

New Project Launched to Support Central American Coffee Producers Goal is to help region compete in global coffee market

By Eric Green
Washington File Staff Writer
May 12, 2003

Washington -- A new project jointly financed by the Inter-American Development Bank (IDB) and a non-profit U.S. organization has been launched to help coffee growers in Central America become more competitive on the global market.

The three-year project will receive \$4.5 million from the IDB and Connecticut-based TechnoServe to help improve the quality of coffee grown in Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua, the IDB said in a May 5 statement. TechnoServe is involved with finding business solutions to rural poverty.

Ernest van Panhuys, project director of TechnoServe's Nicaragua office, said in an interview from Managua that coffee prices in Central America have tumbled over the past several years, as other countries such as Vietnam and Brazil produce an ever-larger volume of coffee.

"The only way for Central America to compete in the long run" is to improve the quality of its coffee, said van Panhuys. He explained that "those farmers who can produce quality coffee will be able to compete," while many others who cannot produce the superior grade will have a much harder time. This is because they will end up competing against farmers in such countries as Brazil where regular-grade coffee is produced.

TechnoServe's goal, said van Panhuys, is to help farmers sell to the higher-paying specialty coffee market. That market, which includes organic and gourmet coffee, can command prices of about 100 percent more than the prices generally paid for conventional coffee. The specialty market is smaller than the market for conventional coffee, but it is also more stable and dependable.

The new venture, van Panhuys said, is oriented toward helping farmers learn a processing technique called "wet milling" of coffee -- which refers to the transitional step in making high-quality coffee. Inadequate milling, or allowing the coffee bean to "over-dry," destroys the possibility of yielding a superior product.

The IDB/TechnoServe initiative ties in very closely with initiatives recently launched in Central America by the U.S. Agency for International Development (USAID) to help the region's coffee growers compete globally, van Panhuys indicated.

USAID Administrator Andrew Natsios says the oversupply of coffee on world markets has driven prices to historic lows, "causing great hardship to coffee producers and workers," particularly in Central America, the Caribbean, and East Africa, where economies are heavily dependent on coffee. Central America has experienced a drop in coffee export earnings of \$1 billion over the past several years.

The Bush Administration, USAID said, has responded to the current crisis by leveraging resources (knowledge, markets, investment) through partnerships with allies in the coffee industry, non-governmental organizations, local producer groups, donors, and financial institutions.

In August 2002, for instance, USAID signed an \$8-million quality-coffee agreement with the five Central American countries, along with the Dominican Republic and Panama, for a market-based program to assist small and medium coffee producers. That project aims to form new business linkages, secure longer-term contracts with the specialty coffee industry, and identify and implement diversifications for producers who cannot be competitive.

Besides its efforts in Central America, USAID also launched in 2002 a \$7-million program in Colombia to help coffee producers increase the value of their product. In addition, USAID has begun a program in Bolivia to produce high-quality specialty coffee in that country's Yungas region to help increase the incomes of local coffee farmers.

(The Washington File is a product of the Bureau of International Information Programs, U.S. Department of State. Web site: <http://usinfo.state.gov>)