

# Cost Structure of Specialty Coffee Production in Honduras and El Salvador

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## Introduction

Coffee is an important agricultural product in many Latin American countries, especially Central America. In Honduras and El Salvador, specialty coffee exports represent 30% and 50% of its coffee exports, respectively (USDA, 2018; CSC, 2020).

Several recent studies have analyzed the cost structure of coffee production (Gomez et al., 2017) but do not evaluate differences across production systems (e.g., specialty versus non-specialty).

### Study objectives:

- To document production practices, input use and costs (including labor) to produce specialty coffees.
- To determine the cost structure of specialty coffee production in Honduras and El Salvador.
- To model and estimate the complete cost structure of producing specialty coffees.
- To evaluate the profitability of the production of specialty coffees under different labor costs.
- To estimate total labor cost under different labor costs conditions (current wage and living wage).

## Methodology

Data was collected using a multi-stage process.

Coffee experts were interviewed to outline typical management plans for coffee production

- Survey was approved by Texas Tech University Institutional Review Board

20 Farmers were interviewed: 14 in Honduras and 6 in El Salvador and ordered by size:

- Small (< 2 ha)
- Medium (2-20 ha)
- Large (>20 ha)

Separate cost-profitability models were developed for specialty coffee systems

- Conventional coffees (Honduras and El Salvador)
- Organic coffees (Honduras)

Current wages were calculated by hired labor per activity (included family labor):

- Harvesting
- Other activities

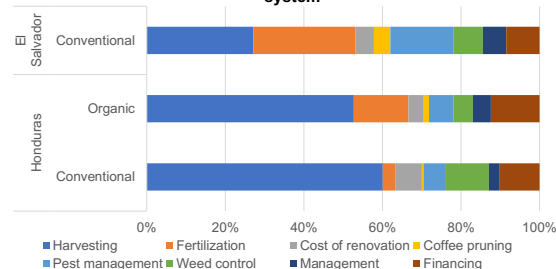
Living wage calculation:

- Anker's methodology (2006)
- 9 households in Honduras and 9 in El Salvador
- Representative household of 4 members

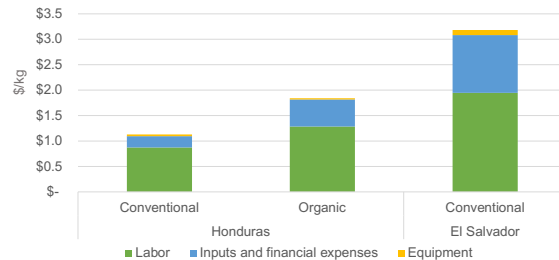
## Results & discussion

Costs calculations did not include establishment, land, and owner management costs.

### Specialty green coffee costs structure: by production system



### Specialty green coffee cost/kg by cost category



### Net returns to production of specialty coffee

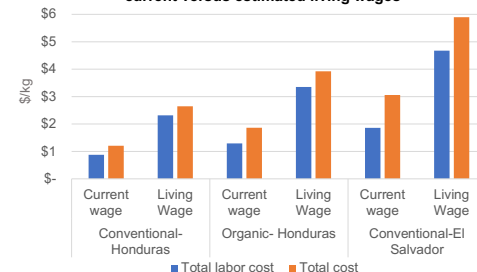
Country	System	Price (Kg)	Total Costs	Net Returns to E.L.O.M*
Honduras	Conventional	\$2.93	\$1.13	\$1.80
	Organic	\$3.47	\$1.84	\$1.63
El Salvador	Conventional	\$3.79	\$3.18	\$0.61

\*E.L.O.M: establishment, land, and owner management costs

### Current and estimated living wages

Country	Production system	Labor days to produce 1 Kg	Current wage (\$/day)	Living wage (\$/day)
Honduras	Conventional	0.13	\$7.22	\$18.03
	Organic	0.19	\$7.48	\$18.03
El Salvador	Conventional	0.25	\$7.65	\$18.36

### Specialty green coffee costs of production: current versus estimated living wages



## Conclusions & perspectives

- Large differences in costs and cost structure of specialty coffee across two countries located in the same region.
- Differences are not only due to inputs costs, but also due to differences in coffee management practices.
- We also found that conventional specialty coffee is more profitable than organic specialty coffee.
- Paying workers the living wage would result in very large increases in costs of production.

## References

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