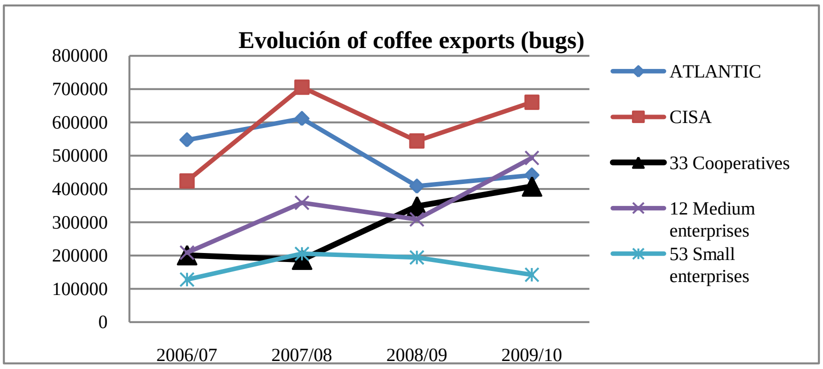
"The following is an article by Rene Mendoza, one result of a recent study of cooperativism in Nicaragua undertaken by Edgar Fernandez and him on behalf of Winds of Peace. It offers a hopeful perspective with regard to the current growth of cooperatives and what they are capable of achieving on behalf of their members."

The Boom of the Coffee Cooperatives: Sign that they are "riding on"?

By: René Mendoza V[1]. y Edgar Fernández Q.

Antes las exportadoras nos veían por los hombros, ahora nos salen al frente: enojados[2].
Manager of a Union of Cooperatives



50% of the small scale producers of coffee are members of cooperatives that in 2009/10 exported 18% of total coffee exported: from 200,000 qq in 2006/07 now they are above 400,000qq (CETREX). In 2008, while all exports dropped, the exports of cooperatives increased. Out of 100 exporters, cooperatives are 33 of them, even though 21 private exporters and 10 cooperative exporters did not export even one quintal in 2009-10 (CETREX).

What factors had an impact in the scaling up of the cooperatives to the point of making many export companies "angry"? At first glance the Venezuelan market seems to be a decisive factor; but if we take out what was exported to Venezuela, the exports of cooperatives still rose, in particular when we recall that the cooperatives in 1990/91 were not 1% of coffee exports, and in 2006 they were 10%. Let us point out some responses.

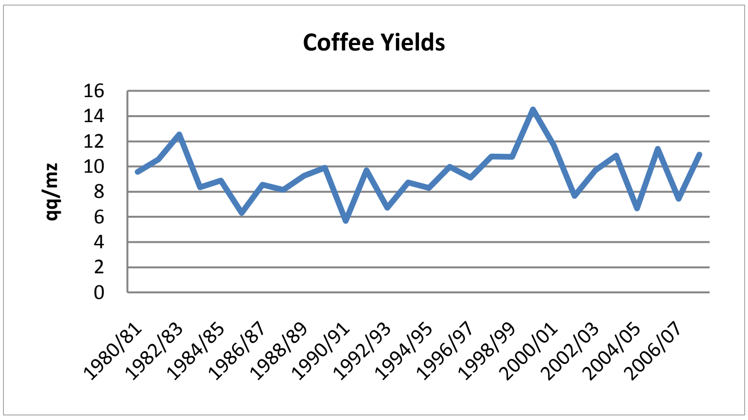
The more differentiated a product is the more formal organization is required. In the last 20 years the diffentiation of coffee in the world has increased: it is calculated that there are a little more than 100 types of coffee offered to consumers. A manager of a British supermarket said, *"coffee is like wine was 30 years ago."* There are close to 500 different types of wine. A differentiated product requires meeting some rules in terms of social, environmental and organoleptic quality (variety of crop, type of soil, altitude, management on the farm, wet milling, dry milling, transportation, roasting, packing). In order to respond to this differentiation, the cooperatives evolved organizationally and in terms of investments. They have 2 federations, 15 unions bringing together more than 100 grassroots cooperatives, 14 multiple service cooperatives, and 2 associations, all of them exporting coffee. They have export and processing enterprises (dry mill), cupping laboratories, fertilizer production in some cases, credit and technical assistance units.

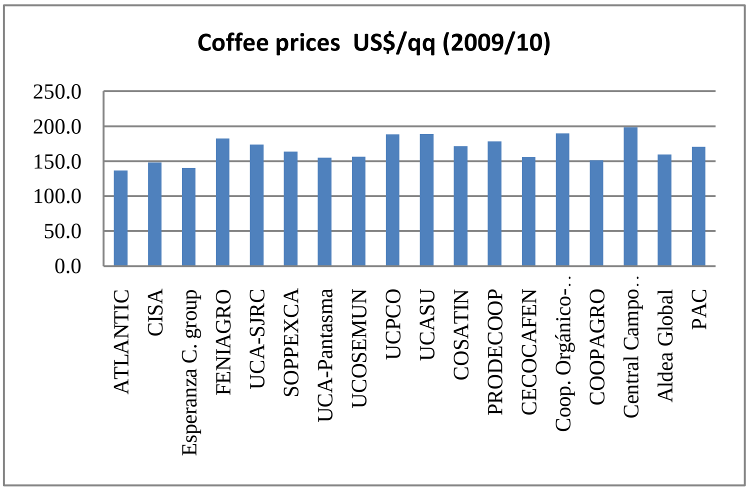
The more diversification and market an organization has, the greater the possibility of accessing niche markets and having external resources as a cushion. This logic is expressed in a number of directions. Externally: each cooperative exporter has arrangements with various buyers through differentiated markets, fair trade (FLO), organic coffee, conventional coffee, specialty coffees and *coffee practice seals, UTZ certified and Rainforest certified;* they have also developed linkages with aid agencies and international NGOs benefitting from their resources and services. Internally: diversity of innovations combining markets, technology, credit and projects, including strategies for collection of the coffee harvest, management of dry milling and cupping, and increase in the number of members. Horizontally: the development of alliances

[1] rmvidaurre@gmail.com We are looking into where to publish it...
[2] This phrase is difficult to translate briefly into English, in essence it is saying that in the past the exporters would only look at our shoulders (because the peasants carried the 100-150 bags on their shoulders to load or unload the trucks), now they stand in front of us, angrily.

with the private sector for the collection of the harvest, processing and/or exporting coffee, in some cases with microfinance institutions and organizations like Root Capital.

More emphasis on coffee quality than on the productivity. Coffee productivity in the country has not increased (qq/mz), but the quality of coffee has. According to records of the Cup of Excellency Award, since 2001 close to 50% of the finalists have belonged to cooperatives. Now the quality of Nicaraguan coffee is among the best in the world, a positive externality that benefits everyone. This drive toward quality is expressed in terms of prices: the cooperatives get a per quintal FOB price of between US$15-50 higher than the price of the large coffee exporters in the country, CISA and ATLANTIC.





The more they grow the more they increase their social and human capital. They have 10 times more leaders than 20 years ago. The number of technicians has multiplied in commerce, administration, credit and technical asssistance. They have acquired skills in negotiation, project writing, preparation of reports, management, cupping, and coffee bartending.

This leap of the cooperatives is based on 30 years of expansion of their capacities. Prior to 1979 coffee exporting was centralized in very few hands, in the 80s the state centralized it, but the cooperatives flourished, and since 1990 the "map" of coffee has been changing: the dispute over the "capital" of coffee has another participant, the cooperatives.

Nevertheless, the more it grows the more challenges emerge. A parable:

> A mountain climber sees Momotombito and climbs it to be on the highest place. After a lot of effort he gets to the top, raises his hands in triumph and turns around and discovers among the clouds there is a higher mountain, Momotombo! He can´t believe it. After much lamenting he decides to climb Momotombo. But to do so, first he has to climb down Momotombito, cross a valley and climb up again.

Even though the survey of FIDEG and INIDE says that poverty has been reduced, getting out of poverty is the real Momotombo. How much has the change in the income "map" and the standard of living of the producer families improved, especially for the family members of these cooperatives? Are there similar new developments between unions of cooperatives and grassroots cooperatives, as there are between unions of coffee producers and the coffee markets? The coffee unions arrived at Momotombito, CISA and ATLANTIC have been there for some time, guarding the door to Momotombo. The time has come to now climb Momotombo. Will they ride on?