Smallholder Coffee Farmers in India:

An Understanding of social, economic and environmental challenges

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Table of Contents

Foreword:

The Fairtrade India project was establishedin 2015 under the aegis of a Memorandum of Understanding signed between Fairtrade International and Centre for Social Markets. The project's objective is to promote sustainability in food and fashion production and consumption. Itleverages the globally recognized Fairtrade International model of enabling sustainable livelihood for small and marginal farmers by adopting sustainable practices in agricultural value chains.

Fairtrade India is a not-for-profit organisation set up to promote responsible production and consumption in India. The 2030 Agenda for Sustainable Development as drawn up by the United Nations is a plan of action around themes of people, planet, prosperity, peace and partnership. Under it, 17 sustainable development goals and 169 targets have been called out. Goal 12 talks about ensuring sustainable production and consumption patterns and targets include aspects like reducing per capita global food waste, environmentally responsible management of chemicals and waste through their life cycle, promote sustainable public procurement practices, spread information and awareness around sustainable development and lifestyles etc.

Theproject in India works with over 139,000 Fairtrade producers growing everything from coffee, tea, spices, peanut, sugar cocoa and cotton. Itworks to develop an eco-system of multiple and diverse stakeholders across a wide interpretation of the value chain - from farmer organisations to education institutions, from brands and retailers to sustainable workplaces, from sustainability focussed consumers to a network of civil society organisations. The common thread is the commitment to promoting a more sustainable system of making and consuming food, fashion and other agriculture-based products.

The project fundamentals revolve around:

Promoting Sustainable Production practices in farms through the Fairtrade Certification model which takes into account environmental, social and economic sustainability

Promoting market linkages for Fairtrade Certified farmer producer organisations to facilitate market access on more favourable terms for the producer organisations which in turn ensure better and more sustainable livelihood for the farmers and workers committed to sustainable practices.

Spreading awareness across businesses, consumers and multiple stakeholders about the need for sustainability in food and fashion choices. Educating them about the Fairtrade model for sustainability and how they can choose Fairtrade Labelled products and in doing so act as sponsors for the adoption of sustainable practices across the value chains.

The Fairtrade organisation works through a global network of not-for-profit organisations with Fairtrade International as the nodal agency, in addition to 19 National Fairtrade Organisations and three Producer networks.

Introduction:

Coffee is a global commodity that has come to be a staple good for people around the world. Approximately 2.5 billion cups of coffee are consumed by people around the world on a daily basis. As income continues to grow for peoplearound the world, consumer demands for income elastic goods are rapidly increasing. This specifically holds true in the case of certain luxury foods and beverages. As incomes grow, people consume a greater amount of luxury beverages such as high brand coffee – a factor that has contributed to the increased demand for coffee around the world.

Owing to a flourishing cafe culture in an increasingly global lifestyle practiced by the younger generation, increasing disposable incomes, white collar demographics and extensive urbanization, the global coffee market is growing. Differentiated brands, specifically using service and convenience as differentiators in addition to blends and exotic sources are also contributing to the growth. The global coffee market, which was valued at approximately USD 102.15 Billion in 2019, and is expected to reach revenue worth USD 155.64 Billion by 2026, is set to record the CAGR of nearly 6.2% over the period from 2020 to 2026. Latin America is expected to dominate the global market, with Brazil being the largest coffee producer. The Asia Pacific region too is expected to grow strongly with Vietnam being the second largest producer of coffee in the world.

In addition to Brazil and Vietnam, the 2 largest producers of coffee, coffee is also produced in several other countries around the world like Colombia, Indonesia, Ethiopia, Honduras and India. It is the second most traded commodity in the world after petroleum oil and employs more than 125 million people around the world.

India's coffee story has been no less remarkable. For a country that is usually perceived as a tea-loving one, the overall size of the coffee market in India was approximately USD 1.6 billion in 2020 and expected to grow to USD 4.05 billion by 2027.

There are mainly 2 types of coffee grown around the world: Arabica and Robusta with the Arabica variety making up around 70% of all coffee grown globally.

The price of coffee mainly depends upon the trade of the commodity i.e., how much is being produced and sold by the primary coffee making countries. Coffee is the 117th most traded product in the global economy and the 948th most complex product according to the Product Complexity Index. Raw and processed coffee beans are the most traded commodity in the world after oil.

Coffee is a good with an inelastic demand due to the importance it has gained as a staple good and it also has an inelastic supply due to the fact that it takes over 3 years for a coffee tree to become fully productive. On account of its inelasticity in both supply and demand, the price of coffee experiences a great deal of volatility. Evidence of this can be seen in India when in March 2022, Arabica coffee prices were crashing due to the Ukraine-Russia war as both of these countries were importers of Indian coffee. Hence due to the fall in international demand, the prices of coffee fell.

In addition to this issue of volatility in prices of coffee, Indian farmers face additional issues relating to the size of the holdings that they own.

Small-Holder coffee producers in India:

Smallholder farmers are those who own small plots of land and produce relatively small volumes of produce which are usually exported or used for sustenance.60% of the world's coffee production comes from such small holder coffee growers, globally. Of the 250,000 coffee growers in India, 98% are small growers.

Smallholder coffee farmers in India especially struggle due to the price volatility in the commodity. During times of price decrease, they are unable to increase the quantity of coffee they produced because of the small size of their land holdings and the limited resources that are available to them. Hence, they face unstable incomes and find it difficult to maintain a means of living. In order to support their families, some coffee farmers attempt to take up additional jobs outside of their farm and this results in long tiring days, degradation of health, and breaking of familial ties due to lack of time spent with family.

As coffee is an agricultural commodity, its production depends a great deal on weather conditions.It is a sensitive crop. If the climate is favourable then the prices of coffee can drop but an unfavourable condition causes the prices to rise. The changing climatic conditions and associated pests and diseases can lead to poor coffee productions because high temperatures will not only lead to greater proliferation of pests but they may also lead to coffee beans ripening early thus reducing the quality of coffee.

Due to the lack of resources that are available to them, smallholder farmers come to be more reliant on environmental factors such as rain for the success of their crop. In India, Robusta coffee dominates in terms of production. Karnataka is the dominant state producing coffee in India, accounting for nearly 70% of the total production, followed by Kerala. Together, they account for about 90% of the production. Theseare the primary states in which coffee is produced and cultivation in these areas are characterised by small holders and dependence on rainfall. The issue of climate change has had a severe impact on the cultivation of coffee because of the farmers' dependence on rainfall. The past decade has seen these two states face erratic showers with some years providing little rain to others where it rained with a vengeance. Due to this reason, the production of coffee has fallen by around 3% annually between the financial years of 2012 to 2021.

In addition to this, there is the issue relating to sustainable farming. Due to the limited resources available to the smallholder farmers, they very often practice unsustainable farming methods which lead to environmental degradation. This causes issues to the environment and can make land unsuitable for production in the long run.

Moreover, the lack of access to reliable markets makes farmers vulnerable to price changes. Due to the fact that coffee is a commodity that has huge international demand and is traded internationally makes the producers vulnerable to the international prices of the coffee. Even though there is an amount of the coffee that is consumed domestically, there is a great deal which is exported to other countries.

The prices in international markets are very often low due to governments of other countries supporting their farmers in order to reduce their cost of production hence bringing down their final price. In order to be able to sell their produce the Indian farmers, without strong subsidies, have to match the low prices in the international markets. Very often this could lead to them selling their produce at prices lower that their costs of production. This could severely impact their livelihood as the income they receive is not substantial.

This issue also indicates the role of the government in supporting the farmers- without significant support from the government, the small farmers are vulnerable to international prices and competition leading to low incomes which in certain cases lead to farmers committing suicide because they aren't able to support their families with the amount of money they earn. In fact, coffee as a crop itself doesn't count as a part of the Ministry of Agriculture. Instead, it counts under the Ministry of Commerce- this creates problems as well because coffee producers may not receive the same support and benefits provided by the government to other farmers in the country.

Illiteracy of farmers also plays a role in the fact that they cannot make predictions about future prices and planning ahead, which is crucial for any profitable organization.

Socially, there exists a gender gap within coffee farmers. The law doesn't recognise women as farmers themselves but instead they are recognised as 'the wives of the farmers. For this reason, if the husband in the family passes, the wife is unable to legally retain the plot of land that they owned because she isn't considered a 'farmer'.

Improving the condition of smallholder coffee farmers in India:

There are multiple ways and multiple organisations that have played a role in improving the conditions of smallholder coffee farmers in India:

- Diversification- this involves ensuring that the farmer diversifies his produce. This could be done either by growing different crops using different crop planting methods or deciding to rear livestock along with growing crops. This helps protect the farmer from risks like diseases which might wipe out one kind of crop but the farmer would still have the other crop produce to fall back on.

  Diversification can also be in the form of jobs where the farmer pursues a small part time job apart from cultivation which provides an additional source of income that the farmer can fall back on. Diversification is important in the case of volatile agricultural products like coffee so that farmers have some additional income to fall back on in years that the prices of coffee fail to bring about a large enough profit for sustenance
- Crop insurance- Crop insurance is a type of protection policy that covers agricultural producers against unexpected loss of projected crop yields or profits from sales in the market. The main crop insurance schemes offered in India are- National Agricultural Insurance Scheme, Modified National Agricultural Insurance Scheme, Pilot Weather Based Crop Insurance Scheme and Pilot Coconut Palm Insurance Scheme
- Contract Production- this occurs when agribusinesses take control of the entire agricultural process from production to retail. The agribusiness provides the farmer with feed and other inputs and the farmer has to meet the agribusiness' demands about quality and quantity specifications. A major advantage for the producer is that a market for their produce is guaranteed at a favourable price. This fixed price provides insurance against risk.

In India the NCDEX (National commodity and derivatives exchange) launches contracts for trading in Robusta. These contracts help smallholder famers in India to reduce price risks.

Role of Fairtrade India

Organisations such as Fairtrade aim at making production sustainable and have played a huge role in introducing measures that improve the conditions of these coffee farmers:

- Fairtrade minimum price:

  Since a majority of coffee producers around the world are smallholder coffee producers, their ability to make a living off of volatile prices becomes almost impossible. In addition to this, the chances of sustainably producing coffee also reduces as sustainable production involves greater costs and with the possibility of making losses, most farmers wouldn't be incentivised to produce sustainably.

  Hence in order to ensure that farmers receive a fair price in line with the amount of work they do and costs they incur, Fairtrade sets a minimum price (known as Fairtrade Minimum Price FMP). This not only ensures that farmers aren't negatively impacted by the volatile coffee market but it also acts as an incentive for farmers to pursue sustainable methods of production.
- Fairtrade Premium:

  In addition to the minimum price, fairtrade provides farmers with funds which can be invested in social projects and infrastructure. Each community of farmers democratically decides how exactly they wish to use the Fairtrade Premiums to best benefit their community. In the case of smallholder coffee producers, over half of the premium is used for direct payments in order to supplement their low earnings. In addition to this, the premium is used to invest in infrastructure, administrative costs and training of producer organisation staff. A small portion is seen invested in social and economic services for communities.

Through fairtrade premiums, Fairtrade addresses three of UN's SDGs- primarily SDG2 (zero hunger); SDG1 (no poverty) but also including SDG 4(quality education) and SDG11 (sustainable cities and communities)

- NAPP's Climate Adaptation Project:

  The Asia-Pacific region is very vulnerable to climate change. There are extreme weather events that occur in this region which include droughts, floods, heatwaves, tropical cyclones and so on. In order to protect crops, which are vulnerable to extreme climatic conditions, the Fairtrade Network of the Asia Pacific launched the Climate Adaptation Project which aims to increase the resilience of smallholder producer organisations through training and then using the skill, insights and techniques they've learnt to help reduce the impact of climate change at the farm level. This project involves smallholder farmers in India.

44% of the world's smallholder coffee farmers are living in poverty and 22% are living in extreme poverty. Acknowledging the diversity and magnitude of challenges faced by the small holding farmers is the first step to responsibly sourcing this coffee.

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