Sustainable Livelihoods in the Coffee Sector

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Agenda

• Welcome and Introductions
• Who We Are, How we Work
• Improved Livelihoods in our Coffee Strategy
• Our Work with Producers
• Market Incentives
• Advocacy
• Q&A

Questions? Please enter them in the Q&A Box.
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Presenter: Michelle Deugd
Lead – Coffee Sector

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Our vision is a world where people and nature thrive in harmony.
Rainforest Alliance strategy

CORE INTERVENTION
LANDSCAPES AND COMMUNITIES

CORE INTERVENTION
REIMAGINING CERTIFICATION

SUPPORT INTERVENTION
ADVOCACY

SUPPORT INTERVENTION
TAILORED SUPPLY CHAIN SERVICES
Improved Livelihoods: a priority intervention of Rainforest Alliance's Coffee Strategy

Our ambitions and approach

Learnings
What is a living income?

• The living income is a benchmark that indicates the cost of living in a specific geographical location that would allow a household to meet their basic needs.

• Households earning a living income would be enabled to be food secure, to have a decent house and have access to basic education & health care.

• Enabling communities to earn a living income contributes to the Sustainable Development Goals 1 & 2, among others.
Rainforest Alliance's aim is that producers...

...are able to achieve a **sustainable livelihood** for themselves and their families - meaning that they:

• Adopt sustainable practices
  • Optimize their productivity
  • Professionalize the management of farms

AND

• Are profitable & resilient
  • Able to make long term **investments** in sustainable production
  • Resilient to **price fluctuations** or **poor seasons** (adapt to climate change)
  • Earn at least a **living income** & pay workers a **living wage**
What constitutes a living income?
FARM ECONOMIC MODELING

ENABLING ENVIRONMENT

HOUSEHOLD NET INCOME

DIVERSIFICATION

NET INCOME OFF FARM

COST OF PRODUCTION

FARM SIZE x YIELD

PROFITABILITY

NET INCOME ON FARM
A living income to producers: What have we learned?

Impact studies often confirm the positive impact on farmers livelihood
But also allow us to learn about our limitations and address them in our 2020 certification program and beyond. These include:

• **A data driven and need based assessment** to tailor training & services to boost productivity and profitability on farm

• Analysis of **overall farm cost/benefits** to allow increasing household resilience and income diversification.

• Holistic approach to **Regenerative agriculture** allowing for adaptation to **climate change** & **integrated pest management**.

• **Shared responsibility** to incentives reward the sustained implementation of sustainable practices & long-term investment for farm professionalization.

• An enabling policy environment in producing and consuming countries
A Holistic Approach: beyond a Living Income

The Rainforest Alliance’s theory of change for achieving sustainable livelihoods for farmers is built around three pillars. All actors along the chain have a shared responsibility to maintain and reward the application of sustainable practices.
Farms & Producers

Promoting sustainable practices to optimize productivity
Professionalizing management of the farm
Introduction: Smallholder economics in coffee

- $0.90 / lb GBE * 1,000 kg GBE * 1-hectare farm
  
  = $2,000 USD / household (revenue)
  
  - 25% to 75% variable cost ratio
  
  = $500-$1,500 / household (net cash coffee income)

  Or, IF ….

- $1.35 / lb GBE * 1,500 kg GBE * 1-hectare farm
  
  = $4,500 USD / household (revenue)
  
  - 25%-75% variable cost ratio
  
  = $1,500-$3,000 / household (net cash coffee income)

* Not including value of family labor!
RA 2020 PROGRAM (STANDARD)

• Chapter 1 Farm management & Chapter 3 Income
  ➢ Farm and group management
  ➢ Technical skills for farmers
  ➢ Use of data
  ➢ Strengthened position of female farmers
  ➢ Monitoring of production costs
• **Chapter 4 Farming**: sustainable agriculture & climate smart agriculture practices
  - Crop renovation, pruning, and planting
  - Soil fertility management
  - Integrated pest management
  - Safe agrochemicals management
Access to training

Training & tools related to key concepts of sustainable production & the RA standard:

➢ Management capacity assessment
➢ Risk assessment
➢ Investment planning
➢ Sector specific Internal management system

Various delivery methods for different levels of access:

➢ RA trainer
➢ Associated trainer network
➢ Online training platform

https://www.rainforest-alliance.org/business/training/
Project: Producers and Markets in Mexico

- **RA and partners** train producers in climate smart agriculture practices and RA certification
- **Producers** gain market access with TOKS restaurant chain
- **Market actors** get quality supply

![Diagram showing the project's value chain with stages: Training & support, Good practices, Good coffee, Market reward.]

[Image of a person holding a bag of coffee beans and a bag of coffee]
Project: Producers and Markets in Côte d’Ivoire

- **RA and partners** train & facilitate renovation and best practice training
- **Producers** renovate their farms and receive market access with Nescafé
- **Market actors** get performance data & insight about their supply chain
Project: Farm Grow and Supply Chain M&E

• **RA and partners** prepare a detailed assessment and investment plan
• **Producers** get tailored recommendations based on their production system and access to finance
• **Market actors** get an increase in sustainable supply

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**Assessment**

Based on key indicators, we make an extensive farm assessment.

- Plant Material
- Farm Condition
- Good Agricultural Practices
- Soil

**Analysis**

Together with the farmer, we produce a hands-on multi-year digital business plan based on the socio-economic and productive profile and the farm assessment, to increase productivity and work towards living incomes.
The Living Income Module Project

**BRIDGING THE INCOME GAP**

**HOW?**

**INCREASE TRANSPARENCY & VALUE DISTRIBUTION**

- Online tool for estimation of the living income gap
- Blockchain empowered technology enables brands to directly send cash transfer
- Payment are verified by producers and the improvement in livelihood impact monitored.

![Diagram showing steps of the Living Income Module Project](Diagram.png)
Market Incentives

Shared Responsibility & Shared Value
Tailored Supply Chain Services
Sustainable production as an entry point for improved farm family income

• The certification system is a market incentive for producers to start producing sustainably.

• A solid body of independent studies demonstrate positive economic impact

• Like this example of Colombia

![Graph showing coffee yield (kg/ha) and net revenue (USD) for certified and noncertified farms in Colombia.]

- Certified farms:
  - Coffee yield: 1,375 kg/ha
  - Net revenue: 2,029 USD

- Noncertified farms:
  - Coffee yield: 651 kg/ha
  - Net revenue: 813 USD
Yield, price, and profit from coffee in Ethiopia

Rainforest Alliance Certified farmers have higher yields, prices, and profits

• Researchers compared Rainforest Alliance Certified to non-certified farms

• They found that **yields** and **prices** were higher for certified coffee*

• They also found that certified farmers had higher profits, due to the higher prices they received on the market

*statistically significant

Coffee farmer in Ethiopia

Mitiku et al. (2018), Sustainability.
Creating demand for sustainable products is key to trigger certified supply

- The business model of certification has been proven to work
- Creating demand is key to continue to increase our reach & impact
- **Our Core Markets team builds demand by:**
  - Building solid relationships with key companies
  - Having a presence in industry events
  - Conducting annual consumer awareness marketing campaigns
  - Connecting supply and demand
- But more can be done...
Shared Responsibility

Existing certification systems place an unfair level of burden on producers to achieve sustainability without offering sufficient reward:
Why shared responsibility?

We aim to:
- Balance the rewards of sustainable production and share the risks
- Connect all actors towards more sustainable production and consumption (SDG 12).

Shared Responsibility

Brand value

Uncertainties in market access

Broad financial base

Impact of climate change

Control of market

Physical production

Brands / traders

Producers
Shared responsibility
Sharing sustainability risks, rewards and investments

We want to ensure RA certified producers participate in a more balanced system in which:

1. Producers’ sustainability efforts are rewarded
2. Costs of investments in producing sustainably are shared.
3. Responsible and impactful sourcing practices promote mutual accountability
Specific requirements

Our 2020 Sustainable Agriculture Standard stipulates two types of requirements for the buyers of Rainforest Alliance certified commodities.

1. Sustainability Differential

Is a mandatory payment of an additional cash amount to certified producers over and above the market price to reward them for producing sustainably.

2. Sustainability Investments

Cash or in-kind investments from buyers of Rainforest Alliance certified products to farm certificate holders to enable improvements in line with the farm requirements.
Tailored Supply Chain Services

**Beyond** the scope of RA certification:

- Supply chain monitoring and evaluation
- Risk assessment
- Corporate advisory
Enabling Sustainable Livelihoods through Advocacy

Supporting landscapes, sectors, and voices of producers

Building demand for sustainable production
Rainforest Alliance and Kenyan Coffee Sector

- Coffee remains an important cash crop ranked fourth in foreign exchange generation
- Close to 700,000 smallholder farmers involved in coffee in 31 countries
- Kenya coffee fetches premium prices at international markets, used to blend other coffees

Source: Coffee Directorate 2017
Advocacy Objectives: Sustainable Livelihoods

4 Key Themes:
• Farmer Group Strengthening
• Climate Change and Water
• Living Wage
• Gender and Youth as crosscutting

By 2020 AFCA has set up inclusive and participatory national and county level coffee platforms that effectively represent the needs of male, female and youth (small and medium) farmers within the value chain
Kenya Coffee Platform (Sauti Ya Kahawa)

Working with all stakeholders to align efforts to achieving double production and double producer income by 2022.
Achievements of the Platform to date

- Started on March 2016
- Launched in July 2018 by CS Agriculture
- Registered as trust on November 2019

ILM & County Platforms for scaling

Convening & visioning

Evidence creation

Engaging decision makers

Aligning efforts & training

Joint Roadmap
Wrap Up