

The coffee cooperatives of Nicaragua: Competing for coffee capital with the large enterprises?

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When cooperatives are talked about in Latin America, the gaze goes toward Nicaragua, particularly when it is about agricultural cooperatives. In Nicaragua agricultural cooperatives mostly means “coffee cooperatives” and “milk cooperatives”. And in talking about coffee cooperatives the reference is to the north and central part of the country where a good number of organizations – even though not all nor even the majority – are gathered together in CAFENICA. Its importance is growing due to the fact that the coffee cooperatives export close to 20% of the total coffee exported. What explains this leap of the cooperatives when 20 years ago they did not reach 2% of exports? Is this a sustainable leap for its members, first and second tier cooperatives? In this systematization a key factor becomes a little clearer, that the growing differentiation of coffee markets was responded to, more than by the private enterprises, by the cooperative organizations, supported by the fair trade organizations, a correspondence that in turn allowed them to reorganize the coffee chain.

Introduction

The concentration of land ownership in few hands was a structural factor of inequality in Nicaragua that contributed to the civil war between 1950 and 1979; one of the measures of the Sandinista Revolution was the agrarian reform organized through the first tier cooperatives in the decade of the 80s. Since 1990 the application of the ESAF policies began (market liberalization, privatization and reduction of the State), and with them the cooperatives were left orphaned from “Father” state: without credit, technical assistance, market and political direction; their biggest problem was no longer access to land, but the defense of the land and their exclusion from the market. Not only the member families of the cooperatives faced these problems, but the population connected to agriculture.

The response to these structural problems came through three forms. Mega-projects financed by donors connected or not to the State to alleviate the effects of the ESAF policies and to rehabilitate a post war society; initiatives like the microfinance institutions and private or NGO technical assistance services; and the cooperatives that faced the dilemma of disappearing or scaling up organizationally. This systematization is about the third form, the leap of the first tier cooperatives (or grassroots cooperatives) to second tier cooperatives (that bring together first tier cooperatives) and with it developing export and coffee processing services aimed at differentiated markets; and as part of this leap the constitution of third tier organizations like the Association of Small Coffee Producer Cooperatives of Nicaragua (CAFENICA). This leap responded to the challenge of differentiated markets in a context of institutional change expressed by the policies within the ESAF framework. What explains this leap? This is our guiding question.

The goal is systematize the coffee cooperatives gathered around CAFENICA through reviewing secondary data, interviews of key people with different angles (from the government, from aid agencies and from history) connected to the cooperatives, holding two workshops, one with the leadership and management of CAFENICA and another with the leaders of the member cooperatives of CAFENICA. The means is a methodological perspective that would provoke thought for unlearning and learning. The purpose is to generate learning with CAFENICA, as part

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of 16 actors in Latin America with an interest in promoting changes in the institutional environment and in policies that would facilitate increasing the impact and sustainability of the efforts, current and future, of economic empowerment within the rural area of the region.

After this introduction; the first section provides the results, locating the cooperatives in their history, the composition, and characteristics of their members; it continues with the vision and strategic innovations, second and third section; later the fourth and fifth sections are dedicated to clarifying the elements of the context that facilitate and block innovations and the strategic vision of the cooperatives; the sixth section summarizes the lessons from all of this (collective learnings); and finally as a result of this learning, the conclusion begins to see a strategic perspective for CAFENICA and the coffee cooperatives.

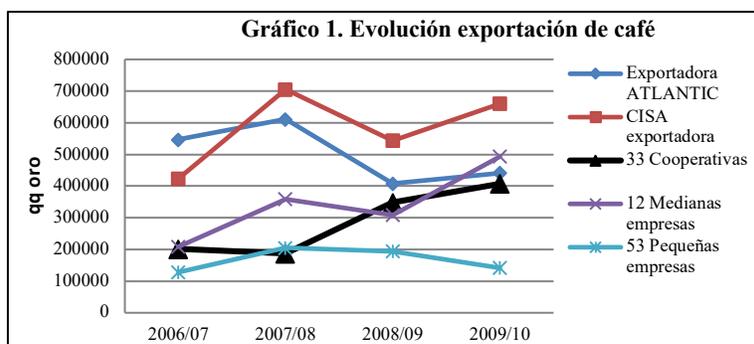
1. Results: The coffee cooperatives competing for capital

What is it that we have with the coffee cooperatives? We have cooperatives that responded to the challenge of differentiated markets through scaling up organizationally in alliance with fair trade organizations. This section presents the results of this move forward; and in doing so we find the cooperatives as a whole competing for coffee capital with the private sector, something that barely 20 years ago was “unthinkable.”

1.1 Historical location of the Cooperatives and of the support of CAFENICA

The decade of 1980 was the decade of the agrarian reform and the constitution of first tier cooperatives. The decade of 1990 was the period for the constitution of the second tier cooperatives (UCA, Federations) bringing together more than 120 first tier coffee cooperatives. As part of this growth, in the following decade most of the investments in dry milling and cupping laboratories in many cooperatives occurred; it is the decade in which the Cup of Excellence emerged, 50% of whose awards for best coffee quality come from the cooperatives; it is the period in which CAFENICA emerges, as a third tier body not as an association but as a “facilitator of processes”, bringing together most of the second tier cooperatives. To summarize, in the 80s they talked about producing and the first tier cooperatives; in the 90s about exporting and processing and of the second tier cooperatives; and in the first decade of the current millennium they talk about cup profiles, promotional events, representativeness, political advocacy of the sector, and about CAFENICA.

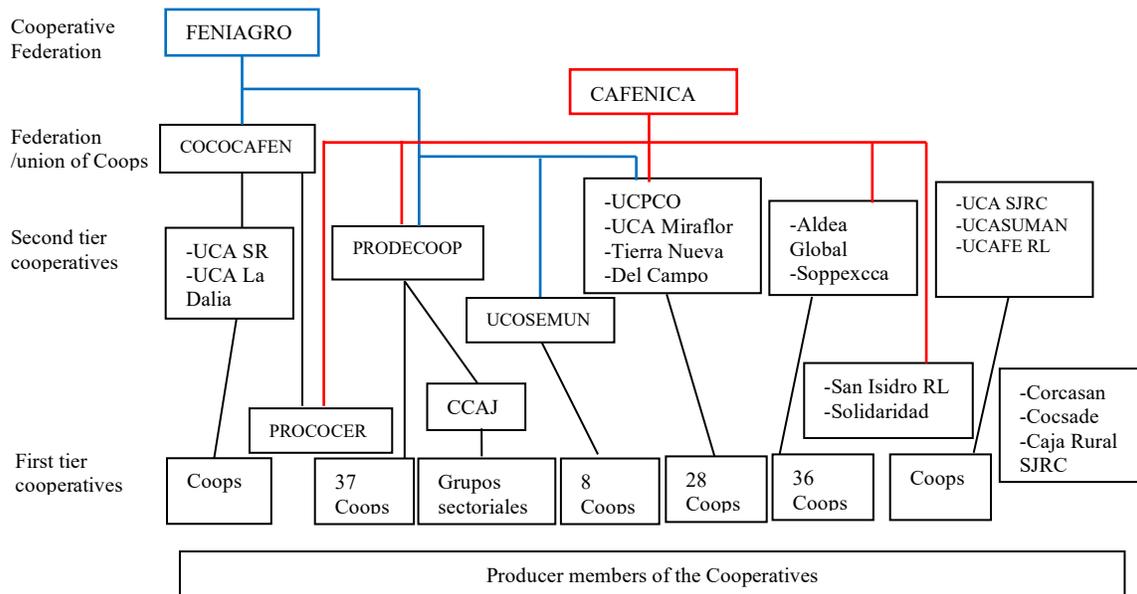
This growth can be appreciated in terms of its evolution in exporting coffee. In 1990 the cooperatives exported 1%, in 2006 10%, and in 2009-2010 they reached 19% of all coffee exported. Out of 200,000 quintals (q) in 2006-2007 they are now surpassing 400,000q of coffee exported per year (CETREX). Out of 100 exporters, between 2008 and 2010, 33 are now cooperatives (Mendoza, 2011)².



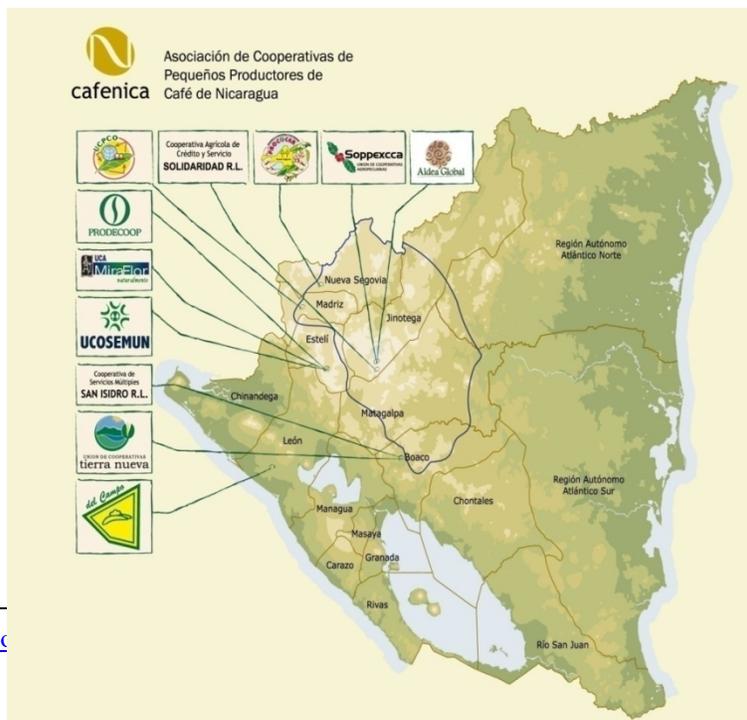
² The boom of the coffee cooperatives, sign that they are galloping?

Who are these cooperatives? Diagram 1 presents us with all the cooperatives taken together, by their levels, then later their belonging to second tier cooperatives, and from most of these to CAFENICA. Notice, CAFENICA brings together second tier cooperatives and also some first tier cooperatives that are directly exporting coffee. The cooperative members of CAFENICA also form part of other instances of cooperative integration, like the Federation of Agro-Industrial Cooperatives of Nicaragua (FENIAGRO), that in turn brings together other cooperatives that are outside of CAFENICA, like for example CECOCAFEN. It is also important to note that there are first tier as well as second tier cooperatives that have remained outside of CAFENICA and FENIAGRO.

Diagram 1. Structure of Cooperative Integration



CAFENICA has 11 cooperatives, 9 of them come from northern Nicaragua (Matagalpa, Jinotega, Estelí, Nueva Segovia and Madriz), 2 from Boaco and 1 from León. See Map. CAFENICA since its founding has been executing a dozen projects of about 4.5 million dollars since 2003 (Table 1) in different areas (gender, institutional capacity, associativity and business, investment in wet mills, technological research and advocacy) and for periods of between 1 and 3 years.



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Table 1. Projects executed by CAFENICA (2003-2011)

Name of Project	US\$	Donor that financed it	In alliance with organizations	Project period
Coffee: An example of responsible production and consumption	1990,570.15	European Union	ECODES	2003-2006
Construction of small wet coffee mills	229,019.33	Ecology and Develop. Foundation	Government of Aragón	2009-2010
Political, economic empowerment of women members of the Flowers of Coffee Women's Movement - Cafenica.	60,750.00	MS – Central America		2009-2011
Alliance for Creating Rural Development Opportunities through Agro-Business Relationships.	164,112.00	Lutheran World Relief- CRS-AID		2007-2012
Strengthening the Coffee Network of CLAC.	206,984.35	Setem - Cataluña		2006-2011
Strengthening Commercialization Capacities of the Small Scale Fair Trade Producers of Mesoamerica.	247,890.55	Setem-Cataluña		2005-2011
CLAC Development and Empowerment aimed at the Coffee Category process and the Generation of Capacities.	143,405.00	Fair trade Foundation	Coffee Network-CLAC	2009-2010
Strengthening the political advocacy capacity of CAFENICA and Members.	512,000.00	European Union	Swedish Cooperative Center	2009-12
Political advocacy for the sustainable development of the small coffee producers	103,963.20	Swedish Cooperative Center		2007-2008
Strengthening the management capacity for the development of the Nicaraguan cooperative sector.	257,082.55	Swedish Cooperative Center	UNAG, CEPRODEL, FEMUPROCAN, PRODECOOP, CECOCAFEN	2008-2012
Strengthening the capacities of small producer organizations in the construction of an associative model with gender equity	106,120.82	Intermon Oxfam - La Nicaragua Posible		2005-2006
Strengthening the coffee network of CLAC,	23,557.50	Intermon Oxfam	Municipal Govt of Sevilla	2009/2010
Strengthening the capacities of small producer organizations in the construction of an associative model with gender equity	130,681.25	Intermon Oxfam	Municipal Govt of Sevilla	2009/2010
Strengthening the coffee network of CLAC.	19,410.00	Intermon Oxfam	Balear Government	2007/2008
Institutional strengthening of Cafenica and its members	70,067.00	Intermon Oxfam	Balear Government	2007/2008
Identification of specialty coffee niches and the interaction of quality and the environment.	129,646.70	FUNICA	DANIDA	2007/2008
Quality Management Systems Project for small producer organizations, Central America region.	82,132.80	Fair Trade Org (FTO)		2007/2009
TOTAL	4,477,393.20			

1.2 Social Sector and gender

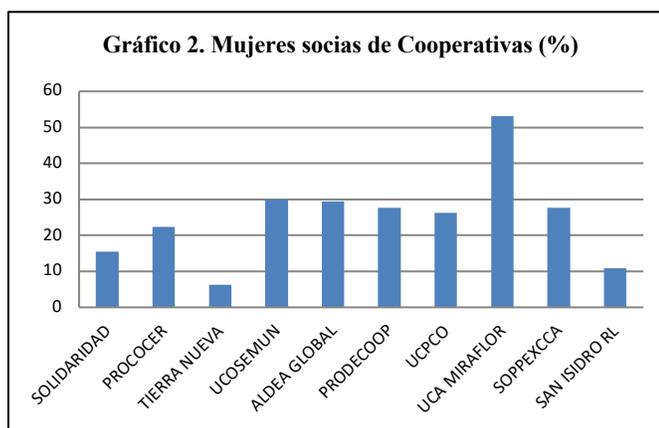
Table 2 shows the founding year of most of the second tier cooperatives, the number of grassroots cooperatives and the total number of their members. Cooperatives like UCOSEMUN and PRODECOOP stand out in the Table, because of their weight in amount of first tier cooperatives and in amount of members; likewise organizations like Aldea Global, that is not a cooperative, but that brings together groups and cooperatives for selling coffee. CAFENICA also includes cooperatives like San Isidro and Solidaridad which are first tier cooperatives with less than 300 members and that export coffee through other cooperatives and autonomously. UCOSEMUN and Aldea Global were formed in 2007, while the rest in 2003 (including CORCASAN and CECOCAFEN that later left CAFENICA).

Table 2. Composition of second tier coffee cooperatives

Cooperative members	Date cooperative is founded	First tier cooperatives (qty)	Number of members		
			Men	Women	TOTAL
DEL CAMPO	1997	2	95	20	115
SOLIDARIDAD	1999	1	44	8	52
PROCOCER	1998	1	520	150	670
TIERRA NUEVA	1997	8	590	40	630
UCOSEMUN	1998	8	3490	1496	4,986
ALDEA GLOBAL	1992	21	980	409	1,389
PRODECOOP	1992	39	1496	570	2,066
UCPCO	1996	5	308	110	418
UCA MIRAFLOR	1990	13	190	215	405
SOPPEXCCA	1997	15	470	180	650
SAN ISIDRO RL	1999	1	189	23	212
TOTAL		112	8277	3201	11,478

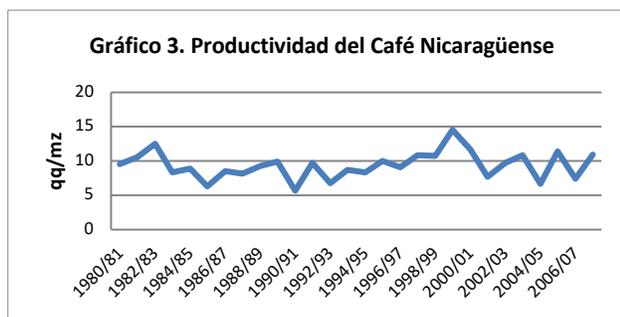
Source: CAFENICA

If we are talking about 33,000 coffee producers in the country, 90% of them are small producers (CENAGRO). Of those 17,000 are members of cooperatives (in other words 50% of the total number of producers), and of them about 11,500 are members of CAFENICA, which represent 67.6% of the small producers in the country. Of that total, 28% are women members. This percentage, nevertheless, varies, cooperatives like the UCA Mirafior have 54% women members, while cooperatives like Tierra Nueva have only 6.35% women members (See Graph 2). It is worthwhile adding that out of the women members of all the cooperatives another organization has emerged called “Coffee Flowers: Women United for A Better Future”, an organization that functions within the same cooperatives that are part of CAFENICA and whose principal purpose is strengthening the gender work, making the role of women in the coffee chain visible, as well as the leadership of women within the organizations.



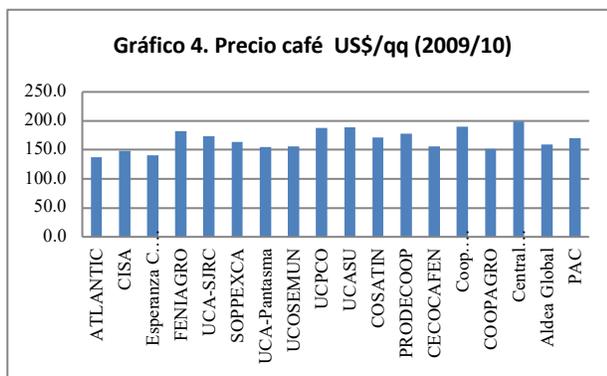
2. Strategic vision accumulated by the coffee cooperatives

The country as a whole for decades has pushed the productivity route, and technical assistance under this logic. Result: the country has not increased its productivity (q/mz) (See Graph 3). In contrast, since 1990 the cooperatives began to push coffee toward fair trade markets, and slowly, moved by the demands of different markets and by the strategic interest of leaving behind the logic that “coffee is coffee”, took the route of coffee quality – in its attributes (aroma, fragrance, sweetness, cleanness, etc.) as well as



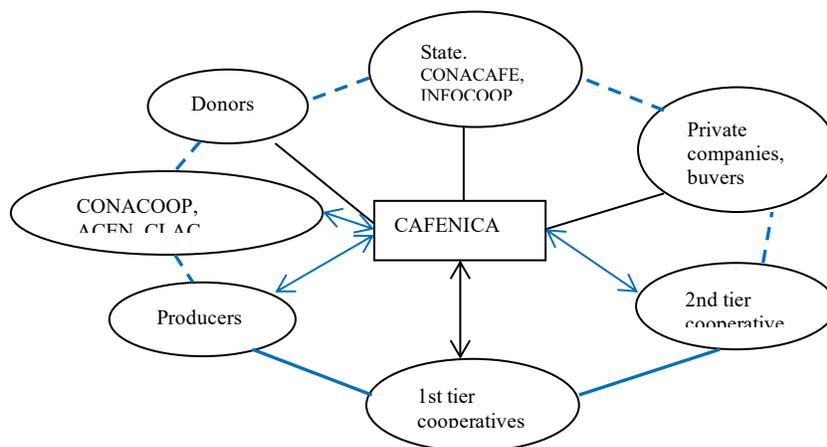
in its processing, organizational and gender components. This implied reorganizing the coffee chain: they invested in the construction of dry mills, harvest collection centers and cupping laboratories, as well as in developing organic production, redefined technical assistance and organized credit services to ensure the collection of the coffee.

As an expression of this effort, according to Cup of Excellence records, close to 50% of the finalists belonged to the cooperative members of CAFENICA from 2002-2010. This drive for quality is endorsed by the prices: the cooperatives have an FOB price of between US\$15 and \$50/q above the price of the large exporters in the country, CISA and ATLANTIC (see Graph 4, based on CETREX). This is the result of 20-30 years of effort on the part of the cooperatives and their members; we say 20-30 years because the cooperatives have been evolving since the 80s.



From this, it is the differentiated coffees over 20-30 years that provide the framework for the vision, the angle from which the cooperatives have focused on the search for quality and the commercialization strategy, a perspective that led them to consolidate their organization from within (relationship between the first tier and second tier cooperatives), outwardly (fair trade) and toward organizations which it influences and/or has alliances with (donors, associations, state). The motor that pushes and pulls are the second tier cooperatives and/or the cooperatives that export. Diagram 2 shows the arena where the cooperatives as such interact. In this framework, management and leaders of CAFENICA and the cooperative members of CAFENICA explained their multiple strategic vision of the last 20-30 years, guided by the following question: What is the most strategic thing that each actor is seeking? And what is the most strategic thing that CAFENICA is seeking? See Table 3.

Diagram 2. Arena where the cooperatives interrelate



See Table 3.

Table 3. Strategic vision in the last 20-30 years of the coffee cooperatives

Producers	First tier cooperatives	Second tier cooperatives	Fair Trade Organizations (FT)	Private sector
-Economic diversification; sustainability through productivity and quality; saving and reinvesting in their farm; capitalize themselves in the area -Obtain inexpensive financing, better price for their coffee, knowledge and opportunities -women members: be economically visible; recognition of their contribution to living conditions	-Sustainability: 2nd tier cooperatives not take their place, but accompany them -Have their own identity and cooperative awareness to seek loyalty of members and of 2nd tier cooperatives -Access to inexpensive and long term credit; TA close to farm through children of members: cooperative promoters-technicians: motor for members and communities	-Move ahead with differentiated coffees (and markets, and reorganize the chain from there: investments, traceability-quality control, cuppers, training of technicians, changes on the farm, cooperative democracy, gender; -Impact on public policies for resolving poverty -they learn from the private sector technology on dry mills, cupping labs and harvest collection and commercialization management systems. -capitalization through their own resources and negotiating resources from aid agencies; -positioning women and youth in the cooperatives.	-opening another market for impoverished sectors. -sell seal to multinationals and allow large producers to enter into FT, thus expand weight in the market. -in 20 years organize the chain: buyers, roasters, cuppers, distribution network; they turned into businesses demanding quality, fulfillment of contracts, and cooperative-exporter control through audits	-adapt to FT and coffee quality: they have the FT seal, innovate on coffee varieties for various markets. -They are expanding their collection network and get external resources connecting themselves up with cooperatives, -they provide export, processing and credit services to the cooperatives. -they gain from an image of working with cooperatives

A number of points stand out from the Table that have been evolving in each actor, that are found to be in line with the perspective of entering differentiated markets.

- Growing search to be sustainable, be that as a producer, as first tier cooperative, second tier cooperative and/or fair trade industry; the strategies for this go from the productive and economic diversification of the producers to the specialization in coffee in search of differentiated markets.
- The identity of each actor is expressed, producers that give their farms a breather with various crops and economic activities, the first tier cooperative with an identity more connected to its community, the second tier cooperative developing services and markets, and all of them – including the fair trade industry – advancing toward being enterprises.
- There is an evolution around gender, from concern about including women to the growing weight of women in the leadership of the cooperatives and in the economic life of the producer families; the growing importance is also being felt of the inclusion of the youth – sons and daughters of the producers.
- In spite of the great differences and competitions between the private sector (exporter) and the cooperatives and producer families, there is a type of mutual advantage among both: the private sector was surprised by their control of the coffee market and have had to adapt (and take advantage of) the changes in coffee quality, improvement of prices and dynamic of the cooperatives; and the cooperatives also have supported themselves using the private sector for processing and exporting their coffee while they gained experience on markets and invested in their own milling, as well as in adapting management systems and technical knowledge about export processing and management.

Before all this the question about the strategic role of CAFENICA was asked. The diversity of leaders of the cooperatives identified the strategic role of CAFENICA in aspects that individually the cooperatives have a limited ability to influence: impact on policies, on associations, on State

institutions of Nicaragua, and in light of the international fair trade system. CAFENICA defines itself as an organization that facilitates processes for strengthening the different organizations in the improvement of their coffee quality and access to the growing diversity of markets. A concrete result of this is that, with the support of CAFENICA to the Coffee Network-CLAC (Latin America Coordinator of Small Fair Trade Producers), they were able to get an increase in the minimum prices for fair trade coffee: from US\$121 to \$135 (2008).

3. Innovations and large changes experienced by the cooperatives

Innovations take the strategic perspective of 20-30 years as their frame of reference. As a conceptual complement to this framework of how to understand “innovations”, we list 4 notions of innovation: as “creative destruction”, “adaptation”, as result of “cognitive dissonance”, and innovation as creation of links:

- “Creative destruction”: constant creation of novelties through destroying what becomes inefficient and inadequate in a certain context, for something new and more productive.
- “Adaptation”: a strategy produced in a certain context is applied in another context, which is why it is creatively adapted according to the new context and according to the vision of the actor that adapts it; nothing is copied in a mechanical fashion.
- Innovation is born out of necessity; if a team believes it is a winner it does not need to innovate, while the person who makes their situation problematic and “creates a crisis” develops a need to innovate.
- Innovation can consist in the opening (or the creation of a link) toward new networks. It is the basic idea of being an entrepreneur which means the person or actor that connects up different networks.

Under this framework and keeping the historical perspective, the guiding question was: What innovations and interesting changes emerged in the 20 or 30 years of cooperative movement? This question was partially worked on in the framework of the two workshops with the participation of managers and leadership of CAFENICA, and with the leaders of the export cooperative members of CAFENICA: see Table 4. In this Table, like in the other tables, the fair trade industry and the private sector are included, even though they were not represented in the workshop, but the reflection was done “putting ourselves in the shoes of the fair trade industry” and through interviews.

Table 4. Innovation and fundamental changes in the coffee cooperatives

Producers	First tier cooperatives	Second tier cooperatives	Fair trade organizations	Buyers and private enterprises
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<p>-conventional coffee replaced by organic coffee, and organic farm. -from just producing coffee to washing it, controlling quality, using more techniques, producing organically and knowing coffee profiles; from washing in the river and contaminating it to having wet mills and treating the water. -from poor producer to producer on the way to being business person: learns to administer the farm, accesses and uses information</p>	<p>-sells through the cooperative -cooperatives: family reinsertion, women are part of the board, and women generate income in the family. -being gateway for resources from the state and from donors to the community; means for youth and women to access land. -capitalization through contributions and coffee earnings, credit management and negotiation of projects. -Children of producers become promoters and grassroots extensionists.</p>	<p>-They sell coffee and reorganize the chain; export, processing, production -diversification in commercialization: honey, coffee, tourism, tubers. -dry milling and cupping was in the hands of large producers; the cooperatives enter and control coffee quality in accordance with markets -gender: "Coffee Flowers" women's movement within the cooperatives -Cafenica; diversification of products and flexibility in policies promote inclusion of women members into the cooperatives -In technology: wet milling system by individuals, families, cooperatives and among various cooperatives</p>	<p>-perception: from poor person to someone who has worth. -gateway for consumers to acquire awareness about producers -learned to compete in quality, to insert themselves into differentiated markets -management of the concept of chains (roasting, grinding, distribution, laboratories, brands, cafes)</p>	<p>-products that businesses offer are adapted to the conditions of small producers. -adaptation of social logic of cooperatives: SRE, projects for communities and women, better social conditions for workers, and measures in favor of environmental care -cooperatives adapted business concept (exports, managerial and administrative control).</p>
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Under the "creative destruction" notion appear the changes experienced by the producers, from conventional coffee to organic and quality coffee, from managing coffee as something standard to quality coffee and differentiated product; also in the cooperatives, the replacement of the "network of coyotes" by the cooperatives creating a new type of producer-buyer relationship, from cooperatives "with a bad reputation" to reborn cooperatives, as well as policies for including youth and women in the cooperatives; and in the FT industry the change from the perception of a "poor producer" to a producer that "manages on his/her own" because of what he/she has. Under the notion of innovation as adaptation can be listed the mutual practices adopted from the private sector by the cooperatives, as well as from the cooperatives by the private sector.

When the cooperatives enter into commerce and take the path of quality aimed at differentiated products-markets, suddenly the need emerges to reorganize the entire chain. It is innovation as a product of necessity. This is observed throughout the last 15 years. In the Table these innovations can be read: physical and human capital investments, establishment of chains, capitalizations... in function around the new coffee chain directed by the cooperatives. Also the creation of different instruments constitute innovations in response to needs: in the face of cooperatives that fall into crisis and "administrative problems", there are instruments for correcting them and accompanying them, such is the case of CAFENICA, from the State - INFOCOOP (Institute of Cooperative Promotion) and from associations – CONACOOOP (National Council of Cooperatives); in the face of the emergence of new markets, the possibility that FENAGRO would articulate and negotiate contracts without replacing the cooperatives – just as the role it has played with the Venezuelan market in the last two years.

Under the notion of innovation as the “creation of links”, we see cooperatives as the “gateway” for something, the inclusion of women and youth in cooperatives with different roles, the diversification of products and economic activities, alliances between cooperatives and private enterprises, alliances among organizations for advocacy on public policies, the constitution of CAFENICA as a horizontal organization (facilitator of processes) and not a vertical structure, something that does not exist in other sectors of the country, the emergence of the “Coffee Flowers” movement, and the fact that the advocacy activities of the cooperatives (and historically in their development) are generally accompanied actively by some aid agencies (mostly Nordic: Sweden, Denmark and Norway) (D. Medina, interview in May 2011).

Out of these innovations in general a change in attitude is observed and the fact that we probably are facing a new type of producer: one concerned about the quality of their coffee, about the environment, about implementing a work plan, about studying their investment, a producer that investigates, has a payroll, and a producer family that increases their self esteem with sons and daughters trained and a growing awareness of gender. Also as an effect of these innovations there are unplanned impacts, such is the case of the private sector that is assuming certain policies and practices that are less negative toward the producers. The small producer is becoming the reference point for any coffee chain.

4. Factors that are influencing the emergence of the innovations

“Fish swim in water and their movement depends also on the quality of the water”. The vision and innovations of the organizations and producers presented so far here have to do with the context that can be favorable or not to the development of the cooperatives. In this section we present those factors that are facilitating the novelties and changes in the cooperatives, and in the following section the factors that are blocking them.

The guiding question for the entire week of systematization was: What things from the context are helping the innovation? The response in the two workshops can be read in the following Table.

Table 5. Factors of the context that are facilitating the innovation

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| <ul style="list-style-type: none"> ▪ 1980s: Agrarian Reform caused an increase in cooperatives; and also caused an increase in the massive participation of women in the political life of the country, it was a context of war; in the 80s the barriers were broken of the concept of women in the family. The traditional structure of the family took a beating. ▪ 1990s: Defeat of the Frente, attempts to not recognize the agrarian reform titles, pressure to de-collectivize the cooperatives, ESAF policies, drop in coffee prices and abuse of intermediaries with low prices pressured the cooperatives to get into credit, defend the land, conquer markets. So the agro-export cooperatives persisted and grew, those with coffee, the coffee cooperatives responding to producers who did not know who to sell their coffee to. In gender the pressure was because the women went back home, but the international campaign allowed women to take other further steps. ▪ 2007: political context favorable to cooperatives that provided them with incentives to take over the state institutions (INFOCOOP) and associations (CONACAFE, CONACOOOP). ▪ Climate change: coffee in lower areas starts to mature early. This forces us to be informed and to change-innovate technologies; 10 years ago planting where there were no trees did not have any effect, now you have to provide shade. ▪ Competitiveness grows and the multinationals form blocks, this pressures us to seek ways of uniting to negotiate in block (scale). |
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Asked about the context, the producer families go back again and again to the history, an adverse history that pushed them to innovate. Three periods appear to be strongly marked: the 80s with the real emergence of the cooperatives having an impact on the agrarian reform and at the same time limited by a context of war; the 16 years of governments (1990-2006) that sought to do damage to the cooperatives combining “the stick” (adverse laws, cut in financing, indebtedness, not recognizing agrarian reform titles...) and the “carrot” (donations for certain direction, projects so that another type of cooperatives might emerge); and the return of the Sandinista government in 2007. Even though the cooperatives were easily controlled from above in the 80s, this type of political-military cooperatives evolved, becoming – some more than others – “cooperative enterprises.” It is a context whose climax is located in the mid 90s where two elements come together, on the one hand a Nicaragua with a reputation for bad quality coffee and cooperatives in crisis (in the country as well as in Central America), forcing the cooperatives to reposition themselves along the path of quality coffee; and on the other hand, international initiatives like the emergence of the group of small roasters in the United States linked to commerce restating a new type of solidarity with developing countries. (P. Haslam, interview May 2011).

This adverse context forced the cooperatives to find their niches, the correspondence between differentiated markets and organized producers, in addition to having the fair trade organizations as long term allies, and the commitment to coffee quality.

The personal dimension in the cooperative organizations has great importance for the achievement of the agreements that go beyond the typical commercial relationship; the personal characteristics of the leaders, the joint participation in activities facilitated by CAFENICA and the existence of other elements of political and associative affinity have imprinted common characteristics on these cooperatives and have helped in the construction of a collective strategic vision and behavior.

5. Factors that are limiting the innovation

Marx: “man makes history, but he does it under certain circumstances”. The cooperatives are making their history, but they are doing it under certain circumstances. These circumstances, at times, help, as we have seen in the previous section; and other times they are limiting factors, as we are going to see in this section. What elements of the context are blocking innovation? That was the guiding question. The following Table expresses a variety of responses.

Table 6. Factors of the context that are blocking the development of the cooperatives

<ul style="list-style-type: none"> ▪ Power relations favor the large producers. The State officials require the members to make latrines while they do not require the same of the large producers; the water contamination and the felling of trees is more serious on the part of the large producers, but...“When the knife is made of gold justice is mute”. ▪ 3 governments (1990-2006) were hostile to the cooperatives, and they bore the bad image of many cooperatives that went broke because of corruption, and the reputation of being “dependents” of the state in the 80s. ▪ The emergence of the “No Payers Movement” ended up hurting the cooperatives, who saw themselves forced to spend their resources to defend themselves instead of making their innovations more profound. ▪ Expensive and scarce credit for agricultural production and for the cooperatives to collect the coffee harvest ▪ Mentality of taking advantage of resources continues today: “As soon as your credit application arrives I will approve it.” ▪ Climate change: affects production, makes water more scarce or more abundant.

The context that influences the actions in this case of the cooperatives is historical, political and very concrete. What most stands out are the power relationships: they can have very favorable policies and laws, but their application is mediated by power relations that issues very powerful

“informal laws”. Laws against tree cutting/deforestation are clear, but the most powerful decree historically effective informal laws, that law says: “the rich person represents God, do not touch him, laws are for applying to the little ones without God.” This providentialistic code (law) tends to be applied regardless of the type of government³. And it is a real factor that limits innovation and the development of the capacities of the cooperatives that are organizations of small-scale producers, many of them with a past of being farm workers.

Another limiting factor is the lack of working capital – in part the hostility of the three previous governments was expressed in privatizing the national banking system and in not facilitating credit nor technical assistance. Coffee is collected by providing credit to ensure the coffee. Given the growth of the cooperatives, the volume that they collect is double, so they need double the capital. In not having credit, the producers with greater economic difficulties tend to sell their coffee at whatever price and to buyers of other markets outside of the cooperatives in order to have liquidity. In this context the threat of the “No payer movement” to the credit portfolio of the cooperatives has meant high transaction costs and has impressed on them more uncertainty, precisely in times of growth and getting good international prices.

6. Lessons: learnings that will not be forgotten

Lessons are like the first love, they are not forgotten nor does the love ever end. They are unique things, specific and are able to be generalized, that the different actors can abstract from their experience of being part of a collective enterprise for more than 20 years. They are learnings that within 10 or 20 years continue being remembered and talked about. They are also learnings that are made explicit in order to exchange them for new knowledge. In the two workshops we concluded by summarizing the lessons: each person drew up their lesson that the following Table regroups and summarizes.

³ “The businesses connected to coffee that re-emerged since 1990 have disappeared; there are only cooperatives and multinationals left” (P. Haslam, founder of CAFENICA, Director IDR-Government). These multinationals include as shareholders powerful actors in the country.

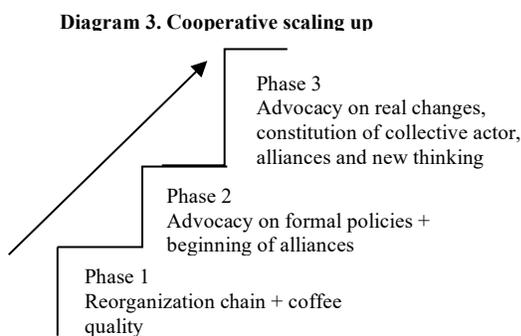
Table 7. Principal lessons

- If I organize into cooperatives and administer my resources well, I can increase my production and improve the life of my family;
- If the cooperative responds to the producers in a “made to fit” way, in accordance with their needs and capacities, and if the cooperative functions “as a family”, even the most serious problems can be solved.
- When the manager and president is the same person, judge and jury, the development of the cooperatives comes to a standstill.
- The greater the transparency the greater the loyalty; the more secrecy there is the more there is to talk about, and in the long run undermines any organization; if there are no clear accounts, distrust and conflict is created;
- If we train leaders to communicate to us and improve, the dispersion that exists between members of a grassroots cooperative can be resolved; communication at all levels makes the producer stronger and their cooperatives, and awakens interest in producers to contribute to their cooperatives.
- If as a second tier organization you distance yourselves from the grassroots cooperatives, the entire chain of the cooperative can de-organize, the moment at which “the wolf can eat the producer”
- If we transmit what we have experienced (events like the cooperatives going broke) to the youth, we are not going to trip twice over the same stone, and those who replace us will be stronger.
- If we the people who participate in the leadership of the organizations take on from the beginning the participation of women, then the assemblies in the cooperatives support the inclusion of women, and this transforms the cooperatives and the lives of the producer families themselves.
- When organizations give opportunities to people that we think are not going to make a contribution, and they end up making their contribution, this indicates that when there are opportunities even the most vulnerable people make their contribution.
- If you invest in the formation of people with a long term perspective, then you have more possibilities of having an impact in the markets reorganizing the chains. Investing in business capacity in members and in having producers willing to change their way of producing, allows you to enter a competitive market

Each lesson can have different interpretations, all respond to organizations that in 1990 found themselves orphaned and in an adverse context as we pointed out previously, and that slowly changed the coffee map of the country and got to the point of competing for capital from the national and multinational business social sector. From Table 7 we can feel the spirit of cooperativism of more than 10,000 producer families organized in more than 110 cooperatives, and from the depth of at least 30 years of history. They are lessons that will not be forgotten.

Conclusions

This systematization only touches the tip of the iceberg; there is a lot more “cane to grind” that this work is not able to extract, due to the purpose of the “Alliance for Economic Empowerment” project (AEE) of RIMISP, whose purpose is to begin the systematizations, follow with a learning process, and finally get to constructing an agenda for change. We are in the systematization part and are only referring to 11 organizations connected to CAFENICA, while there are a similar or greater number of cooperatives that need to be systematized.



We did interview different actors and held two workshops with the participation of their board members, leaders, managers and technicians. The weight of 30 years of history is felt throughout the work. Before 1979 coffee export was concentrated in few hands, in the 80s the State centralized

it and the cooperatives were born, and since 1990 the coffee “map” has been changing: the dispute over coffee “capital” has another participant in our times, the cooperatives.

As a result of this systematization three phases are becoming visible (see Diagram 3). The basic condition for these three phases is the existence of the cooperatives bringing together the small producers in alliance with the fair trade organizations, all this within a post war country context and under international ESAF policies adverse to small producers and their forms of cooperative organization. Given these conditions, the first phase (1996-2006) was one of reorganization of the cooperative coffee chain under the guide of accessing differentiated markets with organic and quality coffee – and obviously without abandoning conventional coffee and the logic of economy of scale (volume).

The second phase (2007-2010) was the conviction that the problems of poverty would not be resolved only developing the cooperatives, so the commitment to political advocacy and the beginning of working for alliances between cooperatives and with other organizations of the country (non-agricultural cooperatives) – even though only for the moment and for specific purposes.

The third phase (2011-2015) is the constitution of the collective actor with an agenda for real change at the territorial level of the country (CONACAFE-public policies, FENIAGRO-articulation and expansion of crops including commercial negotiations, CONACOOOP –National Council of Cooperatives– representing the cooperatives, INFOCOOP-regulator and CAFENICA-facilitator of processes) and at the level of the network of organizations of Latin America gathered around fair trade (CLAC), as well as the challenge that the coffee cooperatives might develop innovations that might allow them to put together negotiations as a block – without replacing the export cooperatives – before their different markets and in the hopes of increasing their competitive capacity; it is the phase of consolidating strong relationships among first and second tier cooperatives. This phase is crucial; the cooperatives are facing a greater challenge, their “audaciousness” (growth in exports and as cooperatives) of competing for capital with the large coffee enterprises has been responded to in two ways, some adapting to the changes and creating linkages with the cooperatives to collect coffee, and other giving them “low blows” through planting Robusta variety coffee with the apparent purpose of affecting the concentration of the cooperatives in Arabica coffee. Consequently, in order to come out of this dispute with flying colors and to consolidate cooperativism, the third phase requires re-thinking their alliances with a strategic character and a long term perspective, strengthening their grassroots cooperatives, creating links with other cooperatives of different economic sectors, as well as opening up paths for alliances with elements of the national and international private sector under the framework of fighting poverty, coffee quality and environmental sustainability. To do this the cooperatives need to have their own research agenda, maybe in alliance with academic institutions inside and outside the country.

CAFENICA emerged in the context of phase 2 and has contributed to it. Its greatest challenge, nevertheless, is in phase 3 opening paths and working on a new way of thinking: internally, toward other cooperatives, toward the private sector and toward the state; making the institutions and organizations at the country level function to favor the small producers (CONACAFE, CONACOOOP, INFOCOOP); and having an impact at the international market level (negotiations, brands, connections between coffee and climate change, and promotion of diversification from the farms to the exports). Making progress on this level, the coffee cooperatives united in CAFENICA have a lot to teach other organizations of the country and organizations of small scale coffee producers in Latin America.

Annex 1: List of participants of 1st workshop with founders, board members and technicians of CAFENICA (5/11/11)

No.	NAME	ORGANIZATION
1	Heberto Rivas E.	UCPCO
2	Mauricio García López	PRODECOOP
3	Marcial García Zambrana	PRODECOOP
4	Carlos A. Ochoa	UCA MIRAFLORES
5	Pedro Rojas Cano	UCA TIERRA NUEVA
6	Fátima Ismael Espinoza	UCA SOPPEXCCA
7	Denia Alexa Marín	PRODECOOP
8	Jassery C. Rivas	UCPCO
9	Ma. Asunción Meza	CAFENICA
10	Ernesto Amador Espinales	PRODECOOP
11	Antonio Talavera Herrera	UCA SOPPEXCCA
12	Edgard Fernández	Consultor
13	Henry Mendoza Vidaurre	CAFENICA
14	Martha Estela Gutiérrez C.	CAFENICA
15	René Mendoza	Facilitador

Annex 2. List of participants in 2nd workshop with the Administrative Councils of the members (05/12/11)

No.	NAME	ORGANIZATION
1	Rafael Iván Gadea	UCA SOPPEXCCA
2	Lenín A. Zeledón	UCA SOPPEXCCA
3	Julio Iglesias	UCPCO
4	Edgard Fernández	Consultor
5	Juan Mora Rocha	UCA TIERRA NUEVA
6	Julio A. Moreno	UCA MIRAFLORES
7	Rafael Cubas	COOP. SAN ISIDRO
8	Melvin Elías Betanco	COOP. PROCOCER
9	José A. Talavera	UCA SOPPEXCCA
10	Juan Andrés Mayorga	UCA SOPPEXCCA
11	Corina Picado Amador	UCA MIRAFLORES
12	Leonardo Valle	UCA SOPPEXCCA
13	Alfredo Chávez	Asesor CAFENICA y PRODECOOP
14	Martha Estela Gutiérrez c.	CAFENICA
15	René Mendoza	Facilitador

Annex 3. List of people interviewed

No.	NAME	ORGANIZATION
1	Pedro Haslam	Instituto Desarrollo Rural, Instituto de Fomento Cooperativo, y Federación de cooperativas agro-industriales de Nicaragua
2	Denis Medina	Centro Cooperativo Sueco
3	Alfredo Chávez	CAFENICA y PRODECOOP
4	Warren Amgstron	Aldea Global
5	Edmundo López	Cooperativa José Alfredo Zeledón
6	Salatiel Valdivia	PRODECOOP
7	Heberto Rivas	UCPCO
8	Juan Andrés Mayorga	SOPPEXCCA
9	Martha Estela Gutiérrez	CAFENICA
10	Henri Houdé	CIRAD-FRANCIA