

## The Potential for Diversification in Coffee Exporting Countries: An Introduction

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## Diversification In Coffee Exporting Countries: Study Objectives

- Analyse possibilities of carrying out practical diversification programmes in coffee exporting countries within the framework of promoting rural income growth and fighting poverty.
- Offer guidelines to policy makers and other stakeholders for identifying and designing diversification initiatives.

## Diversification In Coffee Exporting Countries: Methodology and Timing

- Literature and data reviews
- Key informant interviews – discussions – field work
- Case studies of 7 countries – detailing experience in diversification to date and relate it to the specific situation of coffee farmers
- Diversification is a cross-cutting issue that requires a multi-dimensional approach and is considered from a number of levels: national, regional, household
- Study started in September 2005 with planned completion in June 2006

## Diversification In Coffee Exporting Countries: Structure of Report

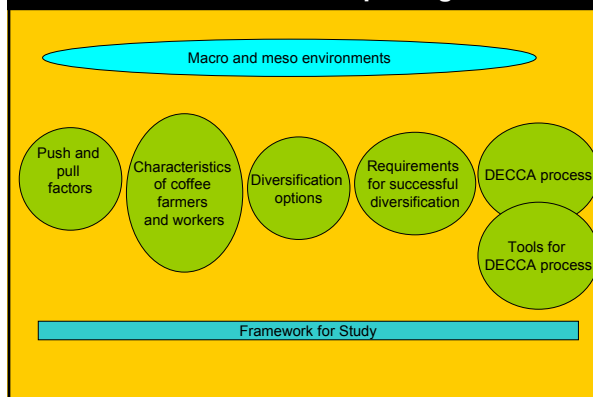
### Volume 1: Main Report

- Introduction and framework for the study.
- Push and pull factors for diversification
- Coffee farmer and other stakeholder characteristics
- Diversification options both vertical and horizontal.
- Conditions for successful diversification
- DECCA (Diversification of Enterprise in Coffee Countries and Areas) process as a framework for action

### Volume 2: Case Studies

Honduras, India, Malawi, Nicaragua, Tanzania, Uganda and Zimbabwe

## Diversification In Coffee Exporting Countries



## Coffee Diversification: Push Factors

- What factors are pushing coffee farmers and other stakeholders to consider alternative livelihood options both within and outside coffee?
- Within coffee: over-supply, volatile and downward price pressures, declining terms of trade, greater share of value added being captured outside of producing country, technical changes in the dynamics of supply; changing demands in the market.
- Within coffee areas: risk minimisation, land and labour availability, environmental factors and liberalisation policies.

### Coffee Diversification: Pull Factors

- Opportunities outside coffee in agriculture and in the rural non-farm economy (RNFE) and beyond are “pulling” producers into alternative activities
- “Pull” factors include:
  - growing incomes and markets for other agric and non-agric products e.g. food and food processing, horticulture, dairy products and services
  - local engines of growth
  - proximity to expanding urban areas
  - government/donor support for production and export of non-traditional products

### Characteristics of Coffee Farmers and Other Stakeholders

- Analysis of coffee sector stakeholders and the impact of the “coffee crisis”
- Two sets of characteristics are important in likely success of diversification initiatives:
  - Location of producers
  - Asset base of households
- Coffee farmers in more favoured areas and higher asset levels have much better chance of successful diversification.
- However, many farmers are in less favoured areas and have low assets

### Diversification Options: Vertical Diversification Within Coffee

- Options for vertical integration range from:
  - on-farm agronomic and post harvest efficiency
  - improved institutions for marketing and organisation
  - transforming the product e.g. specialty, organic, fair trade and bird friendly
  - promote expansion of domestic consumption
  - further processing e.g. R&G, soluble
- Differentiated coffee not the answer for all farmers

### Horizontal Diversification Out of Coffee

- Often wide range of opportunities in other agricultural sectors and in RNFE (Rural Non Farm Economy)
- New markets for food crops, high value agricultural products (e.g. horticulture, dairy products) , processed food as well as wide range of services
- Development of RNFE in coffee producing countries is remarkably wide. Often growing quickly and can be an important source of household livelihood diversification