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## Ecuador

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### Ecuador Galapagos Coffee Production and Commercialization

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Coffee

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**Report Highlights:**

High prices in domestic and international markets, acceptance by farmers, and the potential to make agriculture on the Galapagos Islands sustainable over time make coffee production a viable alternative to increase farmers' income and decrease the pressure for expanding other sectors of the Islands' economy. Local buyers of Galapagos coffee are willing to pay 3 to 4 times the price of coffee grown elsewhere. High prices for genuine Galapagos coffee are an incentive to farmers to grow coffee, but they also give farmers an incentive to adulterate their product because there is no sound system to certify that coffee is locally grown.

## INTRODUCTION

The Galapagos Islands is a province of Ecuador, located about 560 miles from continental Ecuador, and has a total area of 3,100 square miles, and a population of 25,000 people. The islands are also home to a unique collection of flora and fauna, qualifying them as a UNESCO heritage site. Agriculture became a significant economic activity on the islands more than 100 years ago when the first big-scale colonization of the islands took place. The islands geographic isolation led to a dearth of pests and diseases affecting newly introduced crops. Good weather conditions also helped support agriculture, and farmers were soon growing crops such as corn, guava, oranges, and coffee, among many others. About two percent of the islands' total area is authorized to be agricultural land.

According to Conservation International, coffee was first introduced to the islands in 1879, specifically to the San Cristobal Island. The introduced variety was Bourbon Arabica, and this variety is still the predominant coffee crop on the islands. Coffee experts consider this fact negative as well as positive. Bourbon's productivity is very low, while on the other hand since this variety is not grown commercially elsewhere it adds value to local production as it can be considered under the "specialty" category.

Coffee is important for Galapagos's economy and for conservation efforts, because Galapagos coffee fetches a high price in the domestic and international market. Farmers accept the crop, and coffee has the potential to make the Island's agriculture sustainable over time.

## PRODUCTION

Rich volcanic soils, low presence of phytosanitary issues, and ideal weather conditions (mild temperatures, sunlight, and adequate rain regimes) make it possible for Galapagos coffee to attain high quality. Coffee is grown in a *de-facto* organic fashion as farmers use no agro-chemicals.

Coffee is mainly produced on two Galapagos Islands, Santa Cruz and San Cristobal. According to a 2010 report by Conservation International, there are about 239 ha of coffee on San Cristobal, 214 ha on Santa Cruz, and 35 ha on Isabela, for a total of 488 ha. Other estimates claim that the total coffee area on the islands is 825 ha. Except for the relatively large operation by the Expigo Company on San Cristobal, the area planted with coffee is mostly unmanaged. In 2009, Ecuador's Ministry of Agriculture estimated that the total number of coffee plants on the three islands added up to 648,840, totaling 488 ha and involving about 80 farmers. Average plant density is about 1,332 plants per ha. *Arabica* is the coffee species planted on the islands.

Productivity, at about 400 kg per ha, is very low. Thus, total production of the islands would amount to near 200 MT per year. Government of Ecuador's statistics for 2012 estimated production on the Galapagos at 450 MT. A private study has estimated that existing production could be tripled in 3 years if better agricultural practices were implemented. Efforts to increase production since 2008 have been isolated.

The average farm on Santa Cruz is about 6.5 ha and farms are located at an altitude between 180 and 450 meters above sea level. On Santa Cruz, most farmers (27) are members of the Santa Cruz Coffee Growers Association (Asociación de Cafetaleros de Santa Cruz). According to a 2010 survey by Conservation International, coffee is the most important source of income for 80 percent of Santa Cruz farmers. The same report states that 82 percent of growers use a system of big trees to protect coffee plants from the sun and keep humidity high, which also benefits the ecosystem around coffee plants. Native and non-native trees are used to provide shade. *Scaevola pedunculata* is a native tree with a great potential to be planted in combination with coffee. The Inter-American Development Bank ran a project called Galapagos Conservation Coffee to promote this association.

Efforts to recognize Galapagos coffee as a conservation coffee subject to exacting environmental standards were started in 2008. Such coffees command a premium price. These efforts have now been discontinued as international funding for this initiative was not renewed.

Harvest takes place during September and December using temporary workers, often migrant workers. Daily wages of \$25 are common. Alternatively, some harvesting workers prefer to get paid by amount of coffee harvested, which may increase their wages up to \$40 per day.

## **COMMERCIALIZATION AND PRICES**

Commercialization has been a major challenge to Galapagos producers. Most farmers prefer to sell their coffee green, for which they receive lower prices. In 2012, for the first time, Santa Cruz's growers tried to sell their production through their Association. They expected this endeavor to increase their profits by at least 25 percent, because farmers are otherwise usually rushed into selling their production at low prices due to the lack of planning and resources to finance the harvesting costs. Many farmers are willing to sell the production at any price as long as payment is made in cash on the spot. San Cristobal producer's Expigo has succeeded at exporting its production and has marketed it through U.S. coffee chain Starbucks. Santa Cruz growers usually sell their production to San Cristobal's Expigo or other mainland processors.

A study to improve production of coffee on San Cristobal mentions Galapagos coffee with "origin certified" would have a niche market in the United States, Europe and Japan. Small volumes of coffee from the Galapagos have been introduced to these niche markets and have fetched a premium of up to 450 percent compared to Ecuador's mainland coffee. Galapagos coffee therefore is considered a "specialty coffee." While the price per 60 Kg of mainland Arabica coffee is about \$150, Galapagos coffee is sold at much higher prices. Galapagos farmers report that they receive between \$450 and \$600 for a sack of 60 Kg of green beans; that is, 3 to 4 times the continental price.

Farmers on Santa Cruz Island are especially concerned that some sellers are adulterating their coffee by mixing continental coffee with Galapagos coffee with it, but marketing it as Galapagos coffee. Although there is only anecdotal evidence that this occurs, the increased presence of Galapagos-branded coffee in souvenir shops in Ecuador as well as in the international markets provide some reason to believe that adulteration may indeed exist. Also, observatory field visits suggest that currently harvested areas of coffee are much smaller than is necessary to produce the amount of coffee tallied in recent reports.

## **CHALLENGES AND OPPORTUNITIES**

Coffee production on the Galapagos is an activity with a high potential to improve the livelihoods of the farmers on the islands, and thus reduce the pressure of increase other economic activities, such as tourism, that present more challenges to sustainability.

From an agronomic perspective, production techniques are rudimentary and the returns of harvesting existing plantations are instant revenue for farmers who do not recognize the potential benefits if their product were to be managed adequately.

Due to the lack of phytosanitary threats, production of coffee on the islands could be certified as organic. However, the lack of technical and financial resources prevents farmers from investing, improving, and certifying their production techniques.

Currently, intermediaries seem to be the only beneficiaries of the demand side's appreciation for Galapagos specialty coffee. Farmers complain that the price they receive is being undermined by illegal mixes of Galapagos coffee with continental production. Efforts by the Government of Ecuador to stop illegal branding of non-Galapagos coffee have just started. On the other hand, international audits of origin are not possible at this time due to the prohibitive costs of third-party certification in relation to the volumes being produced.

As coffee consumers and connoisseurs around the world become more aware of the challenges of producing coffee sustainably on the Galapagos Islands, they may demand proper certification of origin, which has the potential to increase prices paid to the producer.

Among the opportunities for Galapagos coffee growers is the potential to market the Bourbon variety they mostly grow as "specialty" coffee. However, the highest gains for growers may come from obtaining a globally protected certification mark, meaning that only coffee certified by an authority in charge of labeling it and guaranteeing its origin. These coffees sell at a premium price. Notorious successful examples of this practice include Jamaica Blue Mountain Coffee, a classification of coffee grown in the Blue Mountains of Jamaica, and Kona Coffee, the commercial name for coffee grown on the foothills of Hualalai and Mauna Loa in the North and South Kona Districts of the Big Island of Hawaii. Both coffees are among the most expensive coffees in the world.

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