



# ECONOMIC SUSTAINABILITY

STRENGTHENING THE SUPPLY CHAIN



FAIRTRADE  
FOUNDATION

Fairtrade coffee comes  
from certified producers in

**28**  
countries

**€28.8M**

was generated through  
the Fairtrade Premium  
to invest in business and  
community projects

## UNDER THE FAIRTRADE SYSTEM

- Farmers are guaranteed to receive at least the Fairtrade Minimum Price for their coffee which aims to cover their costs of production and act as a safety net when market prices fall below a sustainable level
- Coffee farmers also receive the Fairtrade Premium and must use at least 25 per cent of it to enhance productivity and quality, for example by investing in processing facilities
- Farmers also use the premium for community projects, such as investing in healthcare or the provision of clean water
- Technical support allows farmers to improve yields and quality and offer reliable, sustainable coffee to the market
- Farmers build longer-term, more stable trading relationships with their buyers
- Fairtrade is underpinned by independently audited supply chain standards, which are set in consultation with farmers and industry partners.



More than

**580,000**

small-scale coffee farmers  
are part of Fairtrade

## THE NEED FOR FAIRTRADE

- Coffee is grown in more than 70 countries in Africa, Asia and Latin America
- The coffee industry relies on small-scale farmers. Around 80 per cent of the world's coffee is produced by 25 million smallholders each with less than 10 hectares of land
- Many live on less than \$2 a day, often in remote areas, and eke out a precarious existence
- faced with rising input costs, little access to credit to invest in production and increasingly erratic climate conditions
- Some farmers can't see a future in growing coffee and are forced to leave their farms in search of alternative work
- This weakens the coffee supply chain and often spells disaster for families and their communities.

**'FAIRTRADE AS A CERTIFICATION IS MUCH MORE THAN MERELY AN ENVIRONMENTAL CERTIFICATION, IT IS THE ONLY AND BEST ETHICAL AND SOCIAL CERTIFICATION THAT REALLY ENSURES SOCIAL AND ENVIRONMENTAL, ETHICAL AND ECONOMIC IMPACT, AND THEREFORE HUMAN IMPACT.'**

Enrique Calderon  
*COOPEAGRI Co-operative*







# ECONOMIC SUSTAINABILITY: STRENGTHENING THE SUPPLY CHAIN

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## DIRECT AND TRANSPARENT RELATIONSHIPS

The Fairtrade system fosters a unique relationship between buyers and producers combined with third party assurance.

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## STRONG CO-OPERATIVES

Fairtrade is committed to supporting strong, stable co-operatives to become reliable and entrepreneurial business organisations.

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## INVESTMENT IN BETTER FARMING PRACTICES

Fairtrade gives farmers the skills and capital to invest in better farming practices, improving both quality and productivity.

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## MORE INCOME FOR PRODUCERS

Fairtrade helps improve farmers' livelihoods, giving coffee farming communities a viable future.

# DIRECT AND TRANSPARENT RELATIONSHIPS

The Fairtrade system fosters a unique relationship between buyers and producers:

- It combines direct links between producers and buyers with third-party assurance, providing a guarantee to buyers and their customers that the Fairtrade Premium really does make a difference
- It encourages and equips farmers to have multiple direct relationships with different markets, thus reducing dependency
- It promotes long-term partnerships which farmers value highly.



## A REAL CONNECTION – WITH THIRD-PARTY ASSURANCE

The integrity of the Fairtrade certification system is underpinned by an internationally accredited independent inspection body, which upholds Fairtrade standards throughout the entire supply chain. A recent survey showed that nine out of 10 UK consumers trust the FAIRTRADE Mark – a significantly higher proportion than for any other ethical labels surveyed. This is why many businesses have found that the FAIRTRADE Mark enhances their brand reputation.

Fairtrade actively promotes direct links between producers and buyers. Fairtrade buyers are often involved in more than just the business. For example, Coopeagri, a coffee co-operative in Costa Rica, has developed long-term relationships with buyers in Europe and the US who have helped finance a housing programme, a computer lab for local children equipped with 20 computers and an irrigation system.



*'Thanks to the years that we have been part of the Fairtrade system, we have been able to grow, to consolidate and build capacities in our technicians who are able to share their knowledge with our producers in the community. Our main objective is to be able to ensure a consistent production, one that is sustainable over time and this has been understood by producers.'*

Enrique Calderon  
Department of International  
Operations, Coopeagri, Costa Rica



## A CLOSE RELATIONSHIP WITHOUT DEPENDENCY

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Fairtrade is independently verified so businesses and consumers can be confident of the provenance and ethical production of the products they buy. This certification and auditing mechanism sets it apart from other direct trading initiatives in the industry. Fairtrade enables businesses – and through them consumers – to understand the whole supply chain because it's tracked from producer to buyer.

Fairtrade is unique in empowering farmers through trade. They take control of their lives, businesses and communities and how these develop. By giving farmers access to market information and training in business skills and negotiation, Fairtrade helps co-operatives to build trading links with a diverse range of buyers in different markets and to negotiate directly and confidently with them. Many co-operatives in central America, for example, have built contacts with both Fairtrade and conventional buyers at trade fairs in the USA, Latin America and Europe. It's healthy for the co-operative because it reduces dependency on a single buyer and market and it's also good for businesses buying from the co-operative as they can trade with trusted and entrepreneurial partners.

## 'WE ARE CONSIDERED AS PARTNERS, COLLEAGUES, OR EVEN BROTHERS'

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Farmers value trading partnerships with Fairtrade buyers because they are long-term, so farmers can predict their income and plan and invest for the future. The day-to-day interaction with buyers gives farmers access to a wealth of information about commodity prices, the global market, quality requirements and consumer needs. It's a more human partnership, based on mutual respect and shared values.





Juan Andres Marquez Valles is president of Soppexcca co-operative in northern Nicaragua. With 650 members, the co-operative produces 825 tonnes of coffee a year.



*'Here in Jinotega, we have buyers that buy our coffee as Fairtrade, but that doesn't mean that we are closed, we'd like to expand and sell even more coffee, because we can see the benefits, it would be amazing if we would sell it all as Fairtrade. Fairtrade has opened doors for us and kept us alive as small producers. You can see the people who are just selling to the conventional market and they have completely different lives to the ones we have, so thanks to Fairtrade we are receiving a lot of help in covering our needs.'*



# STRONG CO-OPERATIVES

**The Fairtrade model is based on developing strong farmers' co-operatives:**

- Through access to specialist markets, finance and business and technical support, Fairtrade supports co-operatives to become entrepreneurial business partners with the confidence and ability to expand their enterprises
- Fairtrade helps co-operatives become efficient, well-run organisations that are the most effective way of delivering business and technical support directly to farmers
- Co-operatives can pool their resources to generate long-term assets that would be beyond the reach of individual producers
- Assets and long-term trading partnerships help to make co-operatives more creditworthy, which brings a much-needed injection of cash into their businesses
- The result is a more secure supply chain – which is good for farmers and benefits the whole industry.

## ENTREPRENEURIAL BUSINESS PARTNERS

Many Fairtrade coffee co-operatives invest in processing, from installing on-farm pulping machines and upgrading washing facilities to installing dryers, as a way to increase revenue, expand the business and offer greater value to their business partners. Most of these improvements are funded by Fairtrade Premium incomes, a source of finance that provides co-operatives with vital liquidity to invest in such work.

For instance, UCA San Juan del Rio Coco, a co-operative of 430 coffee farmers in north-west Nicaragua, used to outsource its coffee processing to a large national exporting company at an exorbitant price. Two years ago, the co-operative used buyer contracts and Fairtrade Premium income to purchase land and equipment to set up its own dry processing plant. Apart from the advantage of now being able to sell export-ready coffee, the plant has halved its processing costs from \$11 per quintal to \$6 per quintal of coffee and is also a valuable source of revenue, as UCA San Juan sells its processing services to other local co-operatives.



*'Before we used to pay for this service, for example, we paid \$50,000 to rent this service [dry processing mill]. What we are doing today is to use this amount of money, the money we used to pay out, to repay the loan we got off the bank in order to build the plant, so to pay for our own building. This has saved us a lot of costs as for starters the infrastructure now belongs to us, the basic and operating costs are lower, they are much cheaper and that will enable us, once we pay off the loan, to have a much lower price for producers, compared to what we paid before.'*

Griselda Jarquin  
Manager, UCA San Juan,  
Nicaragua

## EFFICIENT, WELL-RUN ORGANISATIONS

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Farmers need access to business and technical information to improve coffee production. Well-run co-operatives, based in the local community, are the best way to deliver cost-effective training and skills to farmers.

In southern Costa Rica, the Coopeagri co-operative has over 8,000 members growing coffee on plots averaging 1.3 hectares. Its technical assistance team advises farmers on how to keep down production costs, for example, by planting shade trees to limit the undergrowth as a low-cost alternative to herbicides. Like many co-operatives, it also has demonstration plots where it puts its recommendations into practice, showing farmers how to improve productivity with simple day-to-day practices or introducing them to new hybrids better able to withstand changing climatic conditions.

Coopeagri has also built 160 coffee 'collection points' over 90 sq km where farmers deliver their coffee before it is taken to washing stations. This saves farmers the time and expense of having to transport their coffee to washing stations and makes harvesting more efficient.

Co-operatives also invest in business management. COOMPROCOM co-operative has 250 members in 16 communities spread across four regions of central Nicaragua. It has installed new IT systems in its collection centres so that the volume and price of coffee delivered by farmers can be inputted directly into the system.

Both these programmes have been funded through premium income the co-operatives have earned through sales of Fairtrade coffee.



## BETTER ACCESS TO CREDIT

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By pooling their resources and investing the premium, Fairtrade co-operatives are also able to generate long-term fixed assets that help improve their businesses and can act as collateral for loans. Projects range from setting up new office spaces to processing and storage facilities and coffee quality testing laboratories. All of these projects, while adding value to the coffee production process, also act as valuable collateral that enable co-operatives to secure formal credit through banks.

Joining the Fairtrade system gave COOMPROCOM in central Nicaragua the impetus and know-how to strengthen its business and financial operations. With demonstrably good business practices and the assurance of Fairtrade contracts and assets as collateral, COOMPROCOM was able to access credit from a non-profit fund that lends capital to small agricultural businesses. Now COOMPROCOM can offer farmers low or interest-free loans, which they invest in on-farm business improvements such as wet processing facilities.





# INVESTMENT IN BETTER FARMING PRACTICES

The Fairtrade Premium and relationships with Fairtrade buyers help farmers improve their farming practices and become more profitable:

- Investment in technological innovation enables farmers to enhance productivity and quality
- Improving processing facilities means farmers add value to their product and move up the value chain
- Fairtrade helps farmers access more international markets, enabling them to build a diverse portfolio of buyers.



## IMPROVING PRODUCTIVITY AND QUALITY

Most smallholder coffee farmers grow coffee on less than 10 hectares of land and they need access to technological innovation to improve productivity and quality. COOMPROCOM in Nicaragua focuses on low-cost, quick win technologies that are easy to implement. For instance, its members run a quality improvement programme – funded by the Fairtrade Premium – for its 250 members and provide technical assistance and subsidised fertilisers. In the best cases, the programme has tripled yields for some farmers.

In Costa Rica, COOPEAGRI has used premium income to experiment with more productive coffee varieties that have increased yield per hectare from an average of 25 bags to 60 bags. The co-operative has also innovatively used funds to manufacture organic compost from the waste generated through coffee and sugar production that is sold at a low price to farmers.



*'For me, Fairtrade is not just a fair price, it's something bigger and more concrete. Here in COMSA it has helped us to develop our business processes thanks to the investments we have been able to make and to our staff team. We can now process more coffee, improve quality, etc. Last year we started receiving the \$5 from Fairtrade International for investment into quality and productivity and I think that those funds have helped us to build capacities and a technical assistance team who offer advice to producers. For me, that part is very important, because the generation of knowledge is like power in our hands.'*

Sonia Vasquez  
Director of Technical Assistance,  
COMSA co-operative, Honduras

## MOVING UP THE VALUE CHAIN

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Smallholder coffee farmers typically receive less than 10 per cent of the retail price of a packet of roast and ground coffee; the rest goes to traders, processors, exporters, roasters and retailers. At best, most smallholder farmers only carry out primary processing, such as washing, on their farms and have to pay for final processing and export services.

If co-operatives can process their own coffee they are able to add value and command a much higher price. In central Nicaragua, COOMPROCOM invested its premium in modern coffee processing equipment that produces better quality coffee, meets market requirements and brings in more money for producers.

Soppexcca in northern Nicaragua produces 825 tonnes of coffee a year. Instead of outsourcing, it has used part of its Fairtrade Premium to buy a dry processing plant, which saves money on processing, guarantees traceability within the supply chain and produces higher quality coffee at a better price.



## BETTER ACCESS TO INTERNATIONAL MARKETS

Many coffee farmers are only able to sell their coffee at nearby markets or to local traders who are often agents for processors or exporters. UCA San Juan coffee co-operative in Nicaragua, whose members grow high quality, mostly organic coffee, have found their Fairtrade relationships have opened up new networks of potential buyers. Through them, UCA San Juan members have been able to attend trade fairs such as the annual Specialty Coffee Association of America and have taken part in European business tours with Fairtrade partners to meet potential buyers.

Fairtrade also exposes farmers to the requirements of the international market and helps farmers to improve coffee quality. Coopeagri in Costa Rica manages quality through its cupping lab, where co-operative members train producers to analyse their coffee and identify its positive and negative characteristics. Farmers are then given feedback on how to improve their processing to get a better quality and more marketable product.



*'Fairtrade promotes and maintains the links between the industry and the producers and this is key for us to access the market. Fairtrade has trained us in regards to market conditions, marketing strategies and in regards to Fairtrade relationships, which are not only commercial but long-term-relationships where we feel like we are partners with the buyers that take our coffee every year.'*

Fatima Ismael  
General Manager of Soppexcca  
in northern Nicaragua

# MORE INCOME FOR PRODUCERS

- Fairtrade helps farmers diversify, growing food for their families and setting up side businesses
- Fairtrade improves farmers' standards of living, including better nutrition and education for their families
- Fairtrade farms are more financially viable, which means producers aren't forced off their land to find other ways of earning a living.

## SUSTAINABILITY THROUGH DIVERSIFICATION

Although most farmers rely on the production and sale of coffee as the main source of family income, it's becoming increasingly vital for them to diversify and earn from other activities. Diversifying production is key to the future sustainability of rural incomes and farmers understand this.

Soppexcca co-operative in northern Nicaragua has started a cocoa project to help over 200 young farmers develop an additional source of income. As well as growing and exporting cocoa for the last three years, they produce and sell chocolate bars locally and plan to export them as well. Soppexcca's diversification programme also helps farmers keep bees for honey and animals for milk and meat.



*'For the past two years I have used the social premium in a pomegranate project. Thanks to it, I have been able to buy pomegranate, some small animals, a calving cow – so now I have milk at home – I have a better house and all this thanks to Fairtrade and so I would really like to thank Fairtrade for looking out for us producers. We really depend on this market because it portrays our face and has enabled us to grow our income and improve our living.'*

Jose Cruz Mercado  
Member, COOMPROCOM, Nicaragua





*'In times when there is no coffee harvest, we have different alternatives. Here in Coopeagri we have learned to keep other plants, other crops within our coffee plantations, other products so that we can survive in the times when there is no coffee harvest. We are talking about, for example, bananas. Each banana cluster like that one is sold in the local market for £3.'*

Fernando Ganados  
Member, Coopeagri, Costa Rica

## IMPROVED STANDARDS OF LIVING

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Coffee farmers are at the mercy of market fluctuations and are often forced to leave their farms to seek work on plantations as labourers or move away to the city to find alternative sources of income. The Fairtrade Minimum Price and Premium provide a stable, guaranteed income and access to training and support, which increases productivity and profitability. This reassures farmers and the next generation that coffee is a sustainable business with a viable future.

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*'Without the principle of the Fairtrade Minimum Price and the social premium, we small producers would have lost our land and we would live in a country with only plantations, where small producers would be only agricultural labourers and there would be an enormous mass of unemployment in the rural areas, a huge mass of illiterate people. For us, the most important element of Fairtrade is that it allows us to keep the possession of our land so it stays in the hands of the families of producers.'*

Fatima Ismael  
General Manager of Soppexcca,  
Nicaragua



*'Our standard of living improves, because as you know, by having a bit more we can eat more than just rice and beans, which is what we eat here in the countryside, we can have some more and improve our lives and the lives of our children. It is not the same, everything is better, better medical attention, etc. Because the life of a producer is hard, but for me in the eight years that I have been a member, I have felt the difference and my life and the life of my children have changed. Before I used to work in all sorts of jobs, I tried everything except stealing or leading a bad life, I sold clothes and reared pigs, but since joining the co-operative and thanks to our President who took me in and encouraged me to join, my life is different.'*

Marlene del Carmen Gonzales Jarquim  
Member of the Soppexcca co-operative, grows coffee, beans and corn in northern Nicaragua.

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The content in this brochure is based on interviews conducted during a field trip by the Fairtrade Foundation to five Fairtrade certified coffee organisations in Central America.

### **Credits:**

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