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# SPOTLIGHT

## COOPERATIVE IS THE WAY FORWARD FOR SMALLHOLDER COFFEE GROWERS IN PAPUA NEW GUINEA

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### Key Points

- Coffee is the second leading agricultural commodity in Papua New Guinea (PNG) contributing to the livelihoods of more than 2.5 million people.
- Coffee production in PNG is dominated by smallholder growers.
- Smallholder growers face a lot of challenges in producing their coffee which have resulted in the decline in quantity and quality of coffee produced in PNG.
- Smallholder growers can replicate the scale effects of larger farms, such as plantations, through the formation of cooperatives that create networks of independent smallholders.
- The Government of PNG (GoPNG), together with key stakeholders can assist smallholders with strategies that can boost the growth of cooperatives in PNG.

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## COOPERATIVE IS THE WAY FORWARD FOR SMALLHOLDER COFFEE GROWERS IN PAPUA NEW GUINEA

By Joecy Kabi

### Introduction

Coffee is the second leading agricultural commodity in Papua New Guinea (PNG) after oil palm and it contributes to the livelihoods of more than 2.5 million people in the 17 provinces of PNG that cultivate the cash crop (Sengere, 2016). High commercial growth in coffee production began at plantations in the 1950s, however production declined after PNG's independence in 1975 due to the shrink of plantations (Giovannucci & Hunt, 2009). Smallholder coffee growers then took over coffee production in PNG and have been producing 85 percent of PNG's annual coffee crops (CIC, 2016). Despite efforts put in by smallholders, coffee production is still declining. This paper focuses on findings from Altman et al. (2020) on the productivity of coffee growers' cooperatives in the Eastern Highlands Province (EHP) of PNG. The study reported that smallholder growers can replicate the scale effects of larger farms, such as plantations, through the formation of cooperatives that create networks of independent smallholders. The study was based on analyses of survey data from coffee cooperatives in EHP. This article focuses on the importance of coffee growers' cooperatives in boosting coffee production and quality in PNG. Though there are limitations, coffee growers' cooperatives can result in higher production and better quality coffee, and can bring in more economic and social returns to smallholder growers and their communities.

### Challenges faced by smallholder coffee growers in PNG

Smallholder coffee growers in PNG are currently facing a lot of challenges in producing their coffee. These challenges have resulted in the decline in quantity and quality of coffee produced in the country, as smallholder coffee growers dominate coffee production. The key challenges include the following as reported by Ezebilo (2021):

- **Inadequate access to basic infrastructure and facilities.** Smallholder growers in remote parts of PNG find it difficult to access milling and storage facilities for their coffee resulting in most of their produce losing their quality overtime and even become damaged, due to lack of good road networks.
- **Inadequate extension services.** Smallholders do not often have access to extension services, training, and information about modern coffee production techniques.
- **High costs of replacing old coffee trees.** Most of the coffee trees in PNG tend to have passed their economic

productive age which is 20 years. Despite this, most smallholders are not replacing old coffee trees due to inadequate funds.

- **Change of cropping pattern.** Due to the mounting pressure of increasing population on land use, decline in coffee market price, shortage of labour, and inadequate access to processing facilities, most smallholders have converted part or whole of their coffee fields to other more economical crops.
- **Pests and diseases** such as coffee berry borer, coffee leaf rust, coffee green scale and pink disease threaten coffee production.
- **Unfavourable market prices.** Coffee buyers often do not pay a fair price for the coffee that smallholders sell to them. This often discourages smallholders from producing quality coffee.
- **Access to finance.** Smallholder growers often find it difficult to access loans from commercial banks to expand their coffee farm or purchase equipment for processing coffee, when they wish to.
- **Security issues.** Theft of coffee products is often a major concern for smallholders since it increases production costs.

### Coffee cooperative is the way forward for smallholder coffee growers in PNG

The challenges faced by smallholder coffee growers call for drastic measures to address them. There are a lot of measures to address these challenges, however, a more efficient and less costly way to address these challenges is through encouraging smallholder coffee growers to be part of coffee cooperatives. Coffee cooperatives are partnerships formed by smallholder coffee growers who work together to gain better access to resources and training to improve the quality of the coffee they grow, and to leverage better marketing and business opportunities to improve the quality of their lives (Starbucks Coffee, 2016). These privileges which are most times not available to individual smallholder coffee growers have attracted smallholders around the world towards forming cooperatives. Columbia, the world's third largest producer of coffee, has 38 coffee cooperatives consisting of smallholder coffee growers (family run operations) who produce nearly most of the country's produce (Ezebilo, 2021).

Coffee cooperatives is therefore the way forward for smallholder coffee growers in PNG. Being members encourage coffee

growers to increase their production and quality of coffee which in doing so benefits them and their communities. The GoPNG should therefore consider encouraging the growth of coffee cooperatives since it is less costly, and smallholders are the major producers of coffee in PNG.

### Cooperative principles

Coffee cooperatives, like other organisations, are guided by some principles which contribute to their efficiency and effectiveness as well as improving the wellbeing of the members and their communities. These principles include the following (International Cooperative Alliance, 2018):

1. **Voluntary and open membership.** Membership is open to all persons regardless of their gender, race, religion, etc. They must be willing to accept the responsibilities of membership.
2. **Democratic member control.** All levels of a cooperative are organised in a democratic manner where all members must actively participate in setting up policies and making decisions, and must have equal voting rights. Elected representatives must also be accountable to the members.
3. **Member economic participation.** Members contribute equally to the capital of their cooperative. Capital can also be raised from other sources. Profits earned are distributed amongst members, as well as can be re-invested in the company.
4. **Autonomy and independence.** Cooperatives are autonomous and self-sustaining. In the event that they enter into agreements with other organisations such as the government, or raise capital from other sources, democratic control by members is maintained, including their cooperative autonomy.
5. **Education, training, and information.** Cooperatives provide these for their members and employees so they can be well equipped with the knowledge to contribute to the development of the cooperative. In the case of coffee cooperatives, it is important that members have knowledge about best practice technology, farming practice, crop choice, quality control, and market knowledge.
6. **Cooperation among cooperatives.** Cooperatives ensure there is cooperation and teamwork amongst members in order for them to function as a cooperative as well as operate at larger scales in order to be competitive against larger corporations. Through cooperation, coffee producers for example, can replicate the economies and power of larger farms and even of plantations.
7. **Provides benefits to the community.** Cooperatives not only benefit members but also communities where they are located through contributions towards sustainable development.

If the above guiding principles are embedded in cooperatives it

can result in efficient and economic outcomes which can greatly benefit members and their communities.

### Challenges that coffee cooperatives face in PNG

Smallholder coffee growers in PNG formed cooperatives after the decline of plantations, to address the lack of support services (growers' training and provision of processing mills, quality checks, equipment, and buyer networks for smallholders) that were once provided to them by plantation owners (Sengere, 2016). However, despite the creation of cooperatives, smallholders are still encountering challenges in coffee production. According to Altman et al. (2020), one of the major challenges that coffee cooperatives face is lack of labour productivity (output per labour input). Other key challenges include the following (Sengere, 2016):

- **Poor leadership** is evident in groups where group leaders lack effective communication with members, fail to provide reports on events they attend, abuse group rules, do not action resolutions passed by members at annual general meetings, and do not delegate responsibilities.
- **Poor financial management** is evident where a cooperative society does not produce yearly budgets and financial reports. Some spend more than they earn, are heavily dependent on debts, and do not have emergency funds.
- **Lack of social cohesion** is evident when there is lack of cooperation and unity amongst members, principles of cooperatives are not being followed, regular group meetings are not being held, and there is rivalry amongst members especially for leadership positions.
- **Partnership problems among value chain actors.** The problems occur when chain leaders delay payment of group parchment coffee, group leaders place unrealistic demands on chain leaders, and group leaders use their position to gain benefits (equipments, tools, chemicals, money) for themselves from chain leaders instead of their groups. This strain partners' relationships with groups resulting in short-lived partnerships.
- **Poor institutional leadership from chain leaders and lead partners.** This is evident when there is lack of regular contact with growers and lack of monitoring of group activities by concerned authorities such as Coffee Industry Corporation and other partners. This can demotivate growers from cultivating coffee and group leaders and members might not uphold the principles of good governance.

### Strategies that can encourage the growth of coffee cooperatives

To ensure the growth of coffee cooperatives, GoPNG and key stakeholders should consider working together through strategies that are country specific, efficient and effective. These

strategies include the following:

- Facilitate educational training for members on good governance and the importance of upholding cooperative principles.
- Facilitate practical education for members on bookkeeping, financial literacy and credit to improve the economic performance of coffee cooperatives.
- Educate members through extension services on ways to improve land and labour productivity of their cooperative, and quality of coffee.
- Facilitate increasing cooperative size by supporting cooperatives financially and legally, which by doing so increases 'economy of scale'.
- Have regular contacts (chain leaders and lead partners) with growers, and monitor cooperative activities to ensure good governance. Nurturing grower chain-leader linkages ensures sustainability of coffee cooperatives.
- Encourage smallholder coffee growers to join or form cooperatives by educating them through extension services.
- Improve the coffee industry's extension services through capacity building.
- Set guidelines and policies for cooperatives to ensure they operate effectively and efficiently.

## Conclusion

Cooperatives can replicate the scale effects of larger farms such as plantations when guided well by cooperative principles. This poses greater advantages for member growers over independent growers. Cooperatives have helped minimise the challenges faced by smallholder growers, thereby, improving members' productivity and quality of coffee, and the quality of their lives including that of their communities. Coffee cooperatives in PNG however face challenges that hinder their growth, which have resulted in the demise of some cooperatives. This calls for GoPNG together with other key stakeholders to work together to address these challenges. It is hoped that this article will assist policy makers, planners and agriculture managers in making informed decisions on how to boost coffee production in PNG by considering encouraging smallholder coffee growers to establish coffee cooperatives.

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