



## Guidance document on Fairtrade Coffee Standard

### Productivity and quality improvement

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#### Introduction

The new Standard for Coffee (April 2011) requires that producers invest at least 5 USD cts of the Fairtrade Premium into productivity and/or quality improvement. Both aspects have been identified as key factors to improve the income of farmers and consolidate the business.

This document, produced jointly by Fairtrade Standards Unit and Global Product Management, provides some explanation on what productivity and/or quality improvement is, and what investment this may require.

*This Guidance Document however is not part of the Standards, and neither does it replace it. Operators will only be audited on the Standard, not on this Guidance Document.*

*Contributions to this topic, questions and comments may be sent to the FLO Coffee help desk [coffeehelp@fairtrade.net](mailto:coffeehelp@fairtrade.net)*



## Background

Technology is in principle available to achieve good levels of productivity, but many farmers produce less than 50% of what is considered a reasonable yield and some are even substantially below that level. After 2 decades of price crisis many farms are de-capitalised, farmers are still indebted, trees are aged and the farmers are trapped in the vicious cycle of lack of profitability and lack of access to finance. Organic production is often limited by the lack of soil fertility and the limitations regarding the use of external nutrients.

If offered the opportunity through a special programme, the poorest and those who have perhaps relied on the same trees for many years may resist crop renovation, as they fear to lose the little they have and see no security regarding prices over the mid-term. Producer Organizations may also lack the resources to create access to finance and manage a crop renovation programme. However, investment in productivity is key to gradually get out of the vicious cycle. Return on investment on productivity and quality improvements may be very high, at least mid-term.

## Definition

Productivity is first of all farm yields in volume per area (kg per ha, etc.) or per tree. Productivity is furthermore the yield of the coffee during the various processes: cherry to parchment, parchment to green coffee, % export quality. Higher yields will reduce costs as it makes labour more efficient and reduces the overheads per unit. Investments in improving the infrastructure for processing will increase yields and quality, improve the cost / income ratio, reduce the use of natural resources (energy and water) and reduce pollution.

Quality is the result of circumstances (altitude, climate, soils, etc.), varieties, husbandry and processing. Quality is closely related to yields; well attended farms and properly processed coffee lead to both higher yields and better quality of the coffee (bean size, type and number of defects, cup profile). Higher quality cherry or parchment will reduce the cost of processing and increase the yield of exportable coffee. Quality is measured in 2 ways: number of physical defects (damages and impurities) and cup profile (sound cup or damages and rating against a series of parameters). Consistency in quality is as important as the cup profile and preparation (number of defects). A good and consistent quality is a condition for a stable market and price premiums, but requires marketing to mature into better prices.

## Types of investment

Investments in productivity and quality can be clustered as follows:

### 1. Creating the conditions for improvements

In order to enable farmers to produce more and better coffee, the Producer Organization will have to create or improve some basic conditions and provide a series of services to



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its members. These may include: research and validation, technical assistance and extension, training and exchange visits, soil analysis, credit facility or support to access external credit sources, monitoring capacity, environmental conservation (protection of watersheds, adaptation and mitigation of climate change plans and techniques), zoning and profiling of qualities. FLO Liaison Officers and the Producer Networks can be a good source of advice on how to approach this challenge.

## 2. Investments at farm level

Crop rehabilitation (existing trees) and crop renovation (new trees), soil conservation, improved soil fertility, improved husbandry techniques, improved infrastructure for processing (hulling, fermenting, washing, drying) and storage, (waste) water management.

## 3. Investments at Producer Organization level

Building or improving processing facilities for coffee (wet and dry mills; improve yields and quality, reduce use of energy and water), laboratories (soil and water analysis), cupping facilities, roads & transport, processing plants for (organic) fertilisers, water treatment plants, and similar investments.

Please note that this list is not exhaustive, but presents the main types of investment that can contribute to productivity and / or quality improvement.

We do not wish to be over-prescriptive so as to recognise the differing capacities/needs between producer organisations where basic levels of community infrastructure: roads, utilities provision, water supply & treatment etc. may differ considerably.

## **Matching funds**

After long periods of price crisis and due to structural obstacles for smallholders to invest in many regions and situations, the majority of coffee farms have a backlog. Moreover, if production is to be increased substantially, farmers and Producer Organizations will need investments in infrastructure as well. The 5 cts/lb Fairtrade Premium for productivity / quality will not be enough in most cases to cover the short term investment needs, but can be used for gradual improvements, or perhaps kick starting a wider investment project or to get leverage for funding from elsewhere. Many Producer Organizations by their nature will have some investment or assistance programme in place to improve production and quality and with high market prices many producers will be investing with their own resources, so investments in productivity and quality need not be new initiatives.



## Monitoring

In order to be able to monitor the investments and measure the progress, it is important to:

- assess the initial situation, to have a benchmark<sup>1</sup> against which to show the impact of the investments.
- define a set of parameters against which progress will be measured.
- identify the main priorities, with clear objectives and targets.

For measuring impact, it is important to consider the environment (market, wider economy, government policies, weather and climate). A minimum of 4 harvests is required to be able to analyse progress in production.

Collecting impact stories will be very useful, not only to demonstrate to traders and consumers the impact of Fairtrade, but also for producers to share lessons learnt and best practice. FLO International is in the process of defining ways of gathering and compiling such impact stories.

## Certification

FLO-CERT will check that the US 5 cent FT premium is actually used for productivity / quality improvements, but will not check its impact, as the impact is affected by a whole range of other factors (climate, pests, other investments, government measures, etc).

In particular, FLO-CERT will audit that:

- the producer organisation includes in its development plan how it is planning to use the productivity / quality premium. Producers will not need to have spent the monies already in the year they receive it, (as they might want to leverage more funding), but they need to have defined a plan. Likely they will look to spend the monies over a four or five year period.
- the producer organisation can justify in which way the proposed use of premium money will contribute to increasing productivity and / or quality (see types of investments described above). However, please note that the description of investments in this document is not exhaustive; it is only a guidance on what investments could potentially include. Where FLO-CERT auditors have doubts that the proposed premium use can be considered as a productivity / quality investment,

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<sup>1</sup> This can be a baseline study and/or production registers and/or case studies. Base line studies need not be overly complex but for example it is important that producer organisations understand and record member hectares under cultivation, the numbers of bushes and density of planting, age of bushes (even if only approximate), crop yields and level and type of fertilizers applied.



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the auditor will contact FLO-CERT (Bonn) for guidance. Guidance will be given on a case by case basis.

- There is an appropriate management and monitoring of expenditure of the productivity premiums.

**Where to get advice:**

In case producers have any questions about how to use the premium to improve productivity and / or quality, they are invited to contact their usual contact person within the Fairtrade System (the Liaison Officer, or the Producer Network).