

Navigating Origins

ECUADOR BY DAVID POHL

THE COFFEE INDUSTRY in Ecuador has two very distinct personalities. On the one hand, it is a producer of large amounts of inexpensive robusta and has a sizeable soluble instant coffee industry, to the point where it actually *imports* coffee to feed this market. On the other hand, it is a dynamic, if fledgling, player in the more exclusive specialty and boutique coffee markets. Old regions, such as Loja in the south, are improving quality and some new regions, particularly Pichincha near the capital, Quito, are appearing on the radar and offering hope for a new generation of small-scale coffee producers.

BACKGROUND

One of the most curious aspects of the Ecuadorian coffee industry is that it imports more coffee, mostly from Vietnam, than it produces on its own soil. This unexpected reality

stems from the fact that Ecuador has a large soluble coffee industry, with entrenched political ties, and Colombia as a neighbor. Basically it costs less for the Ecuadorian soluble industry to buy coffee from Vietnam than from its own domestic market. In turn, Ecuadorian producers sell their green coffee to the Colombian soluble market at a better price than they could get locally.

Why would farmers willingly sell their cherished crop to the soluble market? After all there cannot be much of a premium, even in the Colombian soluble market. Although Ecuador has ideal conditions for producing relatively large quantities of quality arabica, coffee policy over the years has focused on producing coffee for the soluble market. For instance, government efforts to increase production in the 1970s focused on lower-altitude regions. Today, 48 percent of arabica coffee comes from Manabi, a region with a maximum altitude of 700 meters, while only 20 percent of arabica comes from Loja, a region with average altitudes above 1,600 meters.

One result of having most arabica come from low altitudes was that, in 2009, 83 percent of arabica coffee was exported as “natural,” which in Ecuador means coffee of poor quality. Traditionally, “natural” coffee (or “café en bola,” as it is called in Ecuador) is left to dry on the tree or picked all at once, ripe and unripe, left to dry in a pile, and sold on the local

market for export to Colombia. In other words, “café en bola” is a production system that feeds the soluble market.

Even in Loja, where conditions are theoretically excellent for producing high quality arabica, 90 percent of coffee is processed “en bola.” Farmers play the numbers game, and in most cases they see no value in investing more in their product

because they know, due to low altitudes or low yields, they will not receive enough of a premium to pay for their efforts. The average yield in Ecuador is a paltry 5 to 7 quintales/hectare (about 450 to 625 pounds per acre), while in Colombia and Peru it is at least double or triple that. To make matters more challenging, the daily minimum wage in Ecuador is around \$12, whereas in Peru it is \$4. With low yields and high costs, farmers can't afford to give coffee the attention required to create the higher-quality product.

Another factor that helps explain Ecuador's difficult coffee sector is that, unlike its neighbors, it doesn't have an active coffee producers union. In contrast, the Colombian Coffee Federation (Fedecafe), founded in 1927, is a powerful force in government and policy, advocating for coffee farmers, engaging in training and marketing the Juan Valdez brand globally. The resulting coffee industry has been a driving force in the economic and social development of Colombia, as well as one of the most recognized brands in the world. There is also a strong “associative” culture in Colombian coffee, where farmers work together



ECUADOR COFFEE

PLANTED AREA 197,000 hectares (486,800 acres)

AVERAGE PRODUCTION 650,000 bags

PRODUCERS 105,000 families

ARABICA 60 percent

Main arabica growing regions: Manabi, Loja, Guayas, El Oro, Zamara Chinchipe
Arabica harvest months: May–August

ROBUSTA 40 percent

Main robusta growing regions: Orellana, Sucumbios, Lor Rios, Esmeraldas

CUP PROFILE Highly variable

ALTITUDE Sea level to 2,000 meters

CLIMATE Sub-tropical to cooler, drier high-sierra weather

PROCESSING TYPES FOR EXPORT
Washed

for the greater good. Not so in Ecuador. While there are technically a handful of producer and export unions in Ecuador, most exist on paper only, or are regional in nature. The strongest voice for the coffee sector is the government-sponsored Ecuadorian coffee organization, Cofenac. While not a membership “union” per se, Cofenac is a semi-private institution that sets coffee policy with input from various representatives of the coffee sector. Founded in 1995, its efforts in specialty coffee have dealt mainly with improving yields and quality, and expanding the area under cultivation, which has shrunk by 50 percent since the 1980s.

While Cofenac has positively supported specialty coffee in Ecuador through technical projects to increase yields and quality, it continues to support robusta production, particularly in low-lying areas. It recently launched a project to renew 25,000 hectares of robusta coffee plantations, along with an equal amount of arabica. Most countries in Latin America have moved away from robusta, or banned it outright as in the case of Costa Rica, preferring instead to focus on more lucrative arabica varieties, while simultaneously supporting farmers at lower altitudes to replace coffee with a higher-value cash crop. However, Ecuador and Cofenac continue to see robusta as a vital element of their coffee policy and economic trajectory. As a result, 40 percent of coffee grown in Ecuador today is robusta—and that percentage is expected to hold or increase slightly over coming years.

THE NEXT GENERATION

There is a new and dynamic generation of coffee producers who are seeking to take advantage of the superb micro-climates and soils of Ecuador to produce world-class coffees. Their impact is small, if one considers the overall coffee market in



Ecuador. However, considered on their own, these projects have the potential to make Ecuador a noteworthy producer of specialty and boutique grade coffees.

In the southern province of Loja, Roberto Jimenez, director of the 1,680-member cooperative Fapecafes, has been slowly and methodically increasing the quality of coffee for 10 years. Jimenez and Fapecafes have succeeded in developing an interest in Ecuadorian coffee in the U.S. market, where just five years ago roasters were hard pressed to find any Ecuadorian coffees. Today, some of the most respected coffee roasters and importers are buying coffee from Ecuador and, apparently, loving it. Jimenez, a regular participant in international coffee conferences since 2000, indicates that direct relationships and better prices have in turn improved quality in his region.

According to Jimenez, among the challenges facing producers are lack of credit in general and long-term credit specifically, needed so that producers can “renovate” their farms. It is estimated that 80 percent of farms are past peak production, resulting in very low yields. Visiting Loja, one might have trouble picking out the coffee trees on a coffee farm because they have been left untended, unfertilized and unpruned for years. This is the case even in areas where excellent coffees have been found in recent years, such as Quilanga, which is located in the Andes Mountains near the Peruvian border.

Jimenez believes that part of the reason for the unkempt trees is that the children of coffee farmers have tended to migrate to Spain and the United States, leaving their parents without the labor needed to tend to their farms. The result is that only 10 percent of the coffee in the south is washed, while the rest is “en bola.”

One of the most exciting, albeit small, developments in Ecuador is the emergence of Pichincha as a coffee-growing region. Pichincha long ago replaced most coffee with cattle, but in recent years there has been a small but focused interest in reigniting the coffee industry there.

Nico Velez, owner of Café Velez—a coffee roasting, producing and exporting company—is at the heart of this renaissance. Velez has established a small group of estates outside of Quito, which are now joining forces with Exclusive Coffees of Costa Rica, to export micro-lot coffees to the United States and

ECUADOR FACTS

OFFICIAL NAME Republic of Ecuador

AREA 109,415 square miles

LOCATION South America between Colombia and Peru

CAPITAL Quito

LANGUAGE Spanish, Quichua

POPULATION 13.5 million

MONETARY UNIT Dollar

Europe. While these efforts are still in their infancy, the first Velez coffee to be exported, Perla Negra, received an impressive 92 rating by *Coffee Review* in May.

Beyond this, Café Velez has stimulated consumer interest in specialty coffee in Ecuador, where even today 80 percent to 90 percent of coffee is instant (and probably from Vietnam). Last year, Café Velez, perhaps the only truly “specialty” roaster in the country, sold 55,000 pounds of coffee and expects to increase this number to 75,000 pounds for 2010. Velez's early successes provide a glimpse of the future possibilities of specialty coffee from Ecuador, where individual efforts lead the way.

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