

POOR FARMERS ADOPT BUSINESS AS WELL AS FARMING PRACTICES

Northern Chimaltenango is one of the poorest regions of Guatemala. Farmers have small plots of hillside land, and they grow corn and beans for food and coffee for income. Many farmers received U.S. food-aid -- 50kilos of basic staples a month in return for planting trees. When staff of Strategies for International Development (SID), a U.S. nonprofit, first discussed a project with them, they asked what SID would give them in return for adopting better farming practices. When Swen Hansen said he would buy their coffee if they husked it, they were forced to make a business decision.

The Story

SID organized a meeting between farmers from 10 communities and Swen Hansen, the general manager of Neumann Kaffee Gruppe's subsidiary in Guatemala. The farmers always sold their coffee in the husk to local buyers who came to their farms, and this was their first meeting with an exporter.

Swen began the meeting by stating his interest in buying the farmers' coffee. Diego Cuxil said that they didn't produce much coffee and asked Swen why he wanted to buy from them. Swen explained that exporters live on volume, and the more volume they handle, the more money they make. He also said that Northern Chimaltenango produced high-quality Arabica coffee, and if farmers increased their productivity, they could sell and earn a lot more. Narcisa Sucuc said that they were not registered with Anacafé, the National Association of Coffee Producers, a requisite for selling to exporters. Swen said there was a farmer in the area that was registered, and they could sell under his registry while they were getting their own. Angela Sanic asked what price they would receive. Swen said the price on the New York Stock Exchange on the day of the purchase. Anibal Chali asked when they would get their money. Swen said on the day they delivered their coffee. The farmers decided to sell to Swen, and then he jarred them into making a decision. He said they had to husk their coffee, because exporters only buy husked coffee.

Farmers from 5 of the 10 communities decided to husk their coffee, and SID organized a field trip for them to the Nahuala Cooperative in Sololá. Sololá farmers that had been husking their coffee for several years showed the Chimaltenango farmers how they husked it. They explained that they too were hesitant about husking, and they answered all their visitors' questions and responded to all their concerns. They also showed them what they had been doing to increase productivity.

Then, in workshops in each of the five communities, SID helped the farmers assess their alternatives and make business plans. First, they calculated the gross income, out-of-pocket costs, and net income for their current business. Then they used the framework of these plans to assess alternatives such as increasing their productivity by 50% or husking 25% of their coffee. They also made plans for achieving optimum productivity and husking all their coffee, and they found that they could make as much

as they could from a job in the city. Then they made plans for what they thought they could achieve in the next year, and they included the farming practices that they needed to adopt in order to achieve their plans.

SID then helped the farmers adopt the practices that increase productivity and husk their coffee in accordance with their business plans. At the end of the year, once all the coffee was harvested, they evaluated how well they achieved their business plans. They increased their income by 116%, and farmers throughout the region wanted to join the program.

Each year thereafter, the farmers met and negotiated with three to five exporters, made business plans, and increased their mastery of the basic business practices. They also adopted more sophisticated business practices such as registering with the National Coffee Producers' Association and obtaining organic certification.

Poor Farmers Need Business Practices

More than 75% of the world's poor live in rural areas, and most make their living from farming because they have land and a tradition of farming. However, they only have small amounts of land, which are often on hillsides or semi-arid plains and often eroded or highly susceptible to erosion. They also have low productivity, poor product quality, and very little value-added processing, and they have to adopt a lot of farming practices in order to increase their income. They need the business practices to make good business decisions on how to invest their limited amounts of land and labor.

In addition, poor farmers have a habit of doing things the way their parents and grandparents did. They grow and sell something for the market, but they are still making the transition from subsistence farming to successful commercial farming. The business practices help them make their decisions based on markets rather than tradition. Benita Tuyuc, one of the farmers in Northern Chimaltenango, said, "I never thought of husking my coffee. We always sold to buyers who came to the farm. But when we had the meeting with Hansen and then saw farmers just like us who were husking their coffee and selling to exporters, I realized I could do this too."

The Business Practices Drive More Rapid Adoption of Better Farming Practices

The majority of an agricultural project, at least 80% to 90%, is devoted to helping farmers adopt better farming practices. Farmers adopt practices that increase productivity and they have more to sell. They adopt practices that increase the quality of their crop or product, or they process it before selling it, and they get a higher price. So how does the 10% to 20% of effort spent helping farmers adopt business practices accelerate the results of the 80% to 90% spent helping them adopt better farming practices?

First, farmers make better decisions on which farming practices to adopt. They learn their market and opportunities for more income directly from exporters and

processors, the highest link in the market chain available to them. The coffee farmers learned how much more they could sell if they increased productivity, and how much higher their price would be if they husked their coffee. Then, when they made business plans, they made decisions on how much they would increase productivity -- for example, 8 quintals per 1/4 acre rather than their current 5, and how much coffee they would husk and sell to exporters -- for example, start with 25%.

But the business practices are also powerful motivators. They broaden horizons, increase ambition, and put farmers firmly in charge of their own development.

The business practices increase motivation and ambition, and these changes in attitude produce more results. The meetings with exporters or processors broaden their horizons. They are confronted with opportunities to increase income and forced to make 'yes' or 'no' decisions on whether to do so. When they visit farmers who are couple of steps ahead of them, they learn that farmers, just like them, are already taking advantage of these opportunities. When they make business plans, they are putting their ambitions on paper, and this represents additional commitment to achieving them. And they can also make business plans for optimum productivity and price and see how far they can go in graduating from poverty.

The business practices increase confidence and self-esteem, and these changes in attitude combine with ambition and motivation to produce more results. Negotiating with exporters for international products or processors for domestic ones gives farmers a fuller understanding of the market chain, and they realize that everyone in the chain makes their living on what they produce. The farmers in Northern Chimaltenango now negotiate with three to five exporters a year, and they enjoy choosing who they will sell their coffee to. They finally have a seat at the table.

Farmers take more leadership for their economic development, and this leadership accelerates results and ensures they are sustained. They estimate increases in income based on farming practices they will adopt. Coffee farmers estimate the impact of better pruning, shading, and fertilizing of coffee trees on productivity and income, and they estimate the impact of husking their coffee on price and income. This is true mastery of agricultural science and the relationship between better farming practices and income. It is also business management at its best. Farmers take firmer control of their destiny. They practice the 'if-then' hypotheses of all successful entrepreneurs – if I do this, then I will increase my income -- and this is true empowerment and entrepreneurship.

The business practices are in-service training and on-going education in entrepreneurship that continues to increase results. Each year farmers increase their mastery of the basic practices. Each year they adopt more sophisticated ones such as obtaining organic or fair-trade certification, organizing a cooperative, registering their land, or building a processing plant. They see more opportunities, make more business decisions, and continue becoming better entrepreneurs.

The Business Practices Help Farmers Confront Emergencies

Farming includes dealing with droughts and floods and plagues, and the business practices help farmers withstand these emergencies. They are more resilient because they have the tools to confront and control these challenges. They assess their alternatives for confronting these disasters. They make plans for minimizing losses and maintaining what income they can. And they adopt the practices that do so.

In Guatemala, the Chimaltenango farmers tripled their productivity, husked major portions of their crop, and increased their income well beyond the poverty line. Then a major outbreak of coffee leaf rust swept through Central America and their income fell by half. They switched their farming practices to spraying infected trees with copper sulfate and lime to kill the leaf rust. They replaced severely infected trees with new seedlings. Leaf rust is a fungus that thrives on moisture, so they reduced the shading of their trees and pruned them more aggressively to reduce humidity in their coffee plots. They fertilized their trees more frequently because better-fed trees resist leaf rust. They used the business practices to change their farming practices to confronting leaf rust and regaining the income they had lost. Farmers in other areas of Guatemala abandoned their coffee plots to search for work in cities or the United States.

Increased Results, Reduced Costs, Cost Benefit in Guatemala

The results of the project to help coffee farmers increase income are summarized in the table which follows. Coffee in Guatemala grows during the rainy season from June to November and is harvested from December to March, so the coffee year is from April to March. The increases in income were significant, and every year more farmers joined the project. SID measures cost-benefit as increases in farmer income during the project versus project costs. Increases in income were 6.68 times project costs.

Increases in	Baseline	2007	2008	2009	2010	2011
No. of Families		1,044	1,475	1,550	1,650	2,100
Productivity	5.00	8.54	15.88	13.37	17.66	15,63
% of Coffee Husked	0	10	25	30	35	50
Income	\$131	\$345	\$606	\$650	\$905	\$1,058

The results for the project to help the farmers combat coffee leaf rust are summarized below. Coffee is the major cash crop in the region, and SID doubled the numbers of farmers in the project to help as many as possible confront the leaf rust. Most of their coffee trees are now free of the fungus, and farmers have nearly returned their productivity, husking, and income to where they were prior to the attack of leaf rust.

Increases in	2011	2012	2013	2014	2015
No. of Farm Families	2,100	2,373	4,402	4,385	2,855
Productivity	15,63	13.48	10.57	15.00	17.00
% of Coffee Husked	50	7	25	30	35
Income	\$1,058	\$520	\$551	\$793	\$771