RAINFOREST ALLIANCE

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Strategies to Enhance Coffee Farmers' Incomes: Rainforest Alliance Experience and Research

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The Rainforest Alliance is creating a more sustainable world by using social and market forces to protect nature and improve the lives of farmers and forest communities.

CONTENTS

REPORT: WHAT STRATEGIES ENHANCE INCOMES IN THE COFFEE SECTOR?

EXECUTIVE SUMMARY

From multinational buyers to local NGOs, stakeholders throughout the coffee sector are focusing their attentions on understanding and addressing the living income gap. While there is a growing body of resources that describe living income benchmarks, farmer incomes, and corresponding gaps, less is known about what strategies are effective in enhancing incomes and potentially closing the gaps.

This report utilizes a combination of insights from Rainforest Alliance research and field experience, as well as third-party literature to help answer the question: What strategies are effective in enhancing incomes? By answering this question, we can get a step closer to identifying the tools and resources necessary to closing the living income gap.

While a multitude of income enhancing strategies have been identified, this paper focuses on interventions that the Rainforest Alliance has experience with, either through certification or through our sectoral and regional partnerships. The paper divides these strategies into three levels:

- **Farm level strategies** which include, but are not limited to, trainings in both good agricultural practices and financial literacy, as well as income diversification efforts.
- **Market level strategies**, such as the provision of price premiums, contract farming, and efforts to improve farmers' negotiating powers.
- **Enabling policy environment strategies** that address systemic drivers of inequality, market inaccessibility, and broader economic forces that coffee farmers face.

We find that these strategies can indeed have income-enhancing effects and should be components of wider campaigns to close living income gaps. Of course, their success is dependent on the context in which they are being implemented. Interventions are more likely to succeed when they are tailored to local realties and farmers' needs.

Farmers in Uganda participating in a local training on good agricultural practices.
Photo courtesy of Kyagalanyi Coffee Ltd

INTRODUCTION: WHAT IS A LIVING INCOME?

Despite increasing coffee consumption and demand there remains a large gap between what average coffee farmers earn and what they need to cover life's basic necessities. In fact, there is a risk that it may be growing; Exacerbated by Covid-19, coffee prices in 2020 hovered 30 percent below the decade's average[1]. While coffee prices increased in 2021, the volatility of the sector continues to put farmers, especially the most vulnerable, at risk.

The income required to cover household necessities and/or provide a decent standard of living–i.e., nutritional diet, safe housing, healthcare, emergency funds, and education for children—is referred to as a living income. Living income benchmarks have been calculated for various commodities and countries using the internationally recognized "Anker method,"[2] and are coordinated by the Living Income Community of Practice.

Benchmarks are still underway in many key coffee production regions, but most estimates find that a living income is in the range of US $4,000-$5,000 per household per year. Various sources reviewed here find that the median net household income amongst most coffee-farming countries falls well below a living income benchmark, and, in some cases, are even close to the World Bank Poverty Line (Figure 1).

While we know that significant living income gaps exist, less is known about what can be done to close them. Organizations like the Farmer Income Lab and The Sustainable Trade Initiative (IDH) have identified income-enhancing strategies that can help close the living income gap, including poverty graduation programs, climate adaptation strategies, and provision of minimum prices[3,4]. This report aims to contribute to that knowledge base by focusing on coffee. Using years of Rainforest Alliance research, insights from project interventions, and external research in the coffee sector, this report explores strategies that demonstrate income enhancement for farmers. Accompanying the findings are policy recommendations for actors in the coffee supply chain.

IMAGE 1 LIVING INCOME

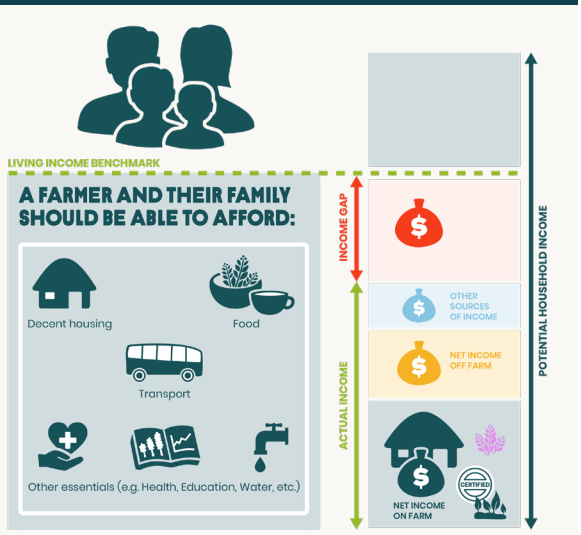


Image 1 - A farmer's net income is comprised of crop income, minus costs of production, plus other on- and off-farm income revenues. This income can be considered a living income if it is above the "living income benchmark."

FIGURE 1

Household Net Cash Income vs Living Income Benchmark in Key Coffee Origins - Summary of available data

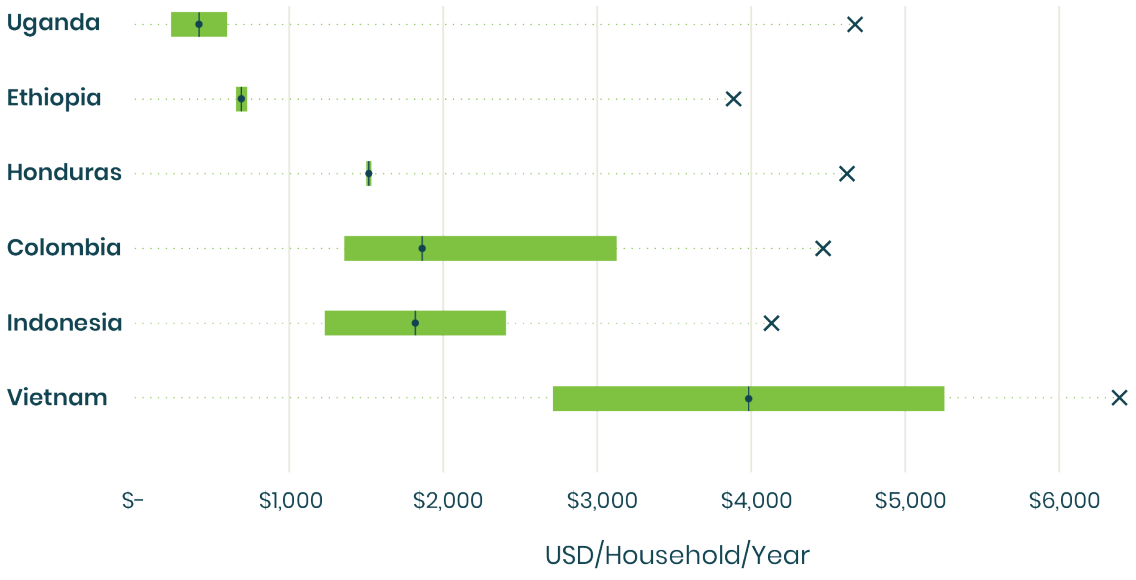
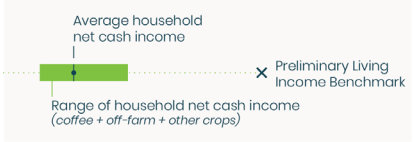


Figure 1 - The average and range of household cash net incomes vs. living income benchmarks in key coffee countries. Household cash net income includes coffee, other crops, and off-farm sources, but does not include value of crops used for family consumption. Sources: Cordes, Sagan, and Kennedy (2021) and Rainforest Alliance monitoring and evaluations data.



WHAT ACTIVITIES ENHANCE INCOMES?

There is a growing body of research that identifies and explores the effectiveness of various strategies in enhancing incomes and bringing farmers closer to achieving living incomes. Many studies highlight the role that certification plays in influencing farmers' overall environmental and economic performance[5,6]. However, the Rainforest Alliance recognizes that certification has its limitations and is most effective in combination with other complementary and context-specific intervention[7,8,9]. The sections below outline multiple strategies across levels—farm, market, and policy—that have proven to be effective in improving incomes for coffee farmers. These strategies should be packaged together to maximize their impact. It should also be noted that, in some cases, these activities may not always have the desired effect of significantly raising incomes (thereby closing the living income gap), but, instead, demonstrate a "stabilizing" effect by helping farmers build financial safety nets. In such cases, this stabilizing effect, can be said to "enhance" farmers' incomes.

FARM LEVEL STRATEGIES

To improve incomes at the farm level, most coffee stakeholders promote a combination of techniques that improve yields and quality, lower costs of production, and promote on and off-farm income diversification[10]. Rainforest Alliance and third-party research provides further insight into the effectiveness of these strategies.

STARTING AT THE GROUND LEVEL: PRACTICES, YIELDS, AND COSTS OF PRODUCTION

Research on living incomes often points to the importance of leveraging the relationship between good agricultural practices (GAPs) and yields to improve farm productivity and incomes. Many support programs in the coffee sector target coffee farming practices for this reason[11]. In some cases, the pursuit of GAPs to increase or stabilize yields has even proved to be more significant than price premiums in determining and enhancing household economics[12,13].

Some authors have attributed the lower poverty levels and higher incomes observed on certified farms to the higher yields and productivity achieved by certified farmers[14,15]. According to these authors, such yields are likely driven by the high adoption rate of GAPs. Trainings and additional technical support provided by the local traders and cooperatives are also identified as contributing factors[16,17]. Granted, it is important to note that there may be selection bias in these cases, whereby those participating in certification may already be implementing GAPs prior to certification[18,19,20].

STORIES FROM THE FARM: LAMPUNG, INDONESIA

"I received training in erosion control, shade tree planting, and pruning. [Since entering the program] my yields have increased 30 percent and stabilized. I have been able to invest my profit from coffee sales, and budget for my farm and household."

DIDIK, PRODUCER, LAMPUNG REGION, INDONESIA

In nearly every country examined by the Rainforest Alliance, the implementation of GAP practices—such as weeding, pruning, and fertilizer application—correlated with higher yields. This is in line with previous research which indicate pruning and fertilizing practices as drivers of stable yields that contribute to high net incomes on Peruvian coffee farms[21]. However, Rainforest Alliance research also shows that while these practices and hired labor investment will usually result in higher yields, they only sometimes result in higher net incomes. This can be attributed partly to the practices and economics of the moment. For example, synthetic fertilizer can be a significant cash expense, as it must be tailored to the soil of the site, and must be used in appropriate volumes, types, and frequencies. Improper ingredients and over-application can result in an economic dependence on costly inputs and long-term soil depletion.

This does not mean that GAPs and other on-farm activities should be avoided. On the contrary, our data shows that in some of the observed countries, high investments in labor and tree density contribute to lower production costs per produced unit, and in turn contribute to higher net incomes. This trend is similar to findings from the Kenyan coffee sector showing that in addition to implementing GAPs, increasing workers' wages motivated workers, which in turn improved productivity[22]. Ultimately, encouraging GAPs and other activities is important, but the impact of these activities on overall production cost, land use, capital, and labor must also be considered. Cases where producers demonstrate high GAP adoption rates and still earn low net incomes may suggest that more attention needs to be given to decision making at farm level.

DATA INSIGHT

"Monitoring and Evaluation (M&E) data that we've collected from a company project in countries like Indonesia and Mexico show that household incomes have improved in the past few years, alongside yields and GAP adoption. Of course, there are multiple factors, like changes in coffee prices and off-farm sources of incomes. But our data shows us that applying good agricultural practices like intercropping, pruning, rejuvenation, and shade tree planting can make a difference."

YUSTIKA MUHARASTRI, SUPPLY CHAIN M&E MANAGER, RAINFOREST ALLIANCE

HOW TO PROMOTE PRACTICE ADOPTION: TRAININGS, FARM CHARACTERISTICS, FARMER DEMOGRAPHICS

If GAPs are key factors in enhancing incomes, then what influences their adoption? Rainforest Alliance research points to the significance of the number of trainings provided to farmers. The provision of trainings is often linked to improved knowledge of GAPs and an increase in their application[23]. Such research shows that some countries exhibit a positive correlation between the number of trainings provided and adoption of GAPs, as well as positive correlation between record-keeping and net income. Additional investigation is required to show potential causality between GAP and financial management trainings with farmer incomes. Additionally, the effectiveness of trainings relies on local leadership and communal support[24]. It is not enough to just provide trainings; they need to be made accessible and relevant to farmers.

OBSERVATIONS FROM THE FIELD: CENTRAL AMERICA

"Making trainings accessible is important. For example, older farmers have a harder time with record-keeping training because it is not a practice they are used to, and the terminology can be too complicated… But when we ask farmers what they need, the most common answer is more ***financial support****. Fertilizers can be expensive and practices like manual weeding are also labor intensive and time consuming. Farmers have the knowledge and skills for GAPs, but so long as they can't afford the inputs or labor, nothing will change."*

KATELL MAHIEU, SUPPLY CHAIN M&E, LATIN AMERICA, RAINFOREST ALLIANCE

Interestingly, farmer demographics relating to education and age were not significant in influencing GAP adoption. However, in several countries, female farmers were less likely to implement GAPs. In the coffee sector, women are often excluded from decision making, and/or lack access to resources and training[25]. Additional steps should be taken to make trainings and resources more accessible for women and youth in farming communities. This requires awareness of social and economic barriers that prevent women from participating, as well as being sensitive to the ways that trainings and services may unintentionally further marginalize women[26].

DIVERSIFICATION AND ITS IMPACT ON INCOMES

Traditional economics argues in favor of specialization, as in the Green Revolution model in Asia[27]. Proponents argue that it can be applied again in Africa[28]. On the other hand, diversification—through on- and off-farm activities—has been championed as a means of growing farmer resilience to both climate change and poor economic conditions. For the coffee sector, this topic is very relevant, as levels of diversification vary significantly: The Rainforest Alliance observes that many "coffee" smallholders in Asia and Africa are extremely diversified and may earn less than half of their farm income from coffee. Smallholders in Vietnam, for example, focus more on coffee, but still earn significant income from pepper and other crops. In Latin America, smallholders specialize more in coffee, and may earn up to 80-90 percent of their farm income from coffee (especially in Colombia), but still earn income from additional crops such as bananas, citrus, and avocado.

OBSERVATIONS FROM THE FIELD: INDONESIA

"We have seen an income enhancing effect of crop diversification, but higher incomes are not immediate, and not all farmers will make a massive profit. But farmers with diversified crops do benefit from having stabilized incomes. Coffee is typically harvested once a year, so while the profit from coffee is good for major investments, it's often not enough to sustain farmers between harvests. Having diversified incomes from crops that are sold more regularly can generate weekly or even daily incomes. Our [Rainforest Alliance] data shows that diversified farmers can compensate for lower coffee volumes with higher prices earned from other crops. For example, the price of honey is very promising: A farmer can make an additional 200-500 USD per year from honey."

INTAN FARDINATRI, TEAM MANAGER COFFEE AND SPICES, ASIA PACIFIC

Evidence about the economic outcome of diversification is mixed. Research from some origins (Uganda, China) find that specialization and participation in export crop markets reduces poverty compared to subsistence crops[29,30], but other studies from Africa find that subsistence crops, cash crops, and livestock help support an improved household diet[31,32]. In Chiapas, Mexico, researchers found that coffee farmers who also grew staple crops and engaged in beekeeping experienced lower rates of food insecurity than farmers who just grew coffee, but found limited evidence as to whether diversification improved incomes beyond farmers' perceptions[33]. The study also found that different diversification

activities have different impacts; for example, 96.2 percent of surveyed households had fruit trees, but only 18.9 percent reported selling fruit, which again suggests that crop diversification can have a greater impact on food security than on income[34]. In some cases, diversification may serve as a greater tool for addressing food security and climate adaptation than a tool for increasing farmers' incomes[35,36,37]. This finding is corroborated by field observations from Rainforest Alliance staff.

While the benefits from diversification are promising, they aren't always enough to encourage farmers to expand their activities. Establishing new crops requires investment and access to labor that small-scale farmers may not have[38]. This is especially true for timber or fruit trees. Citrus and avocado, often encouraged for diversification, require several years before they produce. Then, diversification requires market access, which can vary according to crop[39]. Coffee producers may suffer from low prices, but they can usually find a buyer for their product, especially in countries such as Colombia where purchase is essentially guaranteed. In Indonesia, Rainforest Alliance field staff have observed that while sugar palm cultivation can help stabilize coffee farmers' incomes, the demand and market for sugar palm is not yet as developed or stable as the coffee market is.

Ultimately, diversification needs to be tailored to local needs and realities. Much like issues with GAP adoption, small-scale coffee farmers often lack the physical farm size, production levels, and financial resources needed to invest in and benefit from diversification[40]. Evidence from the cocoa sector highlights the importance of carefully selecting diversification practices, as the labor intensity and resources required for other crops and activities can have the unintended consequence of lowering farmer incomes[41]. In other words, diversification is valuable, but is not a one size fits all solution.

MARKET LEVEL STRATEGIES

The volatility of the price of coffee and uneven distribution of profits throughout the coffee supply chain have significantly inhibited farmers' ability to earn a living income[42]. Multiple proposals have been made to protect farmers against low coffee prices, three of which will be reviewed in this section: the provision of price premiums, addressing trading inequalities, and promoting sector transparency.

PRICING IN THE COFFEE SECTOR

Farmgate price: The price paid directly to farmers. Typically, this is not visible on contracts.

Free-on-board (FOB) price: The price paid to exporters and traders. It reflects the farmgate price, the cost of transportation, and any other costs incurred with exporting the product. Typically, this is visible on contracts.

HIGH PRICES AND PREMIUMS

Strategies that provide high prices and premiums are considered to be significant factors in enhancing incomes, with some authors even advocating for the creation of minimum prices linked to Brazil's farmgate price[43]. Fairtrade, for example, already employs a minimum price for coffee and is in the process of developing a Living Income Reference Price[44].

STORIES FROM THE FARM: COLOMBIA

"Every month there is a meeting where we (the cooperative) discuss what to invest the [Fair Trade and AAA] premiums in. Projects include credit for fertilization, potable water, and renovations."

LEONEL QUINTERO, COFFEE FARMER, COLOMBIA

Evidence suggests that access to minimum prices and/or premiums can certainly make a difference. A recent review found that certified farmers receive 20-30 percent higher prices than noncertified farmers, which in turn contributes to higher household incomes[45]. Granted, these results vary significantly by region and additional work is needed to examine the influence of other contributing factors, such as access to institutional support, product quality, and structure of farmer organizations and cooperatives[46].

In Ethiopia, for example, researchers found that despite there being no correlation between certification and yields, farmer income tripled under Rainforest Alliance certification and the likelihood of falling below the national poverty line reduced by 25 percent, while Fairtrade-Organic certified farms experienced a similar reduction in likelihood of experiencing poverty[47]. The researchers attributed their observations to a combination of a price effect, supply chain structure, and cooperative performance: The observed certified farms received significantly higher market prices and belonged to well-resourced cooperatives, and the short supply chain structure of certification enabled farmers to work directly with exporters[48].

FIGURE 2

Theoretical household net income for a 2 hectare farm

Price (USD/kg GBE) \ Yield (kilograms/hectare)	500	1,000	1,500	2,000
$2.20	$1,375	$2,750	$4,125	$5,500
$3.30	$2,063	$4,125	$6,188	$8,250
$4.00	$2,500	$5,000	$7,500	$10,000
$4.40	$2,750	$5,500	$8,250	$11,000

Figure 2- Theoretical household net income under potential yield and price scenario, assuming: 2 hectare farm, cost ratio of 50%, and 25% income from other crops/off farm sources

While the evidence on high prices and premiums is generally positive, there are of course limitations. While premiums can contribute to higher crop incomes, this does not always translate to improving overall household incomes[49,50]. In many cases, high prices do not always compensate for low yields, and this is made worse when coupled with high costs of production[5152]. In some cases, premiums may also incentivize farmers to prioritize a single cash crop at the expense of other potential income sources[53]. Premiums do not always go directly to the producer, but often stay at the cooperative level; for example, Fairtrade's premium is typically used to fund cooperative level projects[54].

Price increases can also have wider unintended consequences if not regulated or monitored carefully. In cases where prices are raised only in individual countries and not across the global market, buyers can opt to purchase from countries with lower prices, thereby excluding those who the increase was intended to assist[55]. Perhaps even riskier is the fact that if price increases are not coupled with production regulations, surpluses can arise and cause prices to plummet[56,57]. The example of the Brazilian coffee sector highlights this dilemma, where unregulated production not only contributed to global price decline but also, in previous years, prompted the need for the destruction of surplus coffee volumes to curtail further price reductions[58,59]. Indeed, the flooding of the international coffee market with volumes from Brazil and Vietnam is seen as a major contributor to the decline of global coffee prices[60,61].

Finally, it is important to recognize that the prices farmers earn are not only impacted by wider market level interventions, but also by local and regional factors. Farmers who have limited access to international markets—due to currency risk, remote locations, poor infrastructure, limited resources, and/or lack of institutional support—often receive a smaller share of the coffee price, due to these higher "costs" of business that are beyond their control[62]. In other words, addressing the factors that contribute to low prices cannot be solved solely through price increases and premiums; Tackling this issue requires addressing trading practices, value distribution across the supply chain, and wider sectoral and rural development challenges[63].

MUTUALLY BENEFICIAL TRADING PRACTICES: CONTRACT FARMING

Improving trading practices through contract farming, also referred to as "outgrowing schemes", has been identified as an effective strategy for distributing risks more evenly throughout the supply chain, and for enhancing farmer incomes. Under contract farming, factors such as quantity, quality, and crop prices are stipulated prior to production, and producers are provided direct assistance to help them meet production standards[64,65]. This arrangement can benefit farmers by reducing market information gaps and improving access to resources like financial credit and technical support.

In a major landscape review among multiple smallholder commodities, contract farming—along with poverty reduction programs and climate adaptation interventions—demonstrated the greatest impact on farmers' incomes[66]. Indeed, contract farming can enhance incomes from 10-100 percent and reach upwards to 32,000 farmers[67,68]. While the structure of contract farming can vary, long-term contracts have been flagged as mutually beneficial for producers and buyers alike. Producers with long-term contracts are better positioned to plan and invest in their production, and buyers gain oversight in risk reduction by establishing expectations of the producers' performance and products' quality[69,70,71].

While contract farming has proven to be generally beneficial for both farmers and buyers, it is not without its limitations. The evidence is mixed about *who* exactly is benefiting, with some studies suggesting that those who need the contracts the most are excluded in favor of larger famers who present less of a risk to buyers, and that this intervention can fail to include women[72,73]. Contract farming can also have the unintended consequence of increasing farmer vulnerability by making farmers overdependent on contractors[74]. While these impacts have been observed, they can be mitigated with proper oversight and tailored support[75].

An example of contract farming in practice is the *Sustainable Quality Program*, which provides farmers with long-term contracts that stipulate provisions for technical support, premiums, and expectations for product quality[76]. A study into the *Sustainable Quality Program* found that not only did participating farmers earn higher prices, but the contractual arrangements through the program ensured that approximately 70 percent of the price premium was delivered to the farmgate and not kept at the exporter level[77]. The authors conclude that the bundling of contracts is what enabled participating farmers to invest in improving their production practices and underpinned estimated welfare effects[78]. Nevertheless, while this program is found to improve farmer incomes, most producers still fall short of the local living income benchmark, largely due to small farm sizes.

OBSERVATIONS FROM THE FIELD

"Farmer organizations—such as cooperatives— are important drivers of the rural economy in many coffee growing regions. The best run cooperatives not only offer access to markets, but also quality processing, agronomic assistance, affordable inputs, and financing tailored to local needs. By building stable trade relationships with cooperatives, and supporting their growth and capacity, supply chain actors can strengthen these businesses and their ability to deliver good prices and critical services to their farmer members."

COLLEEN POPKIN, SECTOR LEAD, COFFEE

COOPERATIVES AND FARMER NEGOTIATION POWER

Farmers are highly dependent on intermediary supply chain actors for access to market information and to bring their produce to market. When those intermediaries act in farmers' best interests, they provide a valuable and necessary service. But intermediaries can also exploit this relationship and negotiate for lower farmgate prices. The result is not just harmful to farmers, but harmful for the entire coffee sector.

Evidence from Rwanda shows that exclusion of coffee farmers from the development of trading schemes has contributed to the decline in the country's overall coffee production, as farmers—who face continuously low farm-gate prices—are unable to invest in their production[79]. Ultimately, improving farmers' bargaining power contributes to the wellbeing of the entire coffee sector. Special attention is needed to ensure that, when inclusivity measures are made, larger, well-resourced farms do not capture all the benefits at the expense of smaller farmers[80].

At the local level, cooperatives have traditionally proven to be an effective means for enhancing farmers' negotiating powers. Cooperatives offer farmers a means to connect to markets, access credit and financial resources, and reduce production costs through shared utilities and risk distribution[81]. In turn, farmers who are members of cooperatives are often not only better positioned to negotiate their prices, but are often better positioned to invest in their farms and gradually improve their incomes[82]. However, issues like proximity to a cooperative, costs of entry, and perceived trade-offs of joining a cooperative can serve as an entry barrier and deter membership[83].

At the sector level, industry leaders are actively exploring innovative ways of improving access to market information, and there are already initiatives within the coffee sector that companies can join, such as the Fair Trade Proof website, the Coffee Pledge, and the Specialty Coffee Transaction Guide[84]. However, improving farmers' access to markets and market information can only go so far if we are not addressing the deeper, systemic drivers that create inequality between farmers and other supply chain actors in the first place. Lack of institutional support, reliable infrastructure, and access to resources—such as electricity and transportation—make farmers more vulnerable and dependent on intermediaries who can reduce a farmer's share of the coffee price[85]. In other words, reducing farmer vulnerability and inequalities within supply chains requires creating "enabling policy environments."

ENABLING POLICY ENVIRONMENTS

An enabling policy environment is one where existing policies and institutions provide producers and supply chain actors alike with services that meet their fundamental needs and help remove barriers to participation in the market[86]. The Food and Agriculture Organization (FAO) identified key features of enabling policy environments for the agricultural sector: access to financial support, a robust system of tenure and property rights, regulatory oversight (especially as it pertains to food safety and biosecurity), assistance in complying with market standards, and general infrastructural and technological support[87]. Work has also been done by the World Bank to identify government-level best practices and policies for Enabling Business Agriculture (EBA)[88]. It may seem like the creation of enabling policy environments is largely limited to government actors, but private actors have a considerable role to play as well, especially in the coffee sector[89,90].

In a comparison of different living income strategies, researchers found that successful interventions were built through strong public-private partnerships[91]. In cases where government support is absent, private actors can fill that space through participation in multi-stakeholder platforms and sector partnerships, such as the Global Coffee Platform (GCP), International Coffee Organization (ICO) and the Sustainable Coffee Challenge (SCC). These platforms do have their limitations: Deliberation and consensus-building take a considerable amount of time; gathering investments to fund interventions can be difficult; companies' expansion goals are not always compatible with what is required for responsible sourcing. However, they do provide space for collaboration and resource sharing[92,93].

One area where small-scale farmers need additional assistance is in accessing financial services. Coffee producers often need external finance for activities like renovation but can lack financial access because facilities like banks are difficult to establish in remote and rural regions. And, when financial services are available, they do not always match the needs of small-scale farmers

OBSERVATIONS FROM THE FIELD: EAST AFRICA

"In East Africa, impactful policies are ones that strive to include marginalized communities in decision making processes, improve market access for smallholders, and provide direct support tailored to farmers' needs. For example, measures like the Coffee Bill 2021 in Kenya aim to improve trading transparency and promote greater market access for farmers by opening the Nairobi Coffee Exchange, while the Agriculture Cluster Development Project (ACDP) in Uganda provides subsidized inputs—such as seeds and fertilizers—to eligible farmers."

MARK NJERU, REGIONAL TRAINING MANAGER, AFRICA, RAINFOREST ALLIANCE

(i.e., high interest rates, high collateral, unrealistic repayment schedules, and strict pre-requisites for loan qualification)[94]. Here, access to credit and/or loans that are aligned with production cycles can be critical to helping farmers cover the costs of production, and are further strengthened when coupled with trainings that help farmers identify where and how to invest their finances[95].

THE GLOBAL COFFEE FUND

Proposed by researchers from Columbia University, the Global Coffee Fund (GCF) would be funded by participating coffee companies and industry actors. The funds would be distributed to supply chain actors to implement national level activities. The researchers estimate that the fund would require 10 billion USD per year.

Public and private actors can also leverage their resources and platforms to advocate for small-scale farmers, especially on topics like land reform and land rights. Small-scale farmers often have land holdings less than two hectares[96], which makes it difficult to achieve economies of scale. Here, public policies that address land consolidation and better access to credit could help mitigate land inequalities. Of course, it is important to recognize potential political forces at play but given the magnitude of the challenges coffee farmers face, bold approaches are certainly needed.

Finally, coffee actors should explore "out-of-the box" solutions, such as the development of a Global Coffee Fund to provide financial security to coffee farmers, or the utilization of coffee price benchmarks like the Specialty Coffee Transaction Guide[97]. Only through public-private partnerships such as these will coffee actors be able to address the systemic and long-term issues in the sector.

RECOMMENDATIONS

There are multiple interventions and pathways to address the living income gap, and it is generally recommended that strategies should be pursued in combination, tailored to local needs, and the realities of small-scale farmers. Building upon the findings presented above, here is a list of strategies and next steps for further research:

AT THE FARM LEVEL

1. **Investigate farmers' needs and constraints.** There is no one-size-fits-all solution to improving farmers' incomes. Some organizations, such as the IDH (2020), go so far as to tailor recommendations to coffee farm archetypes determined by size and coffee type (from conventional to specialty). To tailor the most effective support strategies, both public and private actors need to thoroughly investigate the unique needs and hardships of the farmers they are aiming to assist.
2. **Support proven good agricultural practices.** Once needs and constraints are identified, strategies can be developed to support farmers in pursuing effective regenerative agriculture production practices, such as pruning, renovation, and soil nutrient management. Effective support can range from trainings on GAPs to increasing financial access.
3. **Monitor and evaluate activities to identify inefficiencies and best practices.** Consistent data collection through monitoring and evaluation, coupled with updated research, is key to maintaining an understanding of what is and is not working to increase incomes. For example, high investments do not always translate into high net incomes. These cases may flag a need for additional assistance and training so that farmers are better positioned to implement GAPs correctly and/or better manage their finances.

AT THE MARKET LEVEL

1. **Minimize farmer exposure to price volatility.** By rewarding farmers for their work with premiums and/or minimum guaranteed prices, buyers and government actors can help reduce farmer vulnerability. The provision of long-term contracts and financial support (i.e., credit assistance, loans, pre-payments, etc.) that matches the needs of coffee's production cycle have also proven to be effective strategies for reducing farmers' financial vulnerability.
2. **Increase farmer negotiating power.** Equip farmers with the tools and resources they need to negotiate prices that will help cover costs of production and earn a living income. Traditional methods, like organizing farmers into cooperatives, and more innovative methods aimed at increasing farmer access to market information, must be coupled with efforts that address deeper root causes of farmer vulnerability that inhibit their negotiating powers.

OBSERVATIONS FROM THE FIELD: LATIN AMERICA

"For interventions to work, we need to listen to producers. At the most recent World Coffee Producers forum, when the topic of living incomes came up, farmers expressed the concern that they should not have to settle for living incomes but deserve prosperous incomes. Working towards a living income is only a start."

MIGUEL GAMBOA, MANAGER, SUPPLY CHAIN PROGRAMS, LATIN AMERICA, COFFEE

IN THE ENABLING ENVIRONMENT

1. **Explore strategies that improve farmer access to financial resources.** For many farmers, access to financial resources and institutions is one of the largest constraints they face. Public and private institutions can explore strategies for improving farmers' access to financial support.
2. **Leverage partnerships, platforms, and resources to advocate for, and assist, small-scale farmers.** Through multi-stakeholder collaborations and private-public partnerships, actors can advocate for and assist small-scale farmers. However, it is also important to ensure that small-scale farmers have a voice in these spaces.
3. **Explore new and creative proposals and interventions.** There is a growing need to develop creative solutions that build farmer resilience against climate change and market volatility. Developing these solutions and sharing results quickly and transparently requires active collaboration and participation throughout the sector. Land rights and land access should be included in this.

CONCLUSION

Despite being one of the most consumed beverages in the world, incomes for coffee farmers remain low. What most coffee farmers earn is typically not enough to cover both costs of production and household necessities. The Rainforest Alliance and many other actors in the coffee industry are committed to improving farmer livelihoods. This report builds on Rainforest Alliance monitoring and evaluation data, existing research, and observations from the field to provide an overview of strategies that can be pursued to increase farmers' incomes.

For more information, and/or opportunities to collaborate on living income projects, please contact us at tailoredservices@ra.org.

END NOTES

1 International Coffee Organization (ICO), 2020

2 Used by both the Global Living Wage Coalition (GLWC) and Living Income Community of Practice (LICoP), the Anker method combines region and location specific costs of household necessities – such as food, water, educational expenses – as well as additional emergency expenses to identify the necessary income required to cover these expenses. An income that can cover a household's needs is considered a living income.

3 Farmer Income Lab, 2018

4 Pedersen, Backer and van der Put, 2020b

5 Rueda and Lambin, 2013

6 Haggar, et al., 2017

7 Oya, Schaefer and Skalidou, 2018

8 Cordes, Sagan and Kennedy, 2021

9 Dietz and Grabs, 2021

10 International Coffee Organization (ICO), 2019a

11 Oya, Schaefer and Skalidou, 2018, pg. 285

12 Barham and Weber, 2012

13 Akoyi Teposita and Maertens, 2018, pgs. 11-13

14 Ibid, pg.8

15 Ruben and Zúñiga-Arias, 2011, pgs. 105-106

16 Akoyi Teposita and Maertens, 2018, pgs. 11-12

17 Ruben and Zúñiga-Arias, 2011, pg. 106-107

18 Barham and Weber, 2012

19 Meemken, 2020

20 Mitiku, et al. 2017, pg. 15

21 Barham and Weber, 2012

22 Wambua, et al., 2019

23 See Utting (2009) and Vellema et, al. (2015) in Bray and Nielson, 2017, pg. 219

24 Bray and Nielson, 2017, pg. 220

25 Sexsmith, 2017, pg. 24

26 Smith, 2020, pg. 19-20

27 Klasen, et al. 2016

28 Ejeta, 2010

29 Balat, Brambilla, and Porto, 2009

30 Qin and Zhang, 2016

31 Frelat et al., 2016

32 Michler & Josephson, 2016

33 Andrezen, et al., 2020

34 Ibid, pg. 40

35 Frelat, et al., 2016

36 Fernandez and Mendez, 2018

37 Alobo Loison, 2015

38 Waarts, et al., 2019

39 Frelat et al., 2016, pg. 460

40 Waarts, et al., 2019

41 The Sustainable Trade Initiative (IDH), 2021

42 Lerner, et al., 2021

43 J. Sachs, K. Cordes, et al., 2019

44 Cordes, Sagan and Kennedy, 2021, pg. 6

45 Meemken, 2020, pg. 6

46 Ibid, pg. 8

47 Mitiku, et al., 2017, pg. 13

48 Ibid, pgs. 14-16

49 Oya, Schaefer, et al., 2017

50 Oya, Schaefer and Skalidou, 2018

51 Mitiku, et al., 2017, pg.15

52 Oya, Schaefer and Skalidou, 2018, pg. 291

53 Vellema, et al., 2015

54 Cordes, Sagan and Kennedy, 2021, pg.29

55 Waarts, et al., 2019, pg. 13

56 Amrouk, 2018, pg. 24

57 International Coffee Organization (ICO), 2019a, pgs. 23-25

58 Waarts, et al., 2019, pg. 13

59 Amrouk, 2018, pg. 25

60 J. Sachs, K. Cordes, et al., 2019, pgs. 18-19

61 J. Sachs, Y. K. Cordes, et al., 2020, pg. 4

62 Lerner, et al., 2021

63 Ibid

64 Bijman, 2008

65 Farmer Income Lab, 2018

66 Ibid

67 Ibid, pg. 21

68 Meemken and Bellemare, 2019, pg. 261

69 Pedersen, Backer and van der Put, 2020b, pg. 24

70 J. Sachs, K. Cordes, et al., 2019, pgs. 12 & 75

71 J. Clay, 2018

72 Bijman, 2008, pg. 17

73 Farmer Income Lab, 2018, pgs. 20-21

74 Bijman, 2008, pg. 17

75 Ibid., pgs. 19-21

76 Macchiavello and Miquel-Florensa, 2019, pg. 10

77 Ibid., pg. 38

78 Ibid., pg. 6

79 Clay, et al., 2018

80 Vicol, et al., 2018

81 Balgah, 2019, pg. 44

82 Ibid

83 Ibid., pgs. 51-52

84 Pedersen, Backer and van der Put, 2020b, pg. 25

85 Lerner, et al., 2021

86 Food and Agriculture Organization of the United Nations (FAO), 2013, pgs. 6-8

87 Ibid., pgs. vi, 17-21

88 World Bank, 2017

89 International Coffee Organization (ICO), 2019a

90 Pedersen, Backer and van der Put, 2020b

91 Farmer Income Lab, 2018, pgs. 32-33

92 Panhuysen and Pierrot, 2020, pg. 36

93 Cordes, Sagan and Kennedy, 2021, pg. 12

94 Food and Agriculture Organization of the United Nations (FAO), 2013, pg. 17

95 Farmer Income Lab, 2018

96 Panhuysen and Pierrot, 2020, pg. 12

97 Ibid, pg. 37-39

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