COFFEE IS CENTRAL AMERICA’S LEADING EXPORT AND IN SOME COUNTRIES, ‘LA ROYA’ OR COFFEE RUST, HAS AFFECTED UP TO 70 PERCENT OF PLANTATIONS. THE DISEASE ATTACKS COFFEE LEAVES AND CHOKES OFF NUTRITION TO THE COFFEE CHERRIES THAT PROTECT THE BEANS.

Many smallholder farmers in Central America are trying to fight La Roya by replacing aging trees or spraying fertilizer and fungicide. But income losses for these farmers have been compounded by lower global coffee prices due to bumper crops in other regions and a chronic lack of long-term financing.

This project will provide long-term loans to help Nicaraguan coffee farmers combat the devastating effects of La Roya. A unique partnership between IFC, GAFSP, Atlantic (a subsidiary of the coffee trader, Ecom), Starbucks and the Inter-American Development Bank (IDB), the project will help approximately 500 farmers replant and renovate their farms. The project will also provide these farmers with new coffee varieties that are resistant to the fungus and technical support to improve their agricultural practices.

IFC will invest $12 million in the total $30 million loan program. The IDB will invest $12 million; Atlantic will invest $3 million; and coffee roaster and retailer Starbucks will also invest $3 million. GAFSP will provide a 25 percent first loss guarantee for IFC and IDB’s investment, which will lower risks and the level of interest rates charged to farmers. Both IFC and GAFSP hope to expand this project to other countries affected by La Roya.

EXPECTED RESULTS:

The project is expected to finance about 500 farmers and to renovate about 5,000 hectares of land in Nicaragua affected by La Roya.

The project is also expected to increase the average yield of these farmers of around 10 quintals/ha by three times following renovation.

The La Roya project also addresses present climate risks by introducing best management practices and plantations of coffee rust resistant varieties.