

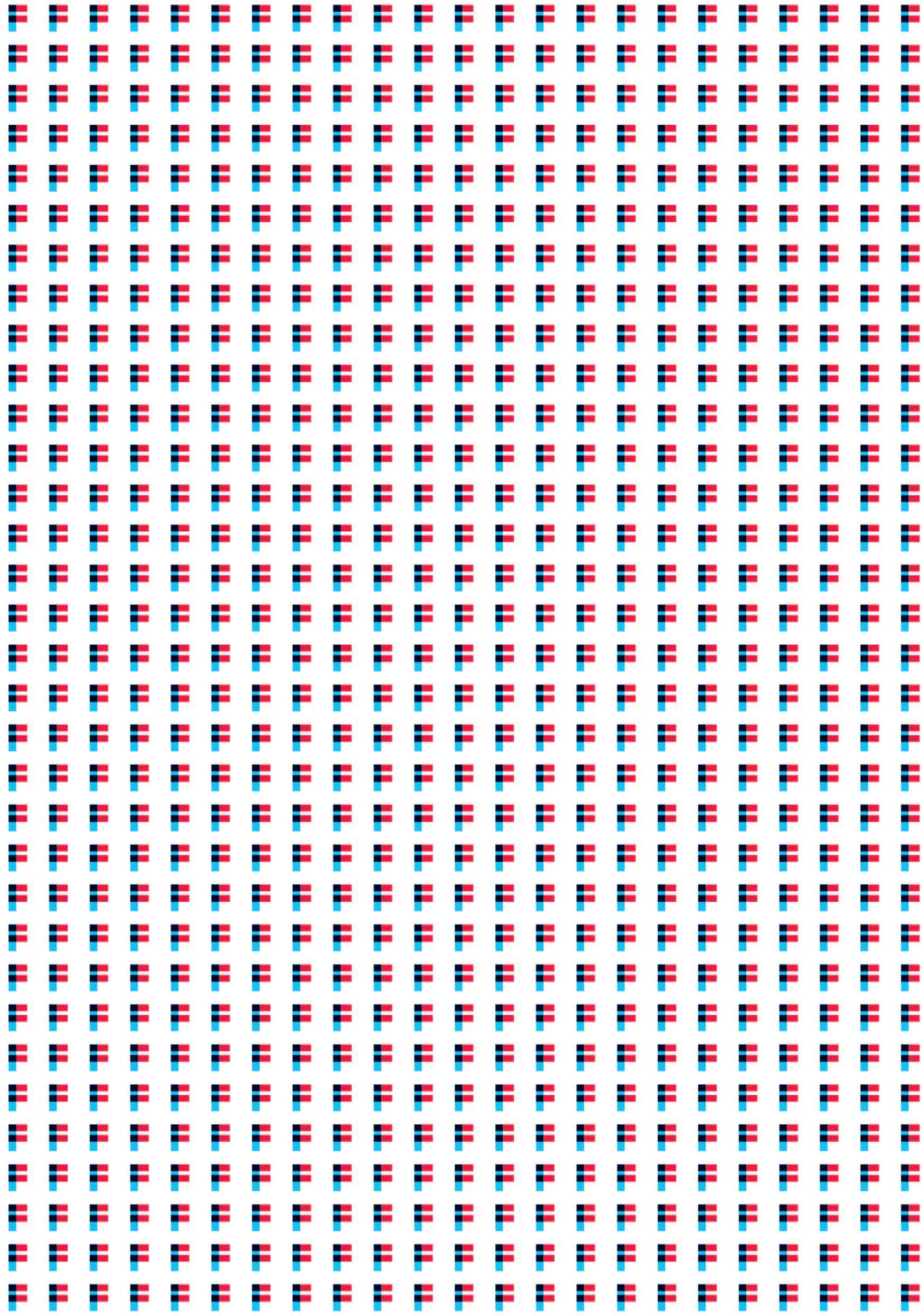
**time  
for  
some  
truly  
good  
coffee**



**evidence of human rights violations and poor  
standards of living in coffee producing countries**

**author  
Isa Miralles**

**FAIRFOOD**



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# executive summary

The coffee industry has been a leader in applying sustainability initiatives such as certification and verification systems. The latest literature shows that 55 percent of the global coffee production in 2016/17 was standard-compliant coffee.<sup>1</sup> Despite this, poor standards of living and human rights violations persist in coffee producing countries. Worldwide, on large coffee farms, both forced and child labor are reported, and insufficient income amongst smallholder farmers is common. Poverty incomes and wages keep threatening both the livelihoods of coffee producers and the viability of the coffee sector. This report sheds light into the poor standards of living of coffee producers and urges industry players to apply innovative solutions that ensure just remunerations for a life of dignity.

## living income

Net annual income required for a household in a particular place to afford a decent standard of living for all members of that household.

## living wage

Remuneration received for a standard work week by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family. Elements of a decent standard of living include food, water, housing, education, health care, transport, clothing, and other essential needs including provision for unexpected events.

(Global Living Wage Coalition, 2016)

## what needs to change?

Both environmental and social challenges threaten the livelihoods of the coffee producers, and smallholder farmers are likely to suffer the highest pressure. Nowadays, much attention is paid to build climate-resilient coffee, generally by increasing agricultural productivity. Yet, this is often not possible if the coffee price is so low that smallholders face underearning. It is necessary to acknowledge that poverty and inequality persist despite higher yields, and thus we must actively work to guarantee a fair price that ensures the human right to a just and favorable remuneration for a life of dignity.<sup>2</sup> Food businesses have the responsibility to ensure that human rights are respected throughout their supply chains, as stated in the UN Guiding Principles on Business and Human Rights. Therefore, we urge the coffee industry to develop fully traceable, transparent and fair supply chains. Technological innovation coupled with the implementation of living incomes and living wages offer exciting new possibilities to improve the livelihoods of coffee producers and create a future-proof coffee sector.

# introduction

## why fairfood and coffee?

In the Netherlands it is not only common to start the day with a cup of coffee, but to continue drinking coffee all day long. Coffee is one of the country's top consumed beverages, with about 30 million cups of coffee drunk per day in the Netherlands. This is a quantity that makes the Netherlands responsible for an average of 1% of the world's yearly coffee consumption.<sup>3</sup> The approximately 90.000 tons of coffee a year consumed in the Netherlands have the capacity to impact the lives of many smallholder farmers and coffee laborers and thus change the rules of the game.

Coffee beans make a long journey from coffee plantation to coffee cup, involving many different stakeholders across geographies. Fairfood strives to make fair food systems the norm and works with innovation and partnerships to solve the notoriously complex supply chains. We work towards fully traceable, transparent and inclusive food supply chains in which smallholder farmers and laborers earn living incomes and wages. We foresee living incomes and living wages as a way forward to end food insecurity, insufficient incomes, forced labor and extremely low wages in today's coffee industry.

**“Fairfood strives to make fair food systems the norm and works with innovation and partnerships to solve the notoriously complex supply chains”**

# coffee background

Coffee is produced in more than 70 countries, where smallholder farmers contribute to about 70 percent of the world's coffee supply. The coffee industry is understood to be supported by over 20 million coffee producers.<sup>4</sup> Moreover, when considering all of the participants in the coffee value chain, namely coffee harvesters, processors, transporters or casual laborers, nearly 100 million peoples' livelihoods depend on coffee in some way.<sup>9</sup> However, it is challenging to estimate the total number of smallholder farmers and farm laborers.<sup>1</sup> The rural nature of coffee production, the issues of gender inequality (with the registration of only the male heads of the households) and the informality of employment are some of the main issues contributing to this knowledge gap.<sup>5</sup>

With a long history of colonialism and slavery, the coffee industry remains a sector with persistent human rights violations and environmental concerns. The degradation of natural ecosystems is a main concern in almost all coffee growing regions. The best suited regions for coffee production are areas of high biodiversity, with some of the most species-rich landscapes worldwide. Consequently, land transformation of natural forest into coffee growing spaces comes at a high risk of biodiversity loss and deforestation. Moreover, on-farm coffee production presents risks related to fertilizer application or water use which threaten the depletion of water resources as well as the quality of water and soil.<sup>6</sup> Along with the environmental challenges, the coffee industry reveals serious human rights problems. Coffee is in many cases produced under conditions that contravene both international conventions and the country's own laws. Allegations of human rights violations in the coffee industry are not new and are inconsistent with the industry's commitment to sustainable livelihoods. Coffee producers often face structural difficulties. Whether it is large or small coffee farms, issues of labor, employment, poverty and hunger are reported. Large coffee farms place risks for coffee laborer's livelihoods, especially those of women and migrants, and small-scale farms challenge smallholder's livelihoods.<sup>7</sup>

## methodology

This report is based on extensive desk research conducted from March to June 2018. The desk research covers a relevant body of literature highlighting the violation of labor rights of coffee laborers on coffee plantations, as well as the poverty and hunger conditions of coffee smallholders worldwide.

### Limitations

This report has three major limitations:

- Geographical scope: the body of literature on coffee producers' livelihoods focuses mainly in Latin American countries which leaves coffee producers in African and Asian countries under represented.
- Scarcity of research assessing living income and wages of coffee farmers and laborers.
- Small research sample used to visualize coffee farmers household income data.

With this report, Fairfood aims to provide a better understanding of the living standards and challenges that smallholder farmers and coffee laborers face. It exposes poverty incomes and human right violations in coffee-producing countries. Insufficient income of smallholders and the underpayment of coffee laborers are a major constraint to achieve sustainable livelihoods. We hope to persuade industry players to take the responsibility of paying coffee producers living income and living wages throughout their supply chains.

# living standards of coffee smallholders

The benefits of the coffee industry do not regularly reach down to the producers. In an industry with a current annual value of \$200 billion, only a 10 percent stays in the production countries.<sup>1</sup> Many of the largest coffee producing countries, including Indonesia, India, Honduras, Ethiopia and Guatemala, have more than 10 percent of their populations living below the extreme poverty line of US\$1.25 a day.<sup>8</sup> Also, food insecurity, hunger and undernourishment are persistent issues in coffee-producing regions across the globe.<sup>9</sup>

## food (in)security

Food insecurity has been extensively reported in households of Latin American coffee producers. A significant share of coffee smallholders in Nicaragua, Guatemala, Mexico and El Salvador are not able to meet their food needs at some time of the year.<sup>5</sup> In these countries between 50 to 80 percent of the coffee households suffer food insecurity throughout the year.<sup>5</sup> Although less reported, high levels of food insecurity are also prevalent in Africa; over 60% of the Ethiopian smallholder coffee-producing households experience food insecurity of varying degree during the year.<sup>10</sup>

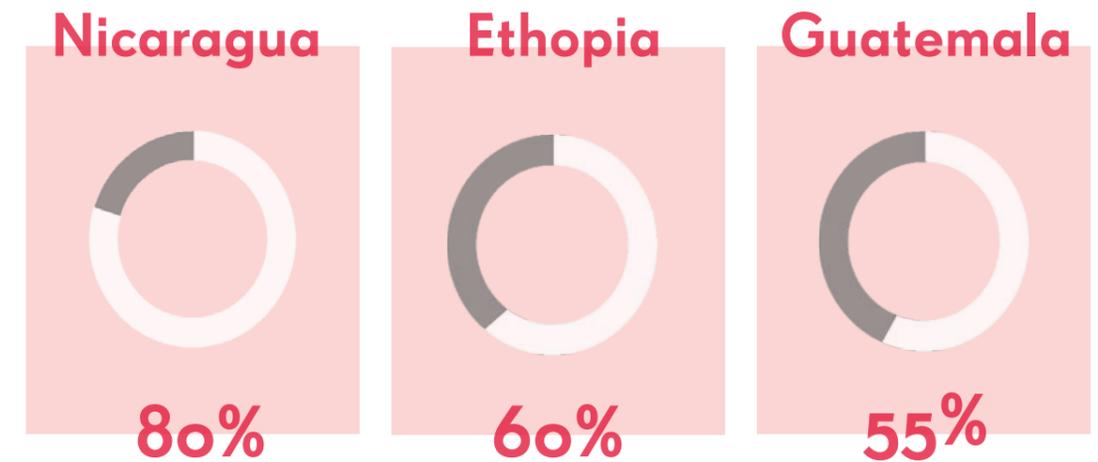


Figure 1. Percentage of coffee growing households suffering food insecurity during the year in selected countries

This couples with a reality of high undernourishment rates in coffee producing countries worldwide, specifically in Africa. Ethiopia, Kenya and Tanzania, home to over five and a half million coffee households combined<sup>4</sup>, show undernourishment rates of more than 30 percent.<sup>9</sup>

## Lack of living income

The income that farmers receive from coffee is often not sufficient to meet their basic needs.<sup>5</sup> In a recent report, *Assessing coffee farmer household income*, True Price and Fairtrade International display the existing gaps between current household income of Fairtrade coffee farmers and the living household income in specific coffee producing countries. About a quarter of Indian farmers, between 35 to 50 percent of Indonesian and Vietnamese Fairtrade coffee farmers and all Kenyan farmers do not currently earn a living income.<sup>11</sup> Also, the report outcomes show large differences between countries regarding coffee profitability, farmers reliability on coffee as a source of income and farmer household income (table 1). In countries like Vietnam, Indonesia and Tanzania coffee profits contribute to more than 75 percent of farmer household income. In contrast, in Kenya and India coffee production negatively contributes to household income. In another words, on average farmers in Kenya and India lose money by growing coffee. Insufficient payments to coffee smallholders are a crucial bottleneck to reducing rural poverty and food insecurity.

	Rwanda	Tanzania	Uganda	Kenya	India	Indonesia	Vietnam
<i>Average farm size (ha)</i>	1.00	0.96	1.09	0.71	1.31	1.17	1.90
<i>% farm size used for coffee production</i>	43	100	52	32	50	100	100
<i>% coffee profits to household income</i>	4	76	44	-21	-3	87	78
<i>Average household income (USD/year)</i>	3,641	529	435	1,120	4,350	6,274	6,993

Table 1. Average Fairtrade coffee farmers household incomes and coffee profits in selected countries. Data retrieved from True Price and Fairtrade International research, 2017

# coffee laborer's issues on coffee plantations

Within the first mile of coffee production, human rights violations persist today on coffee plantations. Several reports capture the violations of labor rights on coffee plantations and show how the standard of living of coffee laborers is at risk on coffee regions worldwide. Forced labor and child labor are two main issues behind these violations.

## forced labor

According to The United Nations' International Labour Organization indicators of forced labor include, abuse of vulnerability, deception, restriction of movement, isolation, physical and sexual violence, intimidation and threats, retention of identity documents, withholding wages, debt bondage, abusive working hours and living conditions and excessive overtime. Several case studies on coffee plantations support the prevalence of all these signs of forced labor.

## abuse of vulnerability, deception, restriction of movement, isolation and physical and sexual violence

Sex, race, income and education are risk factors affecting forced labor. Labor violations are generally more intense for women, who are often subjects of varying forms of exploitation and sexual abuse.<sup>5</sup> Minorities, such as indigenous people, immigrants and internal migrant laborers, suffer amplified labor abuses. Temporary laborers are more vulnerable than permanent laborers to suffer from false promises regarding terms of employment, restriction of movement and isolation. In Guatemala, many coffee laborers are internal migrants, typically indigenous Mayan. Mayan descendent migrant laborers do not always speak Spanish which places them in a situation of dependency and stronger vulnerability. Similarly, in Brazil, poor, Afro-Brazilian men with low levels of education are exposed to greater risks of vulnerability. Migration is one of the most common characteristics of Brazilian slave labor with 74 percent of the reported victims not living in their municipality of birth. Lack of schooling follows as a second main threat to slave labor with 20 percent of the reported victims never having attended school.

## intimidation and threats

Freedom of association is often threatened by force or violence. Reported cases of hostility and abuse of laborers' rights to organize in Guatemala, Mexico, Brazil and Colombia shows the violation of fundamental rights. Laborers fear to organize in unions due to the risk of prosecution, threats and being killed. This is partly because they lack written contracts and formal pay slips. If laborers complain about their working conditions, they will most probably be thrown out of the coffee plantation or even disappear.<sup>12</sup> In addition, intermediaries do not employ laborers who may be problematic. In this situation, little or no option is left for laborers to speak up about their abusive working conditions or to freely leave the coffee plantations.<sup>12,14</sup>

## retention of identity documents

It is common practice, in countries like Brazil and Guatemala, that plantations owners withhold laborers' identity papers. This is exacerbated in the case of migrant laborers, because as soon as they arrive to the plantations their identity documents are taken away.<sup>12,14</sup> Many estate owners retain farm laborer identity documents under the pretext of registering them as formal laborers. Yet coffee estate owners generally fail to duly register farm laborers, but still withhold their documents illegally.<sup>11</sup> Testimonies from coffee laborers in Guatemala reveal that they do not get back their identity papers until the end of the coffee harvest. This is a form of limiting laborers' freedom of movement and keeping them on the coffee plantations.<sup>12</sup>

## withholding wages and debt bondage

Withholding of coffee laborers' wages is widespread. Approximately 50 percent of the coffee laborers in Guatemala are paid monthly and about 10 percent are not paid until the end of the harvest. This occurs despite the country's Labor Code requiring manual laborers to be paid at least every 15 days. In this situation coffee laborers are forced to buy food and other necessities on credit from the plantation owner. At the end of the harvest, many laborers end up in debt with the coffee plantation owners. Despite working full time with an entire family, the wages of the laborers are so low that they end up owing money to the plantation owner.<sup>12</sup>

Debt bondage does not only occur when wages are withheld, it is also caused by the labor brokers recruitment system. In Brazil is common for farmer laborers to be recruited by labor brokers, known as 'gatos'. Gatos tend to recruit people from poor communities and make false promises over the employment conditions and good pays. Laborers can be transported over 1,000 kilometers to remote coffee plantations. Under this recruitment system, farm laborers begin to accumulate debt from the moment they board buses in their hometown to travel to the coffee plantations. All the costs are covered by the 'gato' or the plantation owner, including transportation, housing and food, and it will be deducted from the laborer's future pay. This results in a debt spiral that can lead to the retention of laborers in the coffee plantations until they settle their debts.<sup>13</sup>

## abusive working and living conditions and excessive overtime

Precarious conditions on coffee plantations fail to meet basic standards for laborer health and safety. All sorts of degrading, unsanitary and unsuitable conditions have been reported on coffee plantations. In Brazil, coffee plantations without a waste disposal system or drinking water are home to coffee pickers during the coffee harvest. In plantations with no drinking water, coffee laborers have reported to drink from the same stream used by cows.<sup>14</sup> Violations of health and safety regulations are also present when no protective equipment such as gloves, goggles, boots or a hat is given to the coffee laborers, although this is required by law. The use of acutely toxic pesticides with no protection leads to pesticide poisonings and deaths. A survey on 412 coffee laborers in Minas Gerais, the largest coffee region in Brazil, showed that about 59 percent of the respondents experienced at least one symptom of pesticide poisoning.<sup>14</sup> Finally, it is commonly reported that laborers work more than the legal limit of working hours per week as well as on weekends to earn extra money.

## child labor

Child labor in coffee farming is a persistent issue. In coffee plantations in Brazil and Guatemala, it is not uncommon to find young children picking coffee. It is explained by many coffee laborers as a consequence of the compensation system for coffee picking. Coffee laborers are paid a piece rate, or in other words, for the quantity of coffee they pick. The more coffee they pick the more money they receive, which is why whole families, including children and wives, work on the coffee plantations. Despite this joint effort, in most of the cases, a whole family together does not pick enough to reach even a minimum wage. Furthermore, children are also involved in the application of pesticides, one of the most hazardous activities on the coffee plantations.<sup>12,14</sup>

# conclusion

The coffee industry manifests issues of food insecurity, insufficient incomes, forced labor and extremely low wages. On coffee plantations worldwide, both forced, and child labor persist. Coffee smallholders and laborers earn far less money than the needed for a family to afford basic food needs. This is not only an important barrier for coffee producers, but it is also a violation of the human right to just and favorable remuneration that ensures a life of dignity.<sup>2</sup> Coffee smallholders and coffee laborers are trapped in a poverty circle that threatens both their livelihoods and the viability of the coffee sector. Yet, very little attention is placed on researching income gaps between current incomes/wages and living incomes/wages. This is incompatible with a sustainable and future-proof coffee industry.

Despite challenging conditions such as the international trade dynamics and specific geographic constraints, much can be done to improve coffee producers' livelihoods. A few large companies hold very powerful positions in the coffee supply chain. The top ten roasters control 35 percent of the world's coffee.<sup>1</sup> This power concentration means that if a handful of companies would enforce fairer incomes and wages in their supply chains, millions of coffee producers would be benefited.

## a way forward

The fair pricing of coffee cherries and beans can greatly improve the deplorable conditions faced by many coffee farmers and coffee laborers. If smallholder farmers and laborers earn a living income/wage, they can afford basic needs and lift themselves, and even their communities, out of poverty. Therefore, Fairfood works towards making living incomes/wages the norm. The following recommendations target coffee industry leaders and propose action-oriented strategies with the potential to mitigate poverty and hunger in coffee households and improve labor conditions.

# recommendations for food business

## supply chain traceability is the first crucial step towards understanding an accountability

Gain full knowledge of your supply chains, from the farm to the point of sale. Be knowledgeable about the provenance of your products and raw materials and follow them through the complete supply chain. Implement effective supply chain monitoring systems that ensure that all the primary, secondary and tertiary suppliers are complying with the supplier code of conduct and all the company policies. This is crucial to ensure that all the products are safe of

## uphold supply chain trust and transparency

Technological innovation offers exciting new possibilities in this field to gain trustworthy product information, greater farmer inclusion and increase consumer trust. Develop mechanisms that ensure that your suppliers commit to respect to labor conditions, environmental issues and human rights.

## offer fair remuneration

Work to guarantee a fair price that covers the cost of a life of dignity of all the stakeholders in the supply chain, and especially the most vulnerable. Acquire data on the actual remuneration of the coffee producers, conduct living income/wage calculations and identify the opportunities to create a better price for coffee and resolve the existing income gaps.

## commit and collaborate

Set sustainable commitments at the core of the business and define ambitious targets and actions that ensure that human rights are respected in your supply chains. Take leadership in setting a path to fairer and fully transparent supply chains. Go beyond certification and be a pioneer in promoting, pushing and implementing living incomes and living wages in the coffee industry.

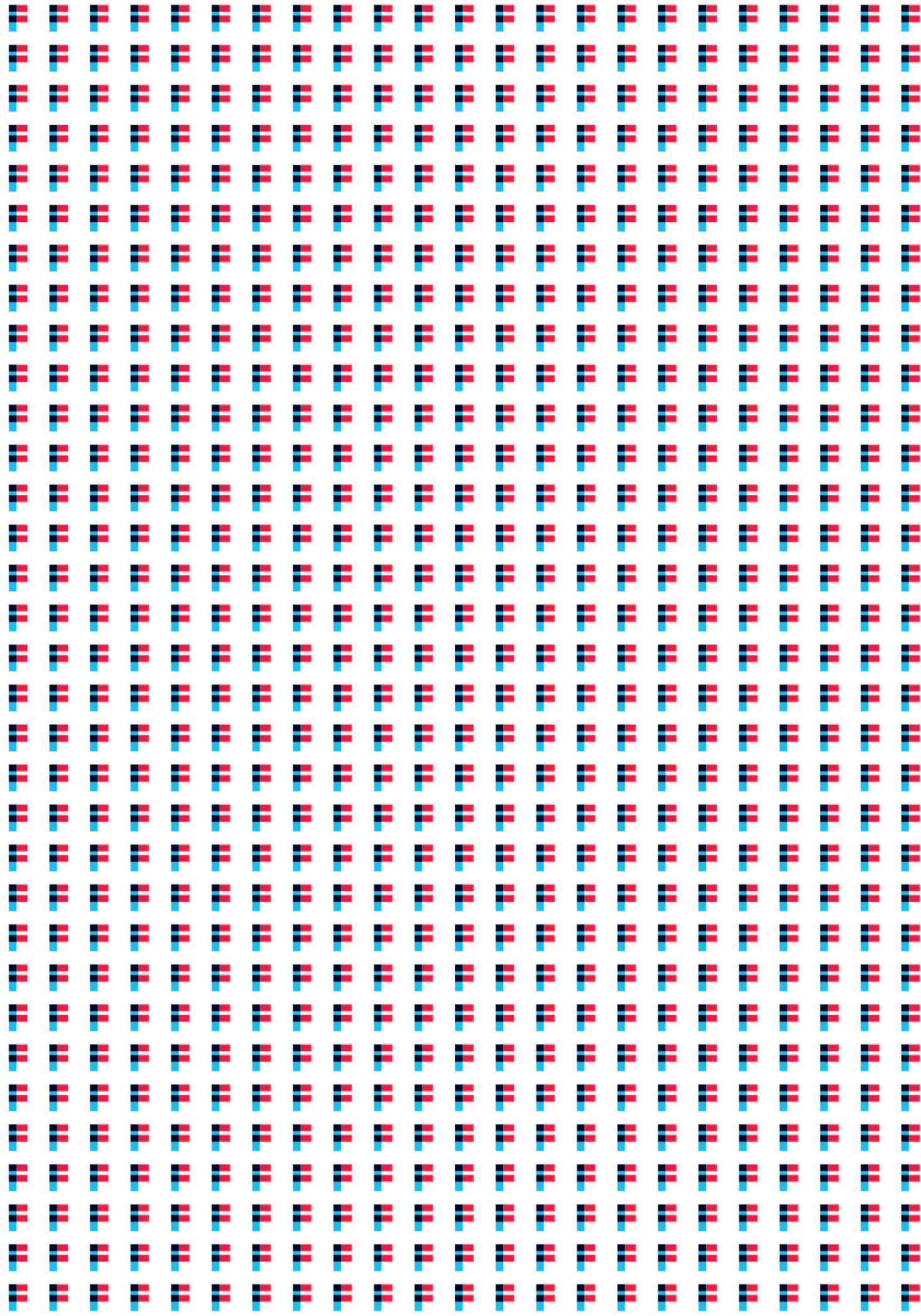
In May 2018 Fairfood launched the 'WAKE cUP CALL' campaign to create solutions that combat the violation of human rights in the coffee sector with a focus on ending poverty incomes and wages. As a part of this campaign, Fairfood, together with ID Coffees and Bext360, put 100 kilos of Colombian coffee on the blockchain. The transparency that blockchains can offer gives the various players in the production chains the opportunity to gain new insights such as the exact origin of the coffee and the amounts earned by the different players. By engaging with industry players, Fairfood promotes efforts to implement living income and living wages in the coffee industry. For the latest updates on Fairfood's progress, visit our website at [wakecupcall.nl](http://wakecupcall.nl). Also, as a cofounder of the Living Wage Lab, we share knowledge on how living incomes and living wages can be achieved. We believe that this is the beginning of a necessary transformation for a fair distribution of money in food supply chains. It is time to get together and fix the food system.



**“The best way to predict the future is to create it”**

# endnotes

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# FAIRFOOD

Report by Fairfood

Author: Isa Miralles

Contact: isa@fairfood.nl

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Mauritskade 64

1092 AD Amsterdam

+31 6 16557605

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