

Tuck MBA Internship in Nicaragua

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You can read about the progress of and reflections from Alex's MBA 2009 summer internship in Nicaragua. This internship is supported through the partnership of Green Mountain Coffee Roasters and the Allwin Initiative for Corporate Citizenship at the Tuck School of Business with a generous donation from Gene Hornsby T'73 and Mary Hornsby.

The Project

The work of coffee producers across the globe can be characterized as labor-intensive and marginally profitable. Green Mountain Coffee Roasters (GMCR), based in Waterbury, VT, is widely known for its corporate social responsibility initiatives. In 2007, GMCR sought to better understand quality of life issues faced by coffee farmers in Nicaragua, Guatemala, and Mexico.

In Nicaragua, as in many countries, coffee is often the only cash contributor to the livelihoods of small-scale coffee farming families. If coffee prices are reasonable, most of the families survive, though plagued by annual periods of food insecurity. If coffee prices should plummet,

the families have historically been vulnerable to severe food insecurity and even famine. The purpose of this food insecurity project with [the coffee cooperative] CECOCAFEN, which has been developed from the ground-up not from the top-down, is to demonstrate that that families can improve their livelihoods and become more food secure.

For the purposes of this project, my deliverables are to develop an analysis of the current market practices of alternative sources of produce, provide a go-to-market strategy to diversify the revenue streams that coffee farmers receive, and increase the profitability of any current operations.

Week One

First Day on the Ground June 24

In Nicaragua, the bus transportation between towns is done with de-commissioned American school buses. It's pretty funny to see the way they're converted by bus entrepreneurs for use in Nicaragua. The conversion might be as simple as changing the signage on the side of the bus to indicate its route, or it may be

as elaborate as a multi-colored paint job, with funny signage such as "Bat-mobile" etc. At each stop, vendors are allowed to hop on and sell their wares. Watching them in action is quite interesting; these guys have it down, so that the bus is as efficient with its stops as possible, which means that, at times, they're hanging off the bus as it's

moving! The bus ride from Managua to Matagalpa is 100+ km, which takes 3 hours given the combination of Nicaragua's infrastructure and the several stops the bus makes if you're on the local bus. I arrived in *Traveling to Coffee Country*

I hop on a bus from Matagalpa north to the *poblano* of San Ramon, which is a sleepy little town that is on the fringe of the Matagalpan Highlands. I took the first hike into *La Reyna* on a very narrow and hilly dirt road where I met with a coffee producer, Elizabeth Molina, and spent time talking to her about her organic coffee farm, the other produce that grows alongside her coffee, her eco-tourism business, and her periods of *meses flacos*. For the price of \$10

Week Two

Project work

The COMANUR coffee co-operative is broken out into 11 geographical areas, the closest being 2km away from COMANUR, and the furthest being some 20+ km away. One day, I walked approximately 10 km to interview 6 subjects. Needless to say, at the end of day 1, I was pooped!

On Friday, I met with one of the members of the directorship here about their vision for the local "farmers market" that they intend to roll out as a result of my findings.

The Road Trip to El Cua

I've transitioned from Matagalpa, which was my home base last week, to El Cua, which will be my home for the next 30 days. According to my GPS system, the lineal distance between Matagalpa and Cua is about 35 +/- miles. The drive took us a bit over two hours - a testament to the

Matagalpa (and with a) \$.35 cab ride later, I was at the headquarters of CECOCAFEN, the coffee co-operative with which I will work with and for, for the next 10 weeks.

USD per day (including lodging and 3 meals per day), you can stay with Elizabeth and her family, or any of a number of co-operative families in the CECOCAFEN network. While the (farmers') livelihoods, in many ways, depend on the vagaries of the coffee commodity market, and by extension the prices at which they can sell their coffee crops, these folks' spirits are very high.

We talked about all the products that were currently being produced on associate members' farms that could be sold in a market. The list was staggering to me: 32 different products, ranging from herbs that can be used as medicines and for cooking, to beef, chicken, fish, eggs ... the list went on and on. His excitement and enthusiasm about my project was palpable, and we left the meeting with him volunteering his help in any capacity possible.

condition of the roads. The inter-city roads in Nicaragua (including the main arteries) are almost always gravel (read: stones) or semi-paved. The drive from Matagalpa to Cua felt like an off-road expedition for most of the way, but the vistas from Matagalpa to Cua more than compensated for the

uncomfortable ride. On the way, we ran into some small *poblanos* (towns), national forests, and stunning views of unpopulated valleys as we ascended 3,000+ feet above sea level. One especially gorgeous sight was

Caring Means Sharing

I attended the bi-weekly technical training meeting with the CECOCAFEN technical team in Matagalpa. The meeting began at 7:30 am local time, and lasted for what seemed like three hours. I didn't get a chance to have breakfast that morning, but I was smart enough to grab two granola bars. Feeling generous, I offered the one bar to one to Derling, the technician sitting next to me in the meeting. Within 30 seconds, as I was listening to the discussion and taking notes, I managed to eat more than half of my granola bar. I took a casual look around the room and noticed that the granola bar had made its way half-way around the

Business really IS about trading goods & services

Despite the adjustments I've had to make while here, the experience has been amazing. Every day and every interaction is a learning opportunity. I've gotten the opportunity to participate in Nicaraguan culture, business, and political discussions (which are ALWAYS passionate, interesting conversations). It's here that Dean Slaughter's Global Economics for Managers course comes to life; at the base level, trade *really is* about people producing goods and

a view of a waterfall from a mountain called *Cerro Peñas Blancas*. The *cerro* is part of a protected forest area within the department of Jinotega.

table. It took me a few seconds to realize that Derling had shared his granola bar with the group, as is the custom here when there is a treat available. Unfortunately, the bar didn't make its way completely around the table, because it was rather small, and there were quite a few people at this meeting. Embarrassed, I offered up the rest of my bar to those who didn't get a chance to have any, and they happily accepted the offer. Make no mistake about it; people in this country have comparatively little in the way of resources to share. Yet, with that, it's amazing to observe how freely they give.

services for the purposes of consuming other goods and services. Sometimes, that point is lost in American business, as the nature of businesses can be exceedingly complex, and employees working in very specific roles lose sight of the basic function of the enterprise. In Nicaragua, one gets a chance to observe basic businesses conduct themselves; observing this interaction reveals the interplay between basic human needs and economic interaction.

Week 3

Project work

My day always starts in El Cua, which is roughly central to all the coffee communities that are a part of the COMANUR coffee cooperative. I walk to the communities that are within a 5-8km range, and petition for a motorcycle ride for anything beyond that distance. The walks in between associates' homes can be as long as 5km, and average about 2km. It's simply amazing how much energy I've expended in the past week to get these interviews done. If I were in the US, I could survey 33 random people from the comfort of my own home, using a survey tool like Survey Monkey. I could send reminder e-mails to folks and Survey Monkey could perform basic survey analytics with ease. In

A Nicaraguan Entrepreneur

Doña Evelyn is a small-scale coffee producer that is a member of COMANUR, the 1st level coffee cooperative in El Cua that is associated with CECOCAFEN. Doña Evelyn reminds me of all of my aunts in Puerto Rico: her short, stocky figure, her magnetic, animated personality, her wide, beaming smile, and her maternal instincts. She is what we might call a "serial entrepreneur" in the US. In addition to

Week 4

Project work

The 32 interview subjects that I've had the opportunity to talk to can be broken into three broad types of associates: those farmers who live within the *municipio* of El Cua, those farmers who live away from the *municipio*, and those whose primary business is the management of steer, for milk and meat production.

Those who live close to or within the *municipio* have access to a variety of

Nicaragua, I am working on a paper survey (which is tricky to keep intact, given that this is the rainy season!), and am walking long distances to get a few surveys done per day. In the end, walking the long distances is very much worth it. The coffee producers have always greeted me very warmly, are always attentive to answer my questions completely, and always try to feed me plenty! As you might know, in Latin American cultures it is customary to offer someone a meal upon entering your home. And, as you might have guessed, saying "No, thanks." is taken as a snub to the offering party. As I put the finishing touches on this blog entry, I have but 5 coffee growers out of 33 left to interview.

growing coffee, she runs a successful restaurant, invests in eco-tourism hospitality in her home, and has great ideas on how to package and market her produce, so they sell fast in the farmer's market that will open shortly. If I could sum up Doña Evelyn in less than ten words, it would be these: Where others see problems, Doña Evelyn sees opportunity.

economic activities, and mostly always participate in the economy as *merchants* or *vendors* of a variety of goods and services, from *pulperias* (small convenience stores) to *ferreterias* (hardware/construction goods stores) to transportation/logistics companies, etc. It's my suspicion that these activities are, in part, due to the fact that the larger population of the *municipio* makes these activities economically viable. In addition, these merchants also grow a

variety of produce, including coffee, bananas, maize, and beans.

Farmers who live away from the *municipio* (2-3km seems to be all it takes) mostly participate in growing and selling produce, with a relatively small part of their income coming from the sale of chickens, pigs, and eggs. It appears that the proximity to the *municipio*, in combination with the logistical difficulties that occur with the local roads, limit the economic opportunities for this group of people.

Finally, the last group of associates, the *vaqueros* (cowboys), offers a different set of goods to consider, as well as a different set of logistical issues to overcome, given the perishable nature of their products, as well as the health risks associated with those

Water

Water quality is a constant issue, with most urban-dwelling Nicaraguans having to purchase purified water for their consumption. In the *municipio* of El Cua, people lack the access to bottled water, so people use water from the tap. In a given week, I have uninterrupted access to tap water for 2 days. As might be expected, people have developed creative responses to these water interruptions. When the water is flowing from the tap, most people (myself included) work constantly to capture that water in sinks, large containers, and water wells. My guess is that these activities put a huge strain on water resources. When the water is interrupted for long periods of time, people begin to use the captured water for all their needs, and ration the water carefully so that it lasts. In El Cua, one can see pieces of unknown particulate with the naked eye, which raises the possibility of contaminated water.

products when considering alternatives such as international trade.

These differences among small-scale coffee farmers seem to correlate to the economic prosperity of the associates within the group. On average, the merchant class seems well diversified in their economic activities, and that diversification appears to give them the flexibility to weather a bad coffee yield or low world coffee prices. In contrast, a relatively disproportionate reliance on coffee revenues puts those farmers further away from the *municipio* at greater risk of basic resource scarcity. Lastly, the *vaquero* class of associates faces much larger up-front capital costs to acquire their steer, and their operating costs seem to be, on average, a bit higher than an associate who's managing their land solely for produce.

I have a great many takeaways from living in these conditions. The first, and probably most significant of the takeaways, is how resilient the people here are to challenges. Part of that resiliency, I suspect, is in not having the benefit of experiencing life in a different way. Less than 1% of all the *Nicaragienses* I have talked to have ever traveled outside of Nicaragua. But the other, more significant part of the resiliency in the face of these challenges is the reality that life doesn't stop. When the power goes out, people find a way to work through it – be it by working with a pen and paper or taking care of another chore that doesn't require electricity. When the water stops running, people make conservation efforts, like showering less. In essence, the resiliency to these conditions is much more about the mental constructs of standards that exist in the minds of people than it is

about the physical consequences of dealing

with these challenges.

Week 5

Project work

This week, my work was focused on “crunching the numbers” to provide a snapshot of the members’ current financial situation, and to analyze that information to look for opportunities to increase the income of coffee farmers.

I’m looking into some of the variance on the cost side of the profitability equation, particularly with corn and red beans. Almost all farmers in the data set grew corn and red beans, with the dual purpose of subsistence and income. In analyzing the detailed cost information I received, you could immediately see that some were spending more than others in fertilizers, chemicals, etc. to bring the crops to yield. However, in many instances, the additional expenses

hardly ever lead to differences in yields between producers.

In the revenue – costs = net income calculation, looking at potential ways to reduce costs is just as important as ways of increasing revenue through higher prices. I’m currently looking for standardized cost and yield data for red beans and corn, and will analyze them to see whether training on effectively growing this basic grain is warranted. In addition to focusing on ways to improve the profitability of the more important crops for the farmers, I’m also helping the members of COMANUR realize a concept of a local farmer’s market in El Cua.

Food and Hunger

The restaurant I frequent here in El Cua doesn’t really have a name. It’s located within a woman’s house. Last Tuesday, at noon, I made my way to Doña Consuelo’s house for my *comida típica* (typical food). As I was placing my order, there was another woman finishing up her meal, leaving some leftover scraps of food on her plate. About two minutes later, two young boys come into the restaurant. Most people in the restaurant don’t seem to notice the two boys, but I did; the clothing they wore and their exposed skin were nearly completely covered with dust or dirt. Their shoes wore visible holes on their sides, and their

fingernails looked as if they hadn’t washed their hands in a long while.

I made eye contact with the eldest of the two, and he came up to me very quietly and asked “*Me puedo comer eso?*” (Can I eat that?), and gestured to the scraps that remained from the woman’s plate. The question left me not knowing what to say. I thought about it for 5 seconds and said “*Si, como no?*” (Sure, why not?) To be honest with you, for some reason I didn’t think he was going to eat the food scraps. I thought this young man’s true ambition was to ask me for a few *cordobas*, and my reply to his

question was, in many ways, a test of my hypothesis.

As soon as I gave him my affirmative reply, he took the woman's seat and slowly began to eat what remained of her meal. Once he felt comfortable that he wasn't going to be asked to leave the restaurant, he invited the younger boy over and they began to share the food. The older boy made sure that the younger boy ate the bulk of what was on the plate, which wasn't much.

It took everything I had to not break out into tears over what I was witnessing and the gravity of it all. My meal came out about a minute later, and I asked my waitress for another plate and two *frescos*, or drinks. When the other plate arrived, I split my lunch between the two boys, gave them the two *frescos* that I ordered, and invited them to sit and eat with me while I enjoyed a coffee for lunch. Embarrassed but hungry, they accepted my offer, and sat down to eat lunch.

Week 6 and 7

My Last Days in El Cua

Living in El Cua two weeks ago was pretty tough. We didn't have any running water for six days straight, which meant no showers and no flushing of toilets for that many days. On a positive note, we had electricity most of the week, and I was able to video conference with my family via Skype.

Aside from dealing with the circumstances at hand, the bulk of my time last week was spent finalizing my data gathering and analysis on information from business owners that sell basic grains and other produce in El Cua. After I gathered the last

After I felt their embarrassment level drop, I asked them their names and ages. The oldest boy was 9 years old, and the youngest was 5. He admitted that he and his brother are sent out into the streets by their mother to scrounge up food for themselves and her, if possible. He said that his most frequent meal is pieces of bread that are given to him by shop owners, and my guess is that those pieces of bread have already gone bad. When their efforts don't yield enough food, they walk to the nearby countryside and find farms that have fruits that are easy to steal and eat those. When I asked them whether or not they go to school, Noel told me that they didn't. When I asked why, he said he didn't know, but that his mother didn't want to send him.

As I asked questions of the boys, I felt Noel's embarrassment begin to re-appear, and I decided to leave them alone to enjoy their meals. They finished their plates and cups of juice, and quietly thanked me before leaving the restaurant.

bit of data I needed for I decided to make my way back to the nearest large city, Matagalpa, to finish up my work. The day before I left, I decided to say goodbye to all the kind people I came to know in El Cua. In the morning, I stopped by Doña Consuelo's restaurant to let her know that I was leaving the following morning, and that I'd be back later in the day to take photos. "Ay nene, es que voy a extrañar a ver esa cara que sonría tanto cada día en mi comedor" (Ah child, I'm going to miss seeing that face that smiles so much every day in my restaurant) was Doña Consuelo's response when she heard the news. "Y yo

voy a extrañar como Uds. me cuidaron aquí en mi tiempo en el Cua" (And I will miss the way you all cared for me in my time in El Cua). In marketing parlance, one of Doña Consuelo's restaurant's points of differentiation from the other eateries in town is her assortment of fresh, high-quality hand-made baked goods for sale. When I arrived for breakfast every morning at 7am, her staff was busy filling the display cases in the front of her store with an impressive variety of traditional and Western baked goods. Her pan sencillo, or simple bread, with coffee was my morning breakfast virtually every morning, and I told her how much I would miss eating her delicious bread. After a brief photo op and some goodbye hugs, Doña Consuelo handed me a bag filled with enough bread to last me a week as a parting gift. I told her that I couldn't accept her gift without giving her some money in return, to which she vehemently refused. Touched by the act of kindness, I gave her a huge final hug, thanked her for the bread.

I didn't sleep much the night before I left for Matagalpa, and I can't exactly put my finger on why this was the case. Looking back, I guess it was a confluence of a bunch of different emotions I felt about leaving. A

Back to Matagalpa

Instead of living with a family as I did the last time I was in Matagalpa, I decided to check into one of the local hotels, Hotel Alvarado. The hotel is owned by a doctor couple who are devout Christians, and I first learned of the hotel in my first stint in Matagalpa. The building itself has three main functions; it serves as the home of the doctors, it serves as a 10 room hotel for visitors, and it also serves as a pharmacy in the storefront of the building. This mix of

part of me fantasized – literally – about the joy I would feel in taking a shower with running water, and sleeping in a proper bed for the first time in five weeks. Another part of me was reviewing my entire experience in El Cua – the people I met, the stories I heard, and the menagerie of natural beauty and personal struggle I witnessed, which seems to define the paradoxical, complicated lives of the people in El Cua.

It's funny what a difference 35 days can make, because the poblano (town) of El Cua looked a lot nicer to me on my way out of town than it did when I arrived on July 1st. I nearly forgot how beautiful the drive from Matagalpa and El Cua was until I got to take in those scenic vistas one last time. Witnessing the beauty of the Northern Nicaraguan countryside was a pleasant final memory of my time in El Cua. Again, it's funny what a difference 35 days can make. When I left Matagalpa 5 weeks ago, I remember thinking that it was small, mediocre city without much access to the comforts of home. Upon my arrival last Tuesday, my initial perspective was completely turned on its head; I saw a vibrant, clean, commercially active city that offered modified versions of most of the comforts of home.

personal habitation and family-owned business is commonplace in Nicaragua. While most Americans view their home as a private sanctuary from the hustle and bustle of the outside world, visual evidence suggests that Nicaraguans perceive their homes as an important income-generating

Alas, it has taken 14 years and thousands of miles away from home to look at the sum of my life's experiences as a vehicle that has

brought me to appreciate the beauty, the lessons, and the blessings of my life. And it has taken one invitation with a curious sense of perfect timing to cement the idea that maybe all experiences are purposeful, even if we can't see the meaning behind the

Succinct summary of recommendations

It is my firm belief that the best way to diversify the income of small-scale coffee producers is to first improve the financial results of the current economic activities of a critical mass of producers. Given the vast number of activities that associates participate in, it's critical to organize those activities into groups that share similar economic characteristics, in order to effectively increase and diversify incomes through commercialization strategies.

experience initially. Indeed, as I reflect back on my life, all I see are wonderful lessons learned. And it's those lessons that I'll carry with me as I navigate my way through the rest of my life.

Products were organized by the average price received by associates relative to current market prices, and the relative quantities available for sale. In total, four product groups were defined, and a general go-to-market strategy was advanced, taking into account each product group's unique economic characteristics. The final paper develops the recommendations in detail with accompanying rationale, frameworks, statistics, and evidence.

