



Eric Meyer FORBES ASIA 5/14/2014 @ 11:40AM | 499 views
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Xinjiang,
Tibet and
the Chinese
economy.*

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Coffee In Yunnan, China (I): Nestlé's New Model

At the century's turn, Yunnan's southern hills were planted almost exclusively tea. And then came Nestlé, bringing coffee growing and new wealth to the region.

For Wouter De Smet, manager of Nestlé Coffee Agriculture Service, “*tea is in the heart of those farmers, but coffee is in their purse!*” Indeed, compared to tea (the famous “Pu'er” tea) cultivated since possibly thousands of years and at the origin of innumerable local traditions, coffee is a menial job in Yunnan, China – but the wealth it brings, gives an incomparable shine in the eyes of the locals.

Old Liao, 70 years old, was one of the first to grow coffee, in 1997. While buying and renting more hill-land from his neighbors, he now controls 20 hectares and manages 80 tons of beans yearly – almost double the average (2,2t/ha). Five years earlier, though, his children were strongly considering leaving for the city, to get less tiring and better paying jobs. But by now they have thought it over: both want to stay, one to take over the farm, the other one to manage coffee trading. Thus, this new cash crop demonstrate: a potential to stop the rural exodus and to empower local peasants – just as Xi Jinping's new team tries to achieve.



Yunnan Province, China (Photo credit: Wikipedia)

The very first coffee trees in Yunnan were planted in 1902 by a French Catholic priest, in his garden. But the real story was to begin in 1997 when Nestlé, attracted by those rich volcanic soils and in search of a source of beans for its Nescafe plant in Dongguan, Guangdong Province, created a 20-hectares experimental farm in Mengsong (Xishuangbanna). From 30 species collected around the world and cross-bred by Nestlé's agro R&D center in Tours (France), five kinds, all of them from the Arabica

type, were selected for this environment. Another choice was made: planting the young trees in a semi-wild hilly surrounding, while prohibiting hunting so as to maintain a biodiversity, seen as the best defense against pests.



coffee farmer in yunnan

The next step started in 2002, when Nestlé opened its Center in Pu'er City, 120km further north, and started roaming the villages. They presented the coffee saplings and the cultivar to the ethnic communities (like the Dai, the Aini and others), and offered free training and soil analysis. The seeds were sold without profit to convey the feeling that they were worth cultivating.

Almost 20 years later, over **2000 farms** joined the Nestlé program, which are regularly visited by five locally recruited agronomists, equipped with SUVs. Last season, Nestlé bought 11,500 tons of beans, an equivalent of one fifth of Yunnan's crops. From this cooperation, 25,000 people draw directly a living.

Such cooperation is footed on clear rules by Nestlé, anxious to foreclose any abuse or clash with the public authorities. Only legally registered farmers are admitted as providers, once their pitch has been checked and approved. A list of quality criteria is set on the beans at delivery, both on appearance and on taste. The farmers have to extract the bean from the berry by themselves, which allows them to earn the money from this process, but supposes extra work and equipment. However, they are not obliged to sell to Nestlé – all major national and world coffee players are present in Yunnan, competing for sourcing.

Each season between October and March, around 9 am, riding on their awkward looking small tractors, the farmers bring their beans to the Nestlé warehouse in Pu'er. Then, controllers draw a few beans from the bags, which are checked for defects in shape and

size, and then burned, grounded and **tasted by four experts**. In case of negligence during the drying process, the merchandise is rejected. The farmer is free to try his luck elsewhere, at a lower price.

Nestlé pays at the rate of the NYSE – but it had soon to modify its practice, due to an unexpected development: after having been taught how to check on the NYSE on the internet, the farmers started excessive hoarding, hoping to grab the best timing for the highest price, a psychological trend which unsettled the natural flow of the merchandize. Therefore, the Vevey-based group opted for only buying on Monday and Thursday – typically between 12 and 26 yuans per kilo. As states De Smet, farmers often sell to satisfy short-term needs: “a peasant sells three bags just before Lunar New Year... or two full trucks, before marrying his daughter! In the course of a few years, our producing partners have become authentic business people”.

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