

The Neuchâtel Initiative

Review of Experiences on Market Oriented Agricultural Advisory Services (MOAAS)

Country: Ecuador

Name of intervention: Increasing market access for small scale coffee producers

Time period under analysis: 4 years

Institutions/agencies involved: GTZ, Échange Équitable (France)

Project purpose: Organic and fair trade certification, market access, quality improvement, increase of farmer income, organisational development

Main Results:

- 93.5 % increase in the area of cultivation of organic coffee from 1,800 ha in 2002 to 3,483 ha in 2005;
- 1,249 families have been fair trade certified since 2003;
- The sale of specialty coffee (organic and fair trade) has increased 104.6%, from 5,935 qq in 2001 to 12,144 qq in 2003 in markets in Germany, France, Holland, Belgium, Canada and the USA

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Services supported:

- Rural advisory services/ extension
- Technical service providers and certification
- Marketing Services
- Training
- Certification
- Organisational Development of Groups and Associations

Question 1: What are the general settings and arrangements for MOAAS?

The GTZ programme in Ecuador aims at enabling poor small-scale farmers to increase their incomes by improving the quality of their products and gaining market access. In the case of FAPECAFES, the coffee value chain is enhanced by supporting an organisation that takes organic and fair trade coffee from four producer organisations and markets and sells it to the export market.

Ecuadorian coffee farmers lack market access because they produce on a small scale, they lack knowledge and equipment for post-harvest treatment, they do not know the requirements for the export markets (quality, standards) and they lack financial resources to overcome these constraints. Furthermore, some of the traditional coffee regions lack the resources to replant their old plantations and make them productive again (some of the coffee trees are 30 years or older and no longer productive). Farmers also lack an economic incentive to do so as the local market (the middlemen) does not offer a price that would cover the required investment.

Agricultural advisory services are provided by government extension workers, NGOs, universities, the national coffee council (COFENAC) and the FAPECAFES organization. Each of the four producer associations has an NGO that provides extension services. Government and COFENAC services are free of charge and so

far, NGOs do not charge either. The GTZ and local NGOs cooperate through a “*plataforma de apoyo*” (help platform).

Technical assistance and extension services supply farmers with information, including market information, and assist with certification, organizational development and communication. These services are aimed to promote good agricultural practices (organic agriculture), add value to products, and help farmers to gain access to markets and strengthen their organizations.

Through the project/intervention, the producer organization FAPECAFES has been strengthened to provide commercialization services to its members. As the organization has developed, the extension work of other agricultural service providers has also been strengthened.

Organizational development and strengthening is very important so that producer organizations grow and meet market needs. Middlemen can cause problems when market prices fluctuate as farmers might choose to sell their products to middlemen rather than to the producer organization they belong to. Sound communication strategies can strengthen producer organizations and bring their members closer.

Question 2: Who are the clients of MOAAS?

FAPECAFES has 1249 members, 850 men and 359 women, who are also the advisory service clients (non-members cannot be clients). The farmers are organized into farmer groups, which then form four associations. These associations further form the second-tier organization FAPECAFES. All the farmers produce organically on a small scale.

The requirements for international markets (standards), quality requirements and the opportunity to improve their productivity are all factors that motivate farmers to use the services offered.

The coffee farmers are involved in the international and local coffee market by selling organic and fairtrade certified green coffee to Europe and the USA and grounded, roasted coffee in Ecuador. The farmers sell their green coffee beans (de-pulped, fermented and dried) to the association they are part of or to middlemen. Each association has a storage place where the coffee is delivered. At this point, a first quality check takes place. The coffee then goes to the FAPECAFES storage facility, where a final quality check takes place.

Most farmers add value by de-pulping, fermenting and drying the coffee beans before selling them. For most of the coffee sold to the international market, FAPECAFES is only adding value by storing and preparing the containers for export.

Since November 2005, FAPECAFES has been adding producing roasted and grounded coffee for the local market, although in a small volume compared to its export coffee.

Question 3: What approaches and methods are used for agricultural advisory services?

The farmers of FAPECAFES receive services in the fields of extension, training (production and post-harvest), information (on markets), linking to markets, certification and organisational development. The farmer association identifies farmer needs and demands, and links farmers to service providers.

Most of these services (especially extension and training) are financed by external funds (project funding, NGOs, etc.), most commonly for periods of up to two years. External financing is problematic because the sustainability of the services is not always guaranteed. Short term (two year) financing poses a particular obstacle for sustainability. Another barrier to the financial sustainability of services is that the NGOs are mostly situated around the association of FAPECAFES, meaning that the only clients who can use the services provided by these NGOs are FAPECAFES members.

Question 4: What are the outcomes and impacts of agricultural advisory services?

Agricultural advisory services, in the case of FAPECAFES, help the farmers to increase their product quality and therefore to meet the criteria of the niche market for organic and fairtrade coffee. By fulfilling the standard requirements (i.e. organic, fairtrade), farmers can sell their coffee to FAPECAFES. FAPECAFES then sells the coffee to the export market or the national market. This gives the farmers a secure market with stable and therefore has helped to increase income and better their living conditions.

Because of extension and agricultural services, the quality of the coffee beans has increased and less low-quality coffee is delivered. Also, the farmers of all associations apply similar production and post-harvest methods, homogenizing the product within FAPECAFES.

Farmers have understood the requirements for organic and fair-trade product standards. They have also come to identify more strongly with FAPECAFES because of the information services they have received. Farmers also identified themselves more strongly with FAPECAFES through the development of a final product for the local market.

The strengthening of the organisation has the side-effect that farmers, as members of an association, can gain access to other services such as loans. Local banks and institutions like COFENAC only give credit to organisations or associations and not to individual farmers.

Some of the producers who were involved in training on agricultural practices have since taken a leading role in their respective group, association or even in FAPECAFES. Therefore leadership can be seen as another side effect of the agricultural services provided.

The marketing services and structuring have led to the development of new products (e.g. banana chips) for the international market, diversifying income sources for producer association members.

Question 5: What is the role of development cooperation and other key stakeholders?

The development agency in this case has initiated projects and funded agricultural advisory services, especially the technical assistance. This has insured an orientation on poverty, gender and small producers. The agency has also contributed to an enabling policy environment for service providers, and has harmonized with other agencies and NGOs.

The local government has provided extension workers and helped to organize and implement training sessions. The national government (i.e. the Ministry of Agriculture) has likewise provided extension workers, created a policy framework and provided research. However, government extension workers do not provide the latest information or practices to farmers. They only provide extension services to farmers who do not have access to services elsewhere, so most of FAPECAFES member farmers do not get much attention from them.

The national coffee council (COFENAC) provides technical assistance, extension workers, research and supply of inputs. The local university is a further supplier of information and research. NGOs have provided extension services, advisory services, technical services and information.

FAPECAFES as the second-tier producer organisation also provides information on markets and standards requirements and helps coordinate service provision within its member farmer associations. The extension services of COFENAC are of good quality and provide adequate information and training.

The role of the NGOs is problematic in the sense that they are located too locally and depend somewhat on the farmer associations (as they have to justify their work). This can create a situation where the services cannot be sustained without the NGO.

Another more general problem regards communication about coffee quality. There is no link between the extension worker and the person working in the storing place where farmers deliver their coffee. The person working in the storing centre does the first quality check, but then does not communicate any problems to the extension worker of the local NGO so that these problems could be addressed for the next harvest. There is also no link between the central storing centre of FAPECAFES and the extension worker. To ensure that the producers deliver coffee that meets the quality needs of FAPECAFES and its national and international markets, these links have to be put in place.

Question 6: What linkages exist between agricultural advisory services and other types of services?

Financial services

To gain access to credits/loans from local banks or the credit line of the national coffee council, farmers need a land title and guarantees, which most of them do not have. However, FAPECAFES has contracts with international buyers and can use these buying contracts as guarantees to gain access to credit. Banks often sign agreements with well-structured and organized farmer organisations.

Marketing

FAPECAFES provides marketing services to its members. FAPECAFES is the link between the farmer and the market, and this has influence on other agricultural services because buyer demands (quality, quantity) have to be communicated to the farmer via the extension services.

Other services

A new project is in development which will improve water distribution and offer education on health and nutrition. The region has serious problems with potable water and so far, neither FAPECAFES nor any other organisation or institution is supplying water in the region.

Question 7: What are the general lessons learnt in terms of e.g., good practices, obstacles, pitfalls?

Good organisational structures and communication (including information supply) are important to make agricultural advisory services work for farmers and their organisations. If a farmer does not get up-to-date information on agricultural practices, varieties and post-harvest treatment, he/she cannot meet the high demands of the market/buyer. If the extension worker or service provider does not get the information on the quality of the delivered coffee, he/she cannot work on improving the quality for future harvests. The link between the farmer and the producer organisation is crucial to guarantee and improve product quality. Further, a good organisational structure and communication help the producer organisation to secure the necessary quantities of delivered coffee by binding the members closer to the organisation, reducing sales to middlemen.

FAPECAFES is a good example of how a producer organisation enters niche markets, such as the organic, fair-trade market. However, the case has shown that the size of the business is very important: an organisation entering export markets needs a minimum volume of coffee in to be sustainable in business. To achieve such a volume at the required quality, good organisation and communication are crucial.