ORIGIN PERFORMANCE AND RISK REPORT

COFFEE SNAPSHOT
Honduras
INTRODUCTION

Our “Coffee Snapshot” series provides stakeholders—from roasters to buyers—with a localized overview of the key sustainability challenges in different coffee producing origins. This “snapshot” report, focused on Honduras during 2020-2022, summarizes trends emerging from an analysis of our own internal proprietary data, external research, and expert input. In other words, the insights and recommended sustainability interventions highlighted here reflect the collective “hive mind” of our ever-growing global alliance.1

KEY SUSTAINABILITY ISSUES2

LIVING INCOME

LIVING WAGE

CHILD LABOR

CROP PRODUCTIVITY

CLIMATE CHANGE

DEFORESTATION

1 The report is not meant to highlight how Rainforest Alliance farms are performing compared to non-certified farms. The analysis first looks at priority issues within the value chain in the country of focus and then analyzes Rainforest Alliance farms’ performance amidst the priority issues. More details on the data sources used and methodology can be found at the end of the report.

2 That is not to say that there are no other issues present, however, these are the key issues that research concludes are needing the most attention currently.
The Coffee Sector in Honduras

Set against a backdrop of social unrest and mounting climate challenges, coffee production in Honduras is under constant economic pressure. These hardships disproportionately impact the lives of smallholder farmers, who are the most under-presented actors in the coffee value chain—despite accounting for 95 percent of the country’s coffee producers.

### Key Statistics

- **120,000** Coffee producing families
- **1.1 MILLION** People employed in coffee industry
- **10% OF POPULATION** Employed in coffee industry
- **5.4 MILLION 60-kg BAGS** Coffee production 2021/2022
- **5%** Total GDP
- **30%** Agricultural GDP

### Main Crop Harvest

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### 4th Largest Coffee Exporter Globally

95% Coffee Produced by Smallholders

### Additional Data

- **22%** Total country volume Rainforest Alliance Certified
- **23,424** Certified producers
- **1.2 MILLION** 60-kg bags Rainforest Alliance Certified coffee
- **218,286** Workers on certified farms, permanent and seasonal

Sources: USDA 2022; IHCAFE 2022; IHCAFE 2020; IHCAFE 2021; World Coffee Research 2021; Bunn et al 2018
Over the past two decades, the Honduran coffee sector has suffered several setbacks: the global economic crisis in 2008, the prolific spread of coffee leaf rust disease (roya) across Latin America since 2012, the sharp decline of coffee futures prices in 2018—all followed by the back-to-back shocks of COVID-19 and hurricanes Eta and Iota in 2020. While production volumes have grown throughout this time, so have input costs; fertilizer prices, for example, have been increasing since 2002. Yet, the price-per-kilo received by coffee producers remains at a low level. As a result, the vast majority of Honduras’ smallholder coffee farmers struggle to earn a living income.
LIVING INCOME

The average coffee farmer in Honduras must increase their household income 2.9 times in order to reach the national living income benchmark.³ This requires improving production costs and helping farmers reduce their dependence on coffee through income diversification.

Low return on investment, high input costs, low productivity, low prices, and loss of production due to climate change all put downward pressure on farmer livelihoods.⁴ Living income is correlated with farm economics, and not all farmers face the same cost/profit dynamics. Producers associated with cooperatives or rural enterprises tend to generate the most profits, since cooperatives focus on adding value to the product (e.g., through certification, differentiating cup quality, marketing to exclusive markets).⁵

“For living income interventions to work, the wider coffee sector needs to listen to producers—especially smallholder farmers who tell us that they need assistance switching from costly synthetic inputs to organically sourced ones—like compost and animal manure—as well as help accessing markets. I’ve seen first-hand how much farmers benefit from trainings on more sustainable growing practices and technical support for income diversification activities. Those higher up the supply chain can share responsibility by rewarding farmers with better prices and participating in direct cash transfer programs.”

—Miguel Gamboa, Sector Lead Coffee, Rainforest

³ CCSI 2021
⁴ Rainforest Alliance 2021
⁵ ILO 2020; Álavarez 2018
⁶ “Responsible Coffee Sourcing: Towards a Living Income for Producers” by Kaitlin Y. Cordes, Margaret Sagan et al. (Columbia.edu)
**COFFEE PRODUCTIVITY**

Productivity is heavily affected by external factors, such as coffee leaf rust and extreme weather. With low prices and high input costs, most smallholder farmers cannot afford to tackle these challenges.

In Honduras, climate change is altering blooming periods and creating optimal conditions for rust outbreaks. At the same time, fertilizer prices are at an all-time high, and the labor needed to maintain a healthy coffee farm is dwindling. As a result, coffee farmers have an immediate need to improve crop productivity, as well as a long-term need to “future-proof” their farms by preserving and regenerating their lands.

“Maintaining high yields is an urgent challenge for farmers, but one that can be readily addressed by training and technical support. Sustainable agriculture techniques, such as rejuvenation, renovation, and pruning, are highly effective in promoting healthy soils, while planting rust-resilient coffee varieties and embracing integrated weed and pest management can also help farmers maintain healthy, and high quality yields.”

—Edgar Castro, Certification and Markets Manager, Honduras, Rainforest Alliance

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### RECOMMENDED INTERVENTIONS

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ENVIRONMENTAL ISSUES

Across Honduras, climate change is increasing temperatures, changing rainfall patterns, and increasing the incidence of drought and extreme storms. Coffee farms are particularly vulnerable to soil erosion and landslides, as nearly 78 percent of the land used for its cultivation in Honduras is on steep slopes.\(^7\) The expansion of coffee production into new areas is a major driver of deforestation in Honduras and is a key issue that the coffee industry must monitor and address. The Rainforest Alliance uses GIS data to monitor farm locations and ensure that coffee production is not occurring in protected areas (which account for 23 percent of Honduras’ total land area). Climate-smart and regenerative agriculture approaches are key for addressing climate change, deforestation, biodiversity loss, and other environmental risks.

\(^7\) Rainforest Alliance 2020
**CLIMATE CHANGE**

Without adaptation interventions, about 45 percent of the area currently suitable for coffee production in Honduras will become unsuitable by 2050.²

In Honduras’ warmer lowland areas, coffee production is becoming economically unviable. Meanwhile, in other parts of the country, cultivation is moving to higher altitudes, placing pressure on forests and other natural ecosystems. Rising temperatures and changing rainfall patterns are also contributing to increased outbreaks of pests and disease, such as coffee leaf rust. The greater frequency and intensity of hurricanes and other extreme weather events threaten coffee production and undermine farmer livelihoods. For example, the destruction left by hurricanes Eta and Iota in 2020 affected 60 percent of coffee-growing municipalities and resulted in an estimated 3 percent loss of exportable production.⁹

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**HONDURAS COFFEE CLIMATE TRENDS**

- Increasing temperatures
- Increasing evapo-transpiration
- Increasing precipitation
- Increasing water deficit

**KEY IMPACTS OF CLIMATE CHANGE**

- Soil erosion
- Irregular flowering
- Production decline/irregularity

**THREE MAIN PESTS AND DISEASES**

- Coffee leaf rust
- American leaf spot disease
- The coffee berry borer

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**RECOMMENDED INTERVENTIONS**

“As temperatures rise, the areas suitable for coffee cultivation are shifting toward higher altitudes, in turn, displacing local farming communities. There has already been a sharp increase in adverse climatic events, including outbreaks of pests and disease, soil erosion, and irregular flowering. To boost their resilience, farmers can implement climate-smart measures such as soil and water conservation, windbreaks, riparian buffers, and planting shade trees and cover crops. Supply chain actors can support farmers in this urgent transition by investing in additional training and technical support, and helping smallholders gain access to the necessary finance, credits, and incentives.”

—Dr. Celia Harvey, Climate Lead, Rainforest Alliance

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¹ CIAT 2017
² Rainforest Alliance 2020; CIAT 2017; HRNS 2020; ICO 2020
**DEFORESTATION**

Most deforestation in Honduras is driven by agricultural expansion, with an estimated 50 percent linked to coffee production.

Deforestation has been a problem in Honduras since the 1990s, but rates have spiked since 2016. Between 2001 and 2021, the country lost 1.26 million hectares of tree cover—equivalent to a 15 percent decrease in total tree cover and 606Mt of CO2 emissions. In the major coffee regions, coffee covers up to 50 percent of agricultural land. The percentage of coffee-driven deforestation in Honduras far exceeds that of other top ten producing countries, making it a key issue to monitor within the industry.10

“Deforestation is one of the largest drivers of global biodiversity loss as well as climate change. Actors across the coffee supply chain can take concrete action by investing in proven approaches, like Integrated Community Forest Management, that promote the role of local communities as our best forest guardians. Companies can also help by engaging their suppliers in deforestation-free commitments and promote market access and land rights for forest communities through advocacy and policy efforts.”

- Samantha Morrissey, Sector Lead, Forests, Rainforest Alliance

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Rainforest Alliance Certified farms are not allowed to convert natural forests and other natural ecosystems into agricultural production or other land uses. In addition, farms must maintain all remnant forest trees and other native trees on the farm and their harvesting must be sustainable and the quantity must be maintained on the farm.

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10 Forest Trends 2020; Global Forest Watch 2022; Rainforest Alliance 2022
**BIODIVERSITY**

Climate change is forcing coffee farmers to move to high elevations leading to deforestation of previously forested areas which presents a significant biodiversity loss. Rainforest Alliance monitors potential migration of coffee production to protected areas due to climate change and other factors.

**PROTECTED AREAS**

**GHG EMISSIONS**

At the farm level, most GHG emissions stem from the use of fertilizers, pesticides, and fossil fuels (for transport, drying and processing). If coffee production encroaches into adjacent forest areas (as is increasingly the case in Honduras), the loss of forest cover can also result in significant GHG emissions at the wider landscape level. To reduce the carbon footprint of the Honduran coffee sector, there is a pressing need to reduce the use of synthetic pesticides and fertilizers, promote the use of renewable energy, and avoid the deforestation and degradation of forests in coffee-growing areas.

**WATER USAGE**

Wet processing is the most common method for processing coffee beans in Honduras, but it is water intense, generates waste, and is often inefficient. As a result of climate change, water is becoming less available in the country’s coffee producing regions, especially in the dry corridor. Investing in more efficient and sustainable processing technologies that consume less water and energy, and produce less waste, are needed.
SOCIAL ISSUES

For medium to large coffee farms (5 percent of producers) in Honduras, labor accounts for more than 70 percent of production costs. As a result, many coffee farmers struggle to pay their workers a living wage. On small farms, low coffee prices and high production costs are a significant driver of child labor.11

KEY ISSUES

CHILD LABOR

LIVING WAGE

SECONDARY ISSUES

OCCUPATIONAL HEALTH & SAFETY (OHS)

GENDER EQUALITY

Photo credit: David Dudenhoefer

11 Rainforest Alliance 2022; SCA 2022
CHILD LABOR

Five of the world’s top 17 coffee-producing countries are classed as “high risk” for child labor: Honduras is one of them.

While safe and age-appropriate tasks—out of school hours—on a parent’s farm can be an important way for children to learn valuable skills, the line is crossed when children perform work that is likely to harm their health or limit their education. In Honduras, the coffee sector relies largely on family-based labor, especially among smallholders. On larger farmers, labor shortages have increased the risk of child labor. During the coffee picking season, farmworkers are paid by the weight harvested. This incentivizes parents to pull their children out of school and bring them to the farms to help generate more income for the family. There have been improvements in the last 10 years, yet recent crises—such as the COVID-19 pandemic and hurricanes Eta and Iota—led to an increase in child labor incidence by 30 percent between 2020 and 2022.12

“Extreme poverty forces already marginalized communities to engage in child labor. To tackle this issue, we all need to work together—parents, farmers, supply chain actors, governments, and civil society organizations—to address the many root causes. At the farm and supply chain level, this includes taking steps to promote better farmer livelihoods and establishing child labor “assess-and-address” systems to prevent and remediate abuses. And at the community level, it’s vital to run awareness-raising campaigns in high-risk communities and support schools and community centers, so children can safely learn and play during harvest season.”

—Kunera Moore, Global Themes Lead Forced Labor, Rainforest Alliance

12 Rainforest Alliance Child Labor and Forced Labor Sectoral Risk Maps 2022; World Vision Honduras 2022

RECOMMENDED INTERVENTIONS

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12 Rainforest Alliance Child Labor and Forced Labor Sectoral Risk Maps 2022; World Vision Honduras 2022
LIVING WAGE

In Honduras, many coffee workers do not receive the national minimum wage, let alone a living wage. The determining driver behind this is that most farmers, especially smallholders, do not earn a living income and therefore are unable to cover the additional cost of bridging the gap between minimum and living wage for their workers.

In the coffee sector, Honduran farmworkers currently receive approximately US$0.88/kg, whereas the national living wage benchmark sits at US$2.32/kg. If farmers were to bridge this gap, their labor costs for each kilogram of green coffee would increase at least 2.5 times and total production costs at least 1.75 times. Such an increase would affect the long-term economic stability of many farms, regardless of size.

“Many coffee farmers struggle to operate a profitable business and worker wages are often commensurate with unstable economic conditions. At the farm level, formalizing the employment of coffee workers and securing payment of (at least) the legal minimum wage is needed. Downstream supply chain actors should work together to provide trainings on workers’ rights, advocate for better enforcement of labor laws, remove barriers to workers’ unionization, and invest in improved livelihood opportunities for rural communities.”

– Anny Stoikova, Living Wage Lead, Rainforest Alliance

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<tr>
<th>ROOT CAUSES</th>
<th>LOW COFFEE PRICES &amp; RISING INPUT COSTS</th>
<th>LOW REGULATORY ENFORCEMENT OF MINIMUM WAGE</th>
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<th>REGULATORY ENVIRONMENT</th>
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<tr>
<td>The legal minimum salary for full-time agricultural workers in 2020 was US$282.84 (63% of the living wage) for companies with 1 to 10 employees and US$343.45 (76% of the living wage) for companies with more than 150 employees.</td>
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<th>COSTS OF PRODUCTION: CURRENT VERSUS ESTIMATED LIVING WAGE</th>
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<td>US$/KG</td>
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Source: SCA October 2022

Sources: Rainforest Alliance 2022; SCA October 2022; CCIC Honduras 2020; IHCAFE 2020

13 SCA October 2022
14 SCA October 2022, Living wage is measured through the Anker Methodology
GENDER EQUALITY

Women represent a large proportion of the agricultural labor force in the coffee sector, yet they are often denied the same rights, responsibilities, and opportunities as men—and all while performing the vast majority of unpaid domestic work. In Honduras, men tend to own the coffee farms, receive the economic benefits, and make decisions about it. But the situation is improving. In February 2021, Honduras became the first country to approve a national policy on gender equality for the coffee sector: the “Coffee Sub Sector Gender Policy.”

CONCLUSIONS AND RECOMMENDATIONS

While not all the challenges present in Honduras could be captured in this single report (notably, the impacts of migration and farmers’ limited access to financial resources), these issues are closely intertwined with those identified here. That’s why we must design holistic interventions that equip farmers with the tools they need to invest in climate-smart practices, and reward them for their sustainability efforts. The Rainforest Alliance works with companies, NGOs, and government agencies to drive change in Honduras.

OUR CURRENT WORK INCLUDES

FOREST RESTORATION

Together with local communities, we’re planting 300,000 trees, establishing seedling nurseries, and strengthening agroforestry management skills at the community level.

GENDER EQUALITY

Alongside local NGO AMUCAFE (Alianza de Mujeres Café), we’re working to give visibility to the role of women in the coffee chain. We are also helping to strengthen AMUCAFE’S institutional capacities and competitiveness in national and international markets.

REGENERATIVE AGRICULTURE

Our local teams are running pilot projects to promote regenerative agriculture practices that can help boost the incomes, climate resilience, and carbon performance of Honduran coffee smallholders.
METHODOLOGY AND DATA SOURCES

This report highlights key risks and, where possible, shows the performance of Rainforest Alliance Certified farms in relation to those risks. Sources include internal data (e.g., certification data, internal risk maps, project monitoring and evaluation data, and expert opinions) and external sources (e.g., coffee industry reports, project reports, country-specific legislation, media, and academic literature). While several sources are used, there are limitations in the completeness of all the datasets used. Therefore, the weighing of risks is based on the frequency they are mentioned, focusing on the probability of occurrence, not necessarily on the severity of impacts.16

RISK MONITORING AND CERTIFICATION:
ADVANCES IN OUR 2020 SUSTAINABLE AGRICULTURE STANDARD

Our 2020 Sustainable Agriculture Standard includes many new indicators for certificate holders to report on. The first set of these indicators will include:

HUMAN RIGHTS VIOLATION CASES  SUSTAINABILITY INVESTMENT NEEDS  LIVING WAGE DATA
PERCENT OF WOMEN PARTICIPATING IN TRAINING  MANAGEMENT CAPACITY ASSESSMENTS

*Data from 2021 is being processed and will become available in 2022

16 The data presented is accurate at the time of publication based on the information collected from the above sources. Rainforest Alliance will not be liable for damage due to inaccuracies in the information. For more information about the method of analysis and sources, please contact us at tailoredservices@ra.org.

ABOUT THE RAINFOREST ALLIANCE

The Rainforest Alliance is creating a more sustainable world by using social and market forces to protect people and nature. Our alliance spans 70 countries and includes farmers and forest communities, companies, governments, civil society, and millions of individuals. Together we work to protect forests and biodiversity, take action on climate, and promote the rights and improve the livelihoods of rural people.