

# ASSESSMENT OF FAIRTRADE COFFEE FARMERS' INCOME

RWANDA, TANZANIA, UGANDA, KENYA, INDIA, INDONESIA AND VIETNAM



## INTRODUCTION

Around 80 percent of the world's coffee is produced by 17.7 million small-scale coffee farmers. And while the coffee industry aims to be a sustainability leader, the fact is that many farmers continue to struggle to make ends meet and support their families.

A 'living income' is defined as sufficient income generated by a rural household to afford a decent standard of living for all the household members. To develop a better understanding of how Fairtrade can help coffee farmers move towards this, we recently worked with social enterprise True Price on an assessment of household income in seven producer countries: Rwanda, Tanzania, Uganda, Kenya, India, Indonesia and Vietnam. True Price is specialized in quantifying, valuing and improving impact of organizations. The data was collected by field staff at Fairtrade's producer networks.

This research allows Fairtrade to build up knowledge on measuring farmer household income. It will also inform discussions across the coffee sector on how supply chain actors can partner with farmers to achieve a 'living income'.



## KEY FINDINGS

### Reliance on coffee farming for household income

On average about 50 percent of farmer household income results from coffee production. However, this percentage varies greatly per origin. Farmers in Indonesia rely heavily on income from coffee production whereas farmers in Kenya depend mainly on other sources of income. Other key contributors are sales of other crops and farm goods, and wages from other employment off the farm.

### Attaining a living income

Of the coffee farmers sampled, on average those in India, Indonesia and Vietnam earn a living household income. Only Indonesian farmers currently earn a living household income from coffee production alone according to the study. Twenty-five percent of Indian farmers, almost 50 percent of Indonesian and Vietnamese farmers, and 100 percent of Kenyan farmers do not currently earn a living income.

### Differing household incomes between countries

Overall household income depends very much on the local context. This study shows that Indonesian and Vietnamese coffee farmers have the highest household incomes, mainly due to high prices for coffee from these countries. Although Tanzanian farmers have the highest coffee profitability, this does not translate into high household incomes due to relatively low production volumes. While some Kenyan farmers are making a profit on their farms, on average Kenyan farmers produce coffee at a loss.

### Ability to pay workers a living wage

As well as assessing farmer income we also wanted to examine if workers on smallholder coffee farms are able to earn decent wages. A 'value added analysis' revealed that farmers in India and Indonesia are able to provide their hired workers with a living wage using their coffee income. In Kenya and Vietnam, this is not currently the case.

## RESEARCH METHODS

For this study, True Price and Fairtrade worked together to develop a methodology to measure total farmer household income in 2016, drawing on True Price's expertise with producer income calculation models and Fairtrade's expertise in collecting costs of sustainable production data. Using this methodology, and following agreed sampling criteria, True Price created a baseline farmer income database for Fairtrade smallholder coffee producer organizations in seven countries (Rwanda, Tanzania, Uganda, Kenya, India, Indonesia and Vietnam), covering 465 farmers. Primary data was collected by Fairtrade field staff and (in Kenya) by the Coffee Research Institute.

Preliminary results were discussed with experts and local data collection partners. The report was completed in 2017.

Farmer household income is defined as all income that a farmer receives, both on and off-farm and both financial and in-kind, minus all financial and in-kind costs for the production of coffee and other farm goods.

A household is defined as the family members for which the farm has to provide and who live permanently in the farmer's household. This is in line with the definition of a household of OECD.

## RECOMMENDATIONS AND NEXT STEPS



### Country specific actions

The data shows that farmers' realities are very diverse, and the specialization of coffee production varies per country. Farmers' reliance on coffee to support their livelihoods, and the profitability of coffee versus other products also differs widely from country to country. Fairtrade should consider regional strategies and/or tailor-made pathways to improve income.



### Target-setting strategies

One possible approach suggested in the report is for Fairtrade to set specific targets to make progress towards a living income for farmers and living wage for workers. This could include a target to increase the percentage of farmers attaining a living income in a country by a certain deadline, for example from 58 to 75 percent in Vietnam. Such targets could either consider the main source or overall sources of income.



### Future research

This study lays out the ground work for understanding the current situation of coffee farmers, but at the same time it has exposed new focus areas that require further analysis, such as causal relationships between a number of variables that influence coffee farmer household income and/or coffee profitability.

Other areas for future exploration recommended by the authors include the effects of Fairtrade Premium projects on farmers' income and the establishment of living income benchmarks in coffee producing countries. In addition, data collection needs to be made more efficient, robust and scalable to other countries.

## FAIRTRADE RESPONSE

Fairtrade welcomes this pilot study as a vital first step in assessing the current income of coffee farmer households, how it compares to existing living wage benchmarks and Fairtrade's potential contribution to addressing gaps which exist.

A major next step will be to develop fit-for-purpose benchmarks and refine our living income methodology. We will draw on our pioneering work in developing living wage benchmarks using the Anker Methodology to inform this work.

Fairtrade is currently developing a holistic Living Income Strategy, which aims to create an enabling environment and develop tools that support Fairtrade farmers to progress towards a living income. The strategy will include areas such as market development, improving yields and farm efficiency. Advocacy will also be a core component, as Fairtrade cannot address this issue of poverty alone, particularly given that coffee farming is often not the main source of income for rural households. Collaboration and the support of governments and civil society are key to delivering increasing change and better lives for farmers.

**About Fairtrade:** Fairtrade changes the way trade works through better prices, decent working conditions and a fairer deal for farmers and workers in developing countries. By choosing Fairtrade products, people can create change through their everyday actions, and farming communities can improve their lives and invest in their future. Find out more at [www.fairtrade.net](http://www.fairtrade.net)

**For more information:** An executive summary of the results is available on the Fairtrade International website ([www.fairtrade.net](http://www.fairtrade.net)). The full report is available upon request.



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