few willing to stand in the back to be part of the discussion. They included farmers, cooperative leaders, roasters, NGOs, academics and industry press.

Based on that overwhelming expression of interest and concern, Sustainable Harvest created the first Food Security Solutions event the following year, with support from Green Mountain. The four-day affair revolved around hands-on workshops in beekeeping, gardening, mushroom farming and organic fertilizer production. It was remarkable in the sense that it was convened by a coffee importer, underwritten by a coffee roaster, attended by smallholder coffee farmers, and dedicated to something other than coffee – reducing hunger in the coffeelands.

During each of the past two years, I have had the opportunity to address members of the SCAA on this issue, first on a panel at the 2010 Expo and then again during last year's Symposium in connection with the world premiere of the After the Harvest documentary. In both cases, my involvement in these presentations altered the course of my SCAA experience – in the hallway and show-floor conversations that followed, it was all people wanted to talk about. I have used the CRS Coffeelands Blog to continue the conversation with industry stakeholders interested in the issue, sometimes online but mostly off. I would characterize the engagement of roasters, importers and other industry actors as concerned, thoughtful, committed and seeking – seeking answers to two persistent questions: what causes hunger in the coffeelands, and what can be done about it?

What causes hunger in the coffeelands?

From my perspective, the three leading causes of seasonal hunger in coffee communities are low coffee productivity, land constraints, and limited diversification of agricultural and economic activity. Some of these factors are easier to address than others.

Low coffee productivity.

In 2011, we concluded a three-year project involving more than 7,000 smallholder farmers in Mexico and Central America. One of our partners in Mexico was a cooperative with almost 1000 members that has been selling organic and Fair Trade Certified coffee for more than 10 years – again, ostensibly winners in the specialty coffee trade. During my first meeting with the cooperative, its leaders told me they wanted to focus their energies on roasting. After analyzing the numbers, they agreed that the export of double-certified coffee was not economically sustainable. I was shocked by the conclusion, but as the conversation wore on, I came to understand how they reached it – the average level of productivity among the cooperative's members was just 250 pounds per hectare. At that rate of productivity, they were probably right.

While 250 pounds per hectare may be an extreme example, we found in our work in Central America that there were few places where smallholder farmers could not double or even triple their yields with improved access to credit and training.

Land constraints.

While we believe that investment in farm renovation and rehabilitation can dramatically increase household income for smallholder coffee farmers, land constraints may limit the effectiveness of productivity investments as a stand-alone strategy. By definition, smallholders have little land available to work. In many cases, they simply do not have enough land to live from coffee farming alone.

We are just starting work on a new project in Nariño, Colombia, where average smallholder productivity is high (over 2000 pounds per hectare) but average farm size is low: just 0.9 hectares, with 0.6 on average planted with coffee. That is about an acre and a half of coffee. Imagine having to coax most of your annual income out of a coffee plot that is not bigger than a large suburban back yard – one that lies on a 45-degree pitch. Even with optimal productivity and quality premiums, it is unlikely that you will generate enough income on that amount of land to meet even the basic needs of your family of 5 of 6, to say nothing of the kinds of reinvestments necessary to stay competitive in a specialty coffee industry whose standards for quality are on the rise.

Limited diversification.

In this context, the only hope for sustainable livelihoods and food security for smallholder farmers is a highly diversified farm, with agricultural activities preferably combined with off-farm income sources. Over-reliance on coffee creates a perennial lean season that has been part of the coffee farming experience for smallholder farmers in places like Guatemala for many years.

Dependence on coffee can increase food insecurity in two related but separate ways. First, over-reliance on coffee reduces the production of food for household consumption. In response to the increasing specialization of the coffee trade and the incentives provided by rising prices, smallholders have steadily shifted resources from staple food crops to coffee. This means that farmers produce less food for their families and rely more on the income they generate from the sale of their cash crops to purchase food in local markets.

But a market-driven strategy for household food provisioning is usually not sufficient for smallholders if coffee is the only cash crop. This is the second way that dependence on coffee can create a seasonal hunger dynamic: in the absence of other reliable sources of income at other times of the year, smallholder farmers struggle to stretch their coffee income from one harvest to the next.

Squaring the $3 NY "C" market with hunger in the coffeelands.

Taken together, these three factors show how smallholders can continue to struggle with seasonal hunger even when market prices are high or roasters are paying significant quality premiums. And they can explain moments of extreme cognitive dissonance like the one we had at last year's SCAA Symposium: as the After the Harvest documentary was putting a human face on the issue of hunger in the coffeelands inside the ballroom, coffee importers and roasters in the hallway compared notes on how they were navigating a market in which prices had reached 15-year highs.

What can be done to address hunger?

All hope is not lost. Here are just a few ways that the duration of the hunger season in the coffeelands can be reduced.

Farm renovation and rehabilitation to increase productivity.

Word Coffee Research (WCR) proposes to increase the supply of specialty coffee through research and development involving new cultivars that rise to the production challenges of the climate change era while also meeting industry standards for quality. This is a worthy and necessary endeavor. But over the medium-term, we might delay the looming supply crunch with massive investment in rehabilitating coffee farms in places like Mexico, where it is not uncommon to see coffee shrubs more than 60 years old. In the meantime, individual roasters and importers are filling the finance gap.

Let's return to the example of the Mexican coop whose members produced just 250 pounds of coffee per hectare and concluded that roasting represented the only economically viable path for the future. I understood the conclusion but disagreed with it. I felt the cooperative's surest path to profitability was not to change its business model, but to invest massively in renovating the productive capacity of its members. A number of the cooperative's trading partners agreed, and began building into their contracts a 5-cent-per-pound premium for a coop-managed renovation fund. My conversations with roasters and importers focused on sustainability suggest that this practice is becoming more common. From a developmental perspective, it is encouraging since it aligns economic and social incentives all along the chain: the reinvestment that promises to increase coffee incomes and reduce hunger and poverty in the coffeelands also helps roasters source more high-quality coffee in a tight market.

Farm diversification for the family and for the market.

There are more diversification initiatives happening at origin right now than I can count. The most promising ones are built on a strategy that includes production for household consumption and the market.

Improving production for household consumption is not just a productivity issue. Farmers don't just need to produce more of what they are already producing, but to diversify their production to include more diverse and nutritious foods. Often this means vegetable gardens to increase the availability of the kinds of foods that combat micronutrient deficiencies and contribute to create a balanced, nutritious diet: leafy greens, cauliflower, broccoli, green beans, beets, carrots, orange fleshy sweet potatoes, mushrooms, etc. It sometimes means replacing traditional heirloom crops with new, improved varieties that have higher nutrient density. And while most specialty coffee landscapes are not conducive to cattle farming, small livestock production is an activity that is compatible with upland farming systems and increases access to the animal source proteins that are so vital in early childhood development.

On the market side of the ledger, successful initiatives smooth income flows over the course of the year and reduce the reliance on earnings from the coffee harvest. Mostly, these have been agroenterprise efforts that seize opportunities in local, regional or international markets for crops other than coffee. From our perspective, the agricultural products that are compatible with sustainable agroforestry systems are the most exciting, since they create additional economic incentives for farmers to maintain the coffee agroforestry systems that conserve biodiversity, sequester carbon and represent a stubborn bulwark against deforestation. These include fruits like citrus and avocado, nuts like macadamia and ramon nut, spices like cardamom and vanilla, and other perennials like cacao. These products have been sold fresh, as in the case of avocadoes. They have also been processed in ways that increase the products' shelf-life and allow farmers to add value to primary products. Prime examples include fruit preserves and dried fruit. Honey is another product that has been effectively incorporated into coffee fields as an additional source of income that also has been shown to have beneficial impacts on coffee productivity and quality.

Beyond the coffee forests, some of the most successful complementary crops have been those that generate the most value on the smallest plots of land. These have mostly been high-value vegetables, but also include medicinal herbs. When these alternative market crops are grown on small plots of land adjacent to a farmer's home, they represent prime opportunities for women's direct involvement in the production and marketing of cash crops.

Finally, it is important to note one corollary investment that can unlock enormous value for smallholders whether they are producing for the market or household consumption: drip irrigation systems. In water-constrained areas where farming is rain-fed, producers may get only one chance a year to harvest their staple food or non-coffee cash crops. With access to irrigation, they may get three harvest cycles or more a year, meaning more food on the family table and more cash in the family kitty.

Livelihood diversification beyond farming.

Historically, most diversification efforts have ended at the farm's edge and focused exclusively on agricultural and livestock production. But changing dynamics in coffee-producing countries have created new opportunities for diversification that include off-farm and non-agricultural activities.

In countries like El Salvador, award-winning coffees are grown less than an hour's drive from the capital San Salvador, and few coffee farmers are more than a half-hour from the nearest population center. In this context, the concept of "rural economies" is evolving to include dynamic interaction with nearby towns and cities. In El Salvador and other origins in the Americas, smallholder families are earning an increasing percentage of their household income from activities that take place off-farm, ranging from traditional agricultural labor on larger farms to wage labor in the growing service sector economies of coffee-producing countries – a sector which almost everywhere includes a growing tourism trade. Given the relative newness of this development, the historical record is thin on concrete economic initiatives designed to boost off-farm income for coffee farmers. We have piloted an initiative in a coffee community in rural Guatemala to help women develop cottage industries that meet the demands of the high-end craft market in Guatemala City. The initial results are encouraging.

But not all non-agricultural income opportunities are off-farm. Rural tourism will not displace coffee production anytime soon as a leading source of income for smallholder farmers, but I have seen several examples of cooperatives that have built enough basic infrastructure to support a steady if modest stream of coffee buyers or tourists seeking off-the-beaten-path experiences. Like forest crops, the richness of coffee tourism is that it creates another economic incentive for farmers to maintain the biodiversity of their farms, since the flora and fauna they host represent one of the chief attractions for visitors.

Partnering for impact at origin.

The common denominator in all the cases of effective reinvestment I have seen is that it is channeled through local organizations that are technically competent and socially committed. These have mostly been strong coffee cooperatives with a concept of service to their members that goes beyond marketing coffee. But they have also been local or international non-profits with strong local teams and a long-term commitment to the communities they serve. I believe there is still great potential for innovation in partnership at origin that can increase the impact and sustainability of reinvestment in coffee communities.

Competitive or collaborative reinvestment?

A generation ago, visionaries in the U.S. specialty coffee industry courageously embraced a sustainability agenda that put it at the forefront of the food and beverage sector. I am confident that a new generation of industry leaders at origin and in the marketplace can rise together to the persistent challenge posed by seasonal hunger in the coffeelands with the commitment and creativity necessary to address it in meaningful ways. Based on my own exchanges with industry leaders, I believe the will to do so is building.

The question, then, may be less of whether the industry will address the issue systematically than of how it will do so. In my mind, the key question is whether it will be a competitive or collaborative effort.

The example of the Fair Trade roasters funding farm rehabilitation in Mexico is an example of reinvestment at origin as a source of competitive advantage. A tight market is a seller's market, and cooperatives seeking to maximize the benefits of their trading relationships may privilege buyers who don't just make long-term trading commitments and pay good prices, but also reinvest in farm rehabilitation or diversification. This would be a significant development in the evolution of sustainable trade, embedding community development services into coffee trading relationships and creating competitive incentives for differentiation on the basis of social impact. From the perspective of a development agency whose mission is to serve the poor, there is something awfully appealing in this scenario.

But ending seasonal hunger in the coffeelands is in the interest of the entire industry. It is also something that is unlikely to come to pass under the competitive scenario described above. With piecemeal investment and no coordination across multiple supply chains, a competitive approach is unlikely to create a whole that is greater than the sum of its parts. WCR is a timely example of how diverse industry actors have coalesced to address and issue of common concern. If industry actors can come together around the need for a greater quantity of quality coffee, why can't they do the same thing to address the need for a greater quality of life among the smallholder farmers who grow the coffee that drives their businesses? Given the scope of the issue, it is hard to imagine that it can be decisively addressed in any other way.

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