The chronicle of coffee: History, responsibility and questions

The descendants of those who rose up 120 years ago are going hungry today. Their tragedy reveals the decline of coffee. Is it irreversible? It’s time for an economic mutation, but are we ready? Can we do it?

José Luis Rocha

In the early morning of August 18, 1881, exactly 120 years ago, nearly three thousand indigenous people armed with bow and arrows and shotguns and calling for the abolition of forced labor broke through a fence surrounding the city of Matagalpa. “We can’t stand such a fierce whip on our people any more!” We won’t give you a single man to go and work in vain. As these gentlemen see us as indians, they want to put us under the yoke. Well, today we will stand it no longer.” They were joined by many more that night, who came down from the “glens” as the native people called their villages, guided by ocote branch torches that illuminated their white cotton smocks. For the next three days that sizable but improvised indigenous army took on the ladino inhabitants, putting most of the city under their control.

"Pacification" through expropriations and blood

It was the fiercest indigenous uprising in Nicaragua of the 19th century, yet it is one of the country’s forgotten wars. It occurred during the third decade of the onerous “Thirty-year” Conservative government, which in fact lasted 35 years (1857-1892) and laid the foundations for the creation of large coffee plantations by expropriating indigenous lands. Joaquín Zavala, an aristocrat of pure stock from Granada, was President at the time, and sent one of his most bloodthirsty deputies, General Miguel Vélez, whose son had died at the hands of the rebels, to put down the rebellion. Vélez’s son had been quartered and his remains, crowned by his head, put in a basket exposed to public view. The enraged father carried out his mission fervently. At least 500 indigenous rebels died in the battle and many more were killed during a persecution that lasted five months and covered all of the hills, valleys and glens around Matagalpa. Lorenzo Paredes and Toribio Mendoza, the leaders of the revolt, were summarily shot. There were many more uprisings that same year and many cities in the central-north and Pacific zones were surrounded and attacked. It is calculated that some 5,000 indigenous people died in combat, with many more losing their lives during the "pacification" processes that followed.

Each indigenous village had a council of elders and a military structure, which formed the basis of their political and military autonomy and had until then been reluctantly tolerated by the central government as a concession they did not want to prolong for too long. The revolt provided just the excuse for realizing the ladinos’ “civilizing” dream. The generals entrusted with the “pacification” process applied a repressive policy whose ultimate end was to eliminate the indigenous communities as political, economic and military institutions and force their inhabitants to live in concentrated populations in “a regime equal to that of the other valleys and hamlets.” Before the rebellion, 30,000-35,000 indigenous people lived in Matagalpa, representing 10% of the national population and over 80% of the departmental population. The repression, the summary executions and the migrations that resulted decimated the indigenous population. Twenty years after the revolt a census registered only 20,000-25,000 indigenous inhabitants.

"Progress" came on their backs

The indigenous were clearly restless. The August rebellion was the second that year, following a smaller one that started on March 31 and lasted until May 4. It was skillfully neutralized by alternative doses of deceit and repression, promising reforms that never came and increasing the number of spontaneous executions. The Jesuits, who had been caught up in the events, were expelled. This decision closed off any possibility of civic struggle, to which many of the indigenous people had turned following the failure of that first armed rebellion.

On March 5, three weeks before the first uprising, a law had been passed proposing the abolition of the indigenous communities and privatization of their lands, on the assumption that “forming landowners is good for the homeland” and that only adoption of the new system would
shame the indigenous people out of their ignorance. The government believed that expropriation of indigenous lands was indispensable to the expansion of the coffee industry. Oppression was the order of the day, legitimized by the system, sparking the Congress to work with unprecedented celerity. Another law was passed in the same month, establishing the existence of Agricultural Judges empowered to “recruit voluntary workers and servants” for the coffee plantations, pursuing those unwilling to subject themselves to such “voluntary” service and delivering them over to the military authorities.

Laws, evictions, expropriations, ladino arrogance, forced labor on the coffee plantations and the installation of the telegraph line all fueled the rebellion. Enrique Miranda-Casij, who tried to revive the memory of this forgotten war, collected the testimonies of old Matagalpans who remembered that the indigenous groups were forced to work for absolutely no pay, carrying on their bare backs the rolls of telegraph wire for the line being installed between Matagalpa and Managua. As Dora MarÃ­as TÃ­lez put it in her magnificent book ¡Muera la gobernia! (Death to the government!), “In short, â€œprogressâ€ came to Matagalpa and Jinotega on the backs of the Indians and was established against the Indians.” Miranda describes the indigenous people as courageous and proud, autochthonous to the region and living in “glens” located in the tiny mountain valleys and the high plateaus: “They experienced a process of change in which there were two alternatives: be assimilated or disappear. Little by little progress rolled up their lands, and very often over their backs. Labor was scarce and agricultural work absorbed their â€œvoluntaryâ€œ work with increasing vigor. Their own maize fields were abandoned, their children went hungry and their wives were ill or dead and buried. Their customs were lost and their social organization was disappearing. Meanwhile, manufacture of chicha, [a corn liquor] with a high alcoholic content that served as an illusory escape, was expressly forbidden. Their lands were usurped and when they were able to sow, the harvest had to be shared with the new landowner in an unfair form of sharecropping.”

"Reducing" the indigenous population made the coffee boom possible

The energy that exploded in rebellion had been gradually accumulating. The indigenous people were resisting full proletarianization, being reduced to wage-earning agricultural workers, with greater solidarity than the ladino peasants had, which is why their discontent gelled into a relatively organized rebellion. Unwilling to abandon their free life in their villages for the virtual slavery of the coffee plantations, the indigenous communities had taken refuge in subsistence agriculture, avoiding all trade with Matagalpaâ€™s ladinos because of the arrogant treatment they received.

During colonial times, "reducing Indians" was the coin of the realm. It meant concentrating them into population centers to exercise political and economic control over them, guaranteeing their subjection to the new ground rules and preventing rebellious actions. The new "reduction" motivated by the coffee boom was presented as an indispensable disposition for propagating the "civilizing" message that would encourage them to abandon practices contrary to the needs of the dominant groups. Suppression of their political autonomy was the first step. "Civilizing" the indigenous people was a real process: contain the development of their communities to disarticulate their economy and social organization until they were finally available as labor for the coffee haciendas. The increase in coffee production between 1880 and 1891 is comparable in Nicaraguan economic history only to the cotton boom of 1950-1966 and indicates that on the eve of that period, too, the foundations were being laid to make it possible. In the case of coffee it involved the expropriation of communal lands, accumulating it in the hands of the big landowners for the creation of coffee plantations, leaving the expropriated indigenous people available as labor. The first led to the second and together they led to the boom of the coffee production system.

Matagalpaâ€™s Los Monos Park:
A date with history

Just like now, when our political and ecclesiastical leaders inaugurate a new McDonalds or a gas station, the authorities of 1881 said during the inauguration of the telegraph that "the people of Matagalpa are opening up to the world." Such glorious rhetoric does not tend to accompany particularly notorious improvements. Although the pretensions of those authorities no doubt had a more promising basis, it is worth stressing that the methods of progress used ever since have been expeditious, domineering and without regard for those groups being excluded from exercising power even if they form the majority. There is, however, a fundamental difference: todayâ€™s progress is not rolling over the backs of indigenous people as much as it is turning its back on the peasants. While coffee plantations in the countryside are going bankrupt and rural unemployment is growing, there is an outbreak of new shopping centers in Managua that the peasants cannot access. They no longer have any weight, neither as buyers nor as producers.

Forced mestization dissolved indigenous identity and left the haciendas with a conveniently swollen legion of landless peasants. All the way up to today they have been bearing the weight of coffee production, with its booms and its busts. And they are the ones who, 120 years on, came down to Matagalpa on July 4 of this year and stayed for over a month in Los Monos Park, living off charity and calling for some governmental response. The farmhands from the
The forced laborers of yesterday are the starving expelled of today

What happened then is quite clear: the new surreptitious Indians, camouflaged by “metization,” are still being victimized by progress. There is a perfect and brutal symmetry between the indigenous of yesterday and those of today: then they were forced to work on plantations that needed their labor; now they are being expelled from the same plantations, which are unable to absorb their labor. They came down to Matagalpa 120 years ago armed and ready to protest against their forced labor on the coffee plantations. Today those coming down are peaceful, submissive and appealing for charity, expelled from haciendas whose owners refuse to give them work. They have no housing because they have spent years living in camps or under the haciendas’ wall-less, roofed sheds that serve as accommodation. The system forces and then expels.

They took the city 120 years ago. This time they set up in one of its marginalized corners. With the exception of 17 rebellious families, they finally accepted the crumbs thrown to them by the government, which involved returning to the haciendas to do road maintenance work for barely three months. A band aid to cover up a gaping wound. What the government ignores is that this group of displaced workers is just the tip of the iceberg, the extreme cases from a far greater legion of people who have yet to be pressured to leave or who have their own place to live but are suffering at the hands of the only social policy offered by the last two governments: put up and shut up.

They will continue turning up in Matagalpa, not just because the FSLN is likely to manipulate, or continue manipulating, the crisis for its own electoral ends, but also because the government’s measures have done nothing to help the coffee plantations. “The coffee plantations are â€˜uncleaned.â€™” repeat the peasants as though divining a gloomy future in the weeds clogging up the plantations. Those now neglected plantations will be less productive come the next harvest and new victims will therefore fall prey to unemployment and the clamor will reach new levels.

How did we get to this tunnel with no light at the end?

How did we get to what appears to be the beginning of the end of Nicaragua’s main agricultural export crop? José Angel Paredes Duarte was moved to migrate with his family by the hope of realizing his dream of becoming a coffee grower. “I came here to La Dalia seven years ago,” he explained, “because the coffee-growing zone promised and was famous for the opportunity of making good profits.” No one shares such optimism today. In the 1980s, the model went into crisis because of a lack of seasonal labor. The new crisis is now so big that the haciendas cannot absorb even the full-time workers or honor their obligations with the banks. How did we end up in such a fine mess?

Nicaragua currently sows over 255,000 acres of coffee. Last year, the Central Bank calculated that 243,100 acres were sown, while the UN’s Food and Agriculture Organization estimated the total at just under 229,000 acres. Various analysts feel that all these figures
The expansion of the area cultivated has mitigated the absolute impact of the plunge in coffee prices, but not its relative impact. While padding certain macroeconomic indicators, it has not mitigated the microeconomic tragedy faced by each individual producer. The collapse of coffee prices added to the failure to improve the yield per acre and the increase in agrochemical prices, which has forced up production costs, have lowered the net generation of foreign currency. The coffee growers were not prepared to bear such a heavy blow and still today appear to be reeling from it.

Nicaragua’s coffee growers are the spoiled children of economic history

Though recent evidence may make it hard to believe, the coffee growers were the spoiled children of the country’s economic history for many decades. During the thirty-five uninterrupted years of Conservative government during the 19th century, significant steps were taken to promote coffee. In 1877, President Pedro Joaquín Chamorro passed a law aimed at encouraging coffee cultivation in Matagalpa, Jinotega and the Segovias. The law guaranteed a five-centavo subsidy per coffee bush in production, an incentive that worked out at 50% of the cost of planting at the time.

Later, in 1889, President Evaristo Carazo reissued the five-centavo offer, throwing in a gift of 850 acres of uncultivated national land—known as baldíos—legally belonging to the state to any foreigner willing to plant over 25,000 bushes. This activated a feverish rush to register claims for large extensions of idle land. Turning the country into huge coffee plantations through the privatization of presumably uncultivated lands was not far behind. Whereas it took 18 years to privatize under 11,000 acres between 1860 and 1878, claims for around 42,500 acres of “vacant” land were registered in just three years between 1890 and 1892. Of this land, 27.54% was acquired by foreign citizens, including 12.13% assigned to US citizens and 6.5% acquired by Germans. As a result of this offer and the high international coffee prices, the departments of Matagalpa and Jinotega were soon invaded by an avalanche of 200 foreigners. Matagalpa alone accounted for 34.76% of the lands registered and 50.7% of the lands requested for coffee plantations.

The immediate effect of this policy on the indigenous communities cannot be estimated with any certainty, although some historians have tried. US historian Jeffrey Gould calculates that 8,670 acres of a total of 14,263 acres registered as national baldíos in the department of Matagalpa were in areas inhabited by indigenous people.

The Liberal revolution: Coup de grace for indigenous communities

The Liberal revolution led by General José Santos Zelaya at the turn of the century proved just as adverse for the indigenous people. Although it did away with the recruitment of forced labor for the plantations, it accelerated the land accumulation process. Between 1895 and 1911 alone, the indigenous community lost some 25,500 acres of land to coffee growers. This changing of hands was encouraged by the 1906 Communities Law, which had imposed the forced sale of half of the lands and the distribution of the other half as private property.

It was the coup de grace for the indigenous communities. The privatization not only unleashed accelerated sales, it also conferred legal right of possession and a market value on improvements such as houses, fences or crops. This soon fueled internal grudges within the indigenous communities, which were already being attacked on too many flanks.

General Zelaya’s regime (1893-1909) was no less beneficial than the Conservative one for the coffee growers. They received US$0.05 for each coffee bush they planted, which taking an average of 1,700 bushes per acre—a density at least three times less than the current one—gave a subsidy of $85 per acre, equivalent to the production costs of about 10.5 hundredweight of coffee. Given that baldíos land cost $2.55 an acre, the state subsidy that the coffee growers received per acre provided them enough money to buy up about 33 acres of baldíos land. These incentives for coffee production allowed the growers to reduce their production costs and accelerated the concentration of lands into the hands of large-scale producers.

Managua grew coffee back then

In 1909, Nicaragua exported just under 17.2 million pounds of coffee, which within 16 years had risen 76% to nearly 30.5 million pounds. During those years, coffee was produced in Managua, Chinandega, León and Rivas. Managua’s production represented 33% of the total in 1926, allowing the capital to reinforce its symbolic importance by playing a strong role in
national production. Neighborhoods have sprung up in areas once covered by rich coffee plantations. At the time, Managua had over 35% of the country’s coffee bushes, despite a 23% drop since 1895, when it was the main coffee producing area with around 60% of the bushes. Carazo and Masaya, meanwhile, increased their stock of plants from 7,500 to 17,600 (34% of the national total) from 1895 to 1926, and Matagalpa and Jinotega from 4,500 to 13,500. At that time Matagalpa was already producing 21% of the country’s coffee harvest, thanks to laws that promoted large-scale farms, a much more accelerated land accumulation process than in other regions, the expropriation of communal lands and the bankruptcy of many small-scale producers.

This context served to multiply the number of agricultural workers in a proletarianization process that had been successful sealed since the beginning of the century. Between September 1902 and April 1903, 44,344 wage-earning peasants were registered with the agricultural judges, representing 50.7% of the economically active rural population.

Matagalpa and Jinotega:
A good cup of coffee

The coffee-growing bourgeoisie had to take control of the state to improve the road network. Bartolomé Martínez, who represented the coffee fraction of the dominant group, came to power in 1923 and a year later a highway linking Jinotega, Matagalpa and Managua was under construction. Even after losing office, the coffee-growing bourgeoisie retained considerable political and economic weight since other successful economic sectors like lumber, bananas and mining were in foreign hands.

The success in Matagalpa and Jinotega was helped by the low wages there, which at 25 centavos per day were half of those paid in Managua and Masaya. It was also helped by the attractive earnings rate: 35% of the investment, which was extraordinarily high compared to other economic activities. The climatic conditions in the north of the country, with its abundant water and high altitude, guaranteed top quality coffee. Although the distances involved and the tracks only just suitable for goats put a damper on an even greater coffee boom by doubling transport costs, the quality of Matagalpan and Jinotegan coffee turned those departments into a privileged region for coffee cultivation.

The brief golden history of the golden coffee bean

Coffee accounted for 64% of Nicaragua’s exports in 1911 and continued to range between 45% and 62% until 1932. The cotton and beef booms both modified coffee’s position in the economic top ten, but while other products came and went, coffee stayed up there, maintaining an undisputed quarter of total exports for a long time thanks to an expansion of the area cultivated. A pause in the frenetic promotion of coffee coincided with a drop in prices: between 1930 and 1946 the average price per pound fell to $0.08 and even as low as $0.06. At that time the rate of coffee plantations going out of business shot up, but one man’s loss is another man’s gain, and the Caley-Dagnell House consolidated its power during that period, concentrating the marketing of 50% of the coffee produced in Matagalpa and Jinotega. During that time, its bank embargoed over 50,000 acres of coffee plantations, some of which it sold off at auction while hanging on to others rightly predicting better times ahead.

The strong rise in coffee prices at the end of the 1940s triggered a new wave of policies to expand coffee-growing activities. In 1952, a pound of coffee was going for the unprecedented price of $0.52. On November 22 of that year, the executive branch authorized the sale of over 37,000 acres of national land in the department of Matagalpa. By then Somoza had become the country’s main coffee producer, having declared war on Hitler and confiscated farms belonging to a number of Germans. During the same year, coffee production accounted for 35% of agricultural credit and in 1960 it still accounted for 28% of the national financial system’s agricultural portfolio. Years later there were new upsurges. One example is just last year, when 60% of the national financial system’s agricultural portfolio was concentrated in coffee producers. It is not hazarding too great a guess to assume that coffee producers enjoyed almost complete credit coverage through the different marketing houses.

The coffee sector’s profitability has always made it very attractive, which is why such a large amount of capital flowed toward it. A century and a half after coffee production took off, however, the situation is completely different. The government, the financial system and the market no longer pamper coffee producers, and most growers appear not to have made as much use of the once-benign policies as they could have. The lean times caught them unprepared.

The Vietnamese miracle and other great Asian leaps forward

The market-Pharaoh’s dreams became a nightmare that Nicaraguan producers did not know how to interpret. By expanding the area of coffee cultivated, Nicaragua doubled its production over 36 years, but several of its competitors were much more active during the same period. The outstanding case was Vietnam, which started out in 1972 producing 7,000 metric tons, compared to Nicaragua’s 35,000. Vietnam is today the second largest producer in the world, behind Brazil, with over 800,000 metric tons. This is a surprising advance
Coffee prices have always been unstable, as demonstrated by Eduardo Galeano in his book, The Open Veins of Latin America: “What’s this? An encephalogram of a lunatic? The graph of coffee prices, like those of all tropical products, has always resembled a clinical epilepsy chart.” This is the tragedy of tropical dessert economies, as those that export sugar, coffee, cacao and exotic fruits are known. In the first quarter of last century, the price of a pound of coffee ranged between $0.31 and $0.50. In 1952, it reached $0.52, and by 1954 was selling for $0.72. In 1956, it was back down to $0.62 before plummeting to $0.34 in 1963. In 1965, it went back up at $0.51 only to fall to $0.40 the following year, where it ended up again in 1970 after various fluctuations. In July of this year, international coffee prices hit their lowest levels in the last 28 years, at $0.51 a pound.

Such price drops can be lethal. A ten-cent reduction per pound currently means a loss of $30 million for Nicaragua, or 7% of the total value of traditional exports. Price variations cause world calamities. The jobs of around 10 million people in coffee producing countries and the income of some 25 million people around the world depend on coffee cultivation and its fluctuating prices.

Coffee™s peculiar elasticity
The growing price instability of the past decade has been most pronounced among tropical beverage prices, due to various factors. First, production does not respond to the short-term movements of market prices, a weakness explained in greater detail below. Second, the large stock accumulated in the main consumer regions—the United States, the European Union and Japan—has a tremendous influence. With millions of sacks of coffee sitting in warehouses, these countries can juggle with the prices and speculators can make fat profits, stripping producers of any ability to affect prices.

In fact, the producers™ capacity to influence prices and demand is already limited by the low elasticity of coffee™s supply and demand. Elasticity is an indicator that measures the sensitivity of a product™s supply and demand to price variations. It also measures the sensitivity of demand to variations in consumer income. Normally, when prices fall, the demand for a given article tends to rise. Conversely, when prices rise, demand tends to drop off. Demand also tends to go up with an increase in income, while supply contracts when prices fall and expands in reaction to better prices.

But not all goods respond to price variations in the same way. Some are much less sensitive—almost inelastic—or may react very slowly, being somewhat elastic only over the long term. It is also possible for them to react contrary to what is expected, such as when...
Rises, nosedives, bankruptcies
Of course, elasticity varies according to the period in which it is being measured. Thus, a strong rise in coffee prices translates into a slight growth in short-term supply. But with long-term supply more elastic than short-term given the time required for expanded cultivation areas to bear fruit – the amount of coffee sent to the market increases after a certain time, bringing down prices again. Sometimes the production increase is felt on the market when prices have already started to fall, because the speculators have released coffee they had previously retained.

The measures taken to promote coffee in 1952 came after years of good prices, but by the time the new coffee bushes were starting to produce, prices had already reached their peak. In 1956 the price reached $0.62 a pound, then began a nose-dive, so that by the time the new coffee bushes were in full production, prices were considerably lower, down to $0.34 in 1963.

That’s how it has always been, with a constant boomerang effect. The fall ruins many producers who invested to increase the area cultivated, and with the resulting reduction of supply, prices begin to rise again, causing another round of stimulation. In countries and regions extremely dependent on coffee, such as the Colombian province of Antioquia, a correlation has even been detected between the coffee price curve and the marriage curve.

Coffee, tea or gourmet fruit juice?
A capricious and falling demand
In 1995, the United Nations Conference on Trade and Development (UNCTAD) published a study showing that the demand for coffee had stagnated and even decreased. At the time, Vietnam was still being encouraged to continue its frenetic course and launch more tons of coffee onto the market. The demand for a product depends on the size and structure of the population, on its per capita income and its consumption habits, as well as the prices of substitute products that are competing with it.

In the last ten years, all of these factors have induced changes in the main coffee-consuming countries. The demand for instant coffee is declining, while the demand for gourmet coffee is rising. Evidently, these changes in preference are not only attributable to changes in the population structure, but also to increased income among certain social groups. The problem is not only that the consumption of gourmet coffee fails to make up for the reduction of instant coffee, but also that the transnational companies take the lion’s share in the production of deluxe coffee, not the producing countries.

In any case, consumption patterns have changed. Brazil is the main consumer among coffee-producing countries: 150 million Brazilians drink 42% of the coffee consumed in producing countries and 9% of the total coffee consumed in the world. Between the end of the 1980s and the beginning of the 1990s, Brazil’s per-capita consumption fell from 4.5 kilograms to 2.8 kilograms a year, due to concerns over the quality and purity of the national product. Brazil has sought to sell this coffee abroad, given the reduction in domestic consumption. Something similar has happened in Colombia, where over the same period the per-capita consumption fell by 1.6 kilograms.

The European Union and the United States are the main coffee buyers and between them import 80% of the coffee sold in the world. Of course, not all is for consumption. In the North, the resale of processed coffee is a more stimulating occupation than a strong shot of caffeine. The Scandinavian countries, the most fanatical coffee-drinkers in the world, have a per-capita consumption of 10.5 kilograms a year, followed by Holland with 9 kilograms, Switzerland with 8.7 and Germany with 7.9. In 1995, UNCTAD had already sounded the alarm: the consumption of industrialized countries had reached a relative saturation point. In several of them it had even fallen. The traders responded with a staggering investment in publicity campaigns that barely succeeded in halting the tendency among consumers. The former Soviet Union and other Eastern European countries cannot be counted on to increase demand, because their consumer habits dance to a different tune. In the former Soviet Union, where coffee is considered a luxury item, per-capita consumption barely amounts to 0.2 kilograms a year.

The elasticity of coffee demand relative to income variations stands at an average of 0.47 in industrialized countries, which are also the main consumers. This means that if the per-capita income of those countries increases from $3,000 to $3,300 for example—an easily imaginable $300 increase that by itself is equivalent to 60% of Nicaragua’s per-capita income—the consumption of coffee will rise from 10 pounds to 10.47 pounds per capita. This represents nearly a half a pound more per person per year, or twenty more cups a year at less
The small-scale coffee growers suffer from many technical problems that deteriorate their productivity. Letâ€™s look at a longer time period than a year, since it offers a more representative sample. The average yields in Nicaragua between 1996 and 1999 were the lowest in the region at 751 kilograms per hectare. Eighteen years later, Nicaragua is still firmly in the rearguard of productivity. By 1981, even before the start of the war of the 1980s, the FAOâ€™s production yearbook showed that Nicaragua had the lowest yields in Central America, at 573 kilograms per hectare compared to 600 kilograms in Honduras, 882 in El Salvador, 1,030 in Guatemala and 1,407 in Costa Rica. Eighteen years later, Nicaragua is still firmly in the rearguard of productivity. Letâ€™s look at a longer time period than a year, since it offers a more representative sample. The average yields in Nicaragua between 1996 and 1999 were the lowest in the region at 751 kilograms per hectare. Costa Rica still led the way with 1,487 kilograms, followed by Guatemala with 939, El Salvador with 845 and Honduras with 831.

Nicaragua in the rearguard with 19th-century technology

The limited advance in Nicaraguan production is largely due to its negligible transformation in productivity. Vietnam is a long way ahead of the whole region with average yields of 1,857 kilograms per hectare, followed by Guatemala with 939, El Salvador with 845 and Honduras with 831. Although crop coverage in municipalities like El Cuá and Wiwilí, to give just one example, has increased by up to eight times in the last ten years, Nicaraguan production as a whole is far from showing a similar increase. The greater surface area that coffee cultivation is clawing from the forests and from other agricultural exploitations barely compensates for the silent but severe plunge in yields. The increase in area plus plummeting productivity are the death rattle of the 19th-century “development model,” which, despite all the marketâ€™s current and foreseeable warning signs, perpetuates tools and strategies that have been fossilized for some time now.

In Nicaragua, coffee is a good example of a system that is deteriorating due to the use and abuse of the same old instruments. Small and medium producers are digging their own grave by clinging to a system reliant on expanding the area cultivated without adopting new techniques. The crisis has been revealed by the increase in the density of coffee bushes and the use of lands whose natural soil fertility is in an advanced state of degradation, when the model depends exclusively on that fertility. The result has been increased fertility degradation and the multiplication of pests such as broca, rust and anthracnose. Coffee varieties highly vulnerable to rust account for around 75% of the area sowed in Nicaragua. Although this is all well known, the only reaction to the current crisis is to stubbornly expand the area covered by coffee bushes.

A long-term crisis

The pieces of this jigsaw puzzle enable us to predict that Nicaraguaâ€™s coffee crisis will not be solved in a couple of years, as many businesspeople are praying. This crisis is digging in for the long haul, barring a massive collapse of coffee growers in various producing countries, in which case Nicaragua is a prime contender to offer its own high quota of heads to the market guillotine. Nonetheless, the country has other alternatives that compensate for the previously dynamic role that coffee played in its economy. The area dedicated to coffee growing in El Salvador fell by an average of almost 2,000 hectares a year during the past decade, but even so its coffee production, at 56,000 metric tons, is still higher than Nicaraguaâ€™s, largely because of attention to productivity.

As this increase will probably not take place so much in household consumption as in restaurant and café sales, which absorb more income for less coffee, the final increase in the given countryâ€™s coffee imports will presumably be significantly less than the 0.47 elasticity rate based on income. To cap it all, in countries like the United States, elasticity is negative because higher income creates a greater preference for other drinks and a corresponding reduction in coffee consumption. This tendency is being promoted by consumption patterns that are conceding a relative boom to certain coffee substitutes such as tea, fancy fruit juices and soft drinks.
the Coffee Czar, because he concentrated all of the coffee exporting links before the

Other problems affect large and small growers alike. Frank Bendaña McEwan—known as

The complicated divorce of

or as pastureland. Such plots had no tree cover and their natural fertility was very deteriorated. Many of the new plantations were established on soils previously used for growing basic grains

In the lean years

Other problems affect large and small growers alike. Frank Bendaña McEwan known as

The Coffee Czar, because he concentrated all of the coffee exporting links before the
Prices, exchange rates and low yields

Not only is money more expensive, but in recent years the rate of the sliding devaluation of Nicaraguan currency has been lower than its domestic inflation rate. This means that the coffee growers are effectively paying more in CÁrdobas due to the overvalued currency and receiving fewer dollars due to the drop in prices. The wages they pay their laborers have not represented any problem for them, because in Jinotega and Matagalpa they have remained at 17 CÁrdobas a day (about US$1.27 at today’s prices) for over five years. This means that the deterioration in income and living conditions of the farmhands has helped cushion the impact on the haciendas’ finances. A major problem has been that as agrochemicals and petrol derivatives have both increased in price and been hit by special taxes imposed by the government, their value in CÁrdobas has risen much faster than the exchange rate. Taxes have contributed even more to the deterioration in the terms of exchange. In 1999, coffee fetched 800 CÁrdobas a hundredweight while a hundredweight of urea cost 110 CÁrdobas. In December 2000, coffee fetched 480 CÁrdobas a hundredweight and a hundredweight of urea had risen to 140 CÁrdobas.

While the coffee growers were busily not investing in technological improvements, coffee prices were dropping and the inputs required for its cultivation were skyrocketing. The death of coffee had risen to 140 córdobas.

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priced,
Sell processed coffee?

Publicity and brands

One proposed solution is to develop the coffee industry by selling more processed coffee. It sounds easy enough. Of all the coffee produced in the world, 95% is exported "green," or unprocessed. Only the remaining 5% is processed in coffee-producing countries and most of that is not sold with the brand names of the third world companies. Those who sell their coffee in this form, however, have a hard time breaking out of regional markets, where they only compete with their peers. Our coffee can only access the developed countries, where the big leagues play, disguised with the elegant packaging and the name of some prestigious brand that has paid for its pedigree by bombarding consumers with billion-dollar publicity campaigns. Very few producers have managed to find a niche for their processed coffee, with Brazil alone accounting for 60% of total instant coffee exports from producing countries in 1993.

Although UNCTAD sustained in its 1995 report that the main obstacle facing coffee processed in producing countries was the customs duties, the obstacles actually lie elsewhere. Nor will technically developing the processing machinery, as UNCTAD touts, mitigate the problem. The problem is not one of industrial technology. It is not the process but the brand name that adds value to the product. The process is relatively simple and cheap, but first-world consumers are conditioned to rely on brand names, which is why our industry sells most of its production to the big commercial houses that put their own commercial imprimatur on it so that it will be well received. Thus, the enormous profits generated by coffee end up in the metropolises.

The national industry doesn't need to buy national coffee

It is very difficult for small coffee companies—such as those of any of the Central American countries—to open a niche in the market. The big fish have already swallowed all of the market segments. They dope the consumers with incessant publicity campaigns, the costs of which could never be assumed by the companies of this isthmus. Not even liquidating all of the Central American industries' assets would generate enough money to pay for a publicity campaign sufficiently forceful and long running to catch the ear of first-world consumers. Therefore, the local industry will continue having to sell from anonymity. It might be able to place part of its production in the regional market with its own brand name, but most will have to be adopted by those who have already blazed their trail on the consumer superhighways, thus limiting the profits made by Nicaragua and its business community.

But this is not the worst of all worlds. The worst is that even if this industry with its phony brand names achieves a greater development level, it will have no affect on the demand for coffee produced by Nicaraguan growers, because the national industry does not use only Nicaraguan coffee. Just as the textile industry did not necessarily use cotton produced in Nicaragua, the coffee industry is not limited to buying exclusively Nicaraguan coffee. It buys and processes robust coffee, a variety that must be sought abroad, with the advantage that it is the cheapest variety. Some of the commercial houses demand that the instant coffee produced by our national industry mainly produces instant coffee and targets the common client, a market segment that is not looking for first-class coffee, but rather tasty and cheap coffee, so second-class arabic coffee is good enough. Nicaragua, however, does not produce large amounts of second-class coffee, and the local industry already absorbs what it does produce. Therefore, any growth in the industry would not imply greater demand for national coffee. Nicaragua's coffee production and its coffee industry are like asymptotic lines: they may possibly meet in infinity. Some say we should concentrate on the production and sale of gourmet coffee, although we would still come up against the same problem of first-world brand names that are already established or in a better position to establish themselves. Consequently, most of the profits would still end up in other coffees. Furthermore, gourmet coffee has a very limited demand and we would be catering to an expensive but exclusive habit.

Survival of the fittest or the most supported?

Most people are expecting what has happened during previous crises: that only the fittest will survive. Frank Bendaña is betting that "most Nicaraguan producers will have to switch to another crop that really will be profitable: fruit, ornamental plants, vegetables!" Nicaragua imports $30 million worth of vegetables a year. If we eat them, let’s produce them and earn
those $30 million for ourselves." It all sounds very easy, but it would in fact be very difficult, because we can't just change overnight. Many producers throughout the world will go bankrupt while these necessary changes are taking place, particularly in countries like Nicaragua with lower average productivity. And those who do survive will not necessarily be the most productive, but rather those with liquidity. Liquidity and high productivity do not always coincide. Those who are well placed on the marketing chain, controlling strategic posts that retain a high percentage of the profits, such as coffee processing plants and export houses, have a greater probability of holding out until a lucky break comes along. Taking coffee producing countries as a whole, this means that more coffee growers will survive in countries where their governments and the private banks get behind them and provide them with timely financing and where taxes on petroleum derivatives and loan interest rates do not increase the problem by skyrocketing production costs. Could this possibly include Nicaragua?

The crisis will worsen and it will be very tough to manage, no matter which party assumes power in 2002. The Vietnamese coffee boom is on the point of pushing the Central American region out of second place among the world's producers, and that would abruptly cut off any chance of using the negotiating power that we have never exercised. The destruction of the subsistence economy and reduction of the area sown with basic grains without even having obtained a stable position in the international market is having a terrible impact on the country's food security, particularly among the currently unemployed wage earners from the coffee haciendas.

No bread, but an electoral circus, yes

We have no bread, but the electoral circus has come to town. To entertain us in this electoral year we are being offered debates between neoliberal rhetoric relayed to us by the mediocre parrots of its harder version and populist rhetoric discredited by a decade in power in which economic matters were tackled with obvious ineptitude. We are asked to choose between a simplified messianic populism offering us the promised land and a neoliberal technocratic simplification offering us more highways as a magic solution. Both groups preach patience, because we will supposedly see a better future in the long run. But as Keynes put it, in the long run we'll all be dead.

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Coffee soon spread from the palace to grand mansions, and from grand mansions to the homes of the public. The people of Istanbul quickly became enamored with the beverage. Green coffee beans were purchased and then roasted at home on pans. The beans were then ground in mortars and brewed in coffee pots known as "cezve". Most of the general public became acquainted with coffee through the establishment of coffeehouses; the first coffeehouse (named Kiva Han) opened in the district of Tahtakale and others rapidly cropped up all over the city. Coffeehouses and coffee culture soon became a favorite hangout for the city's intellectual and artistic circles. Coffee became associated with sophistication and refinement, and it迅速 spread throughout the Ottoman Empire and beyond.

The history of coffee is a fascinating story. The bean has traveled the globe for centuries, being smuggled out of strict countries, stolen from royalty and has changed entire nations and economies. It's remarkable how one small bean taken from tiny trees in Ethiopia could become the 2nd largest commodity traded in the world today. Due to coffee's growing popularity and the shipment of coffee from the port city, Mocha became synonymous with coffee. So any time you hear the term "mocha," when talking about coffee, you now know where that term originated. Coffee was grown in Yemen and became well known in Egypt, Persia and Turkey.