

The paper that I chose to review is “Smallholder Farmers in the Speciality Coffee Industry: Opportunities, Constraints and the Businesses that are Making it Possible” by Inma Borrella, Carlos Mataix and Ruth Carrasco-Gallego.

At the beginning of the article, they point out the coffee industry characteristics. It is a highly competitive industry, Lack of differentiation has made coffee farmers vulnerable to fluctuating prices. Decommoditization offers an opportunity for farmers to differentiate their coffee in terms of sustainability and quality helping them commercialize it more directly. On the challenges, Smallholder farmers encounter productivity and transactional constraints that discourage them from accessing these higher-value market segments. The Intermediaries can be the key to connect farmers with this new market. Connective businesses facilitating direct trade relationships between smallholder farmers and specialty coffee roasters.

Later, The paper identifies coffee farmers’ challenges and opportunities. Price uncertainty causes bad decisions toward resource allocation and planning. Increasing in price, bidding up the main cost of production such as labor, fertilizers, and phytosanitary products. On environmental issues, Pests and diseases increasingly tend to damage coffee plantations. Also, Climate change has affected the agroclimatic condition in coffee production areas. Furthermore, Coffee supply chains are buyer-driven commodity chains in which the lead firms (importers and roasters) control the chain in a hands-off way, maintain the opacity and capture most of the economic gains. Smallholder farmers also have difficulties accessing commercial information, credit, and diversification. On the opportunities side, Coffee-buying companies are changing their way of doing business to differentiate their products in an increasingly saturated market. The direct trade emerged, Roaster skips the intermediaries (Importers), in the traditional supply chain, and buying coffee directly from farmers driven by sustainability and quality demands which is different from the mainstream coffee trade. To perform direct trade, farmers must have the certifications to ensure their coffee quality and sustainability. Also, due to the rise of the Third Wave of coffee, Consumers’ want is far beyond the quality differentiation of the coffee. Connective businesses, the invisible actors behind direct trade, are the companies that connect smallholders’ coffee production with specialty coffee roasters’ demand.

To conclude, Paper suggests that the Coffee industry should decommoditizing coffee from a soft commodity to a specialty product. Connective businesses could facilitate the coffee supply chain, and create shared value with coffee smallholders. The specialty coffee industry can deliver an opportunity for coffee producers. In this valuable niche market, coffee becomes a product differentiated not only by quality, flavor, and origin but also by intangible factors such as social and environmental sustainability. Further, The coffee’s final price is much higher and more stable, therefore producers can gain more value reliably. Specialty coffee roasters seek to establish and develop long-term relationships with producers who are willing to supply the coffee they want consistently and sustainably. Connective businesses are the bottom of the pyramid businesses that work with smallholder farmers in order to minimize the transactional and productivity constraints they experience to access the specialty coffee market. They operate based on shared value creation, connecting farmers with specialty coffee roasters that would not be possible to meet and work together in a direct trade relationship.