



# A COFFEE IMPORTER'S LIVING INCOME JOURNEY

## OUR PARTNERSHIP WITH TRABOCCA ILLUSTRATES HOW FAIRFOOD CAN HELP BUSINESSES WORK TOWARDS LIVING INCOME ACTION

Unfair value distribution in agri-food supply chains can be remedied in a measurable way by paying smallholder farmers a living income.

The reality of long and opaque agri-food supply chains, is that farmers often only get a small share of the price paid by end consumers. The coffee industry is a good case in point.

Between 2015 and 2020, coffee exports generated a total annual value of **\$20 billion** on average. But **44%** of the world's smallholder coffee farmers live in poverty, and a third of them earn **less than \$100** a year from coffee production.

To turn this around, companies should put living incomes at the core of their sustainability ambitions. Specialty coffee importer Trabocca is working with Fairfood to turn their ambition of trading poverty-free coffee into reality. They are doing this by aiming to implement living incomes in their Ethiopian coffee supply chain.



Trabocca has more insight into the incomes of the **Ethiopian** coffee farmers with **Trace**.

‘A living income is the net annual income required for a household in a particular place to afford a decent standard of living for all members of that household. Elements of a decent standard of living include: food, water, housing, education, healthcare, transport, clothing and other essential needs including provision for unexpected events.’

~ Living Income Community of Practice



### 1 TRACEABILITY: MAPPING THE SUPPLY CHAIN

Trabocca's commitment to living incomes began in 2020 with our joint effort to trace their Ethiopian coffee supply chain. Using Fairfood's Trace platform – which uses blockchain technology to make agri-food companies' supply chains traceable – we mapped all the actors and transactions from the coffee farmers in Ethiopia's Guji region to Trabocca's Amsterdam warehouse.

Trabocca's close relationship with a local coffee buyer in Guji, Tesfaye Bekele, was essential to identify the 278 smallholders participating in this coffee value chain. It was then possible to record the coffee transactions and proof of payment for each farmer.

Trabocca now had much more insight into the incomes of the farmers, and could design a premium scheme to guarantee them with a higher-than-market price for their coffee beans.

Compared with their neighbours, the Guji farmers in the Trabocca pilot saw the price they receive for each kilogram of roasted coffee **increase by 170%**!



However, the most important question remained unanswered: Were the profits from coffee providing farmers with a decent quality of life?

### 2 COLLABORATION: CLOSING THE LIVING INCOME GAP

Ethiopian farmers are paid some of the highest prices for coffee beans in the world, but are they earning a living income? To answer this question, we first commissioned a study by the Anker Research Institute to calculate the living income benchmark for the Guji region. Using that benchmark, we asked **KIT Royal Tropical Institute** to identify the living income gap for the farmers working with Trabocca.

According to the Anker study, the 2021 living income for a typical family of six in the Guji zone is **Birr 8,544 (€154) per month**



a living income of a family of six is **€154 p/m**

While **42%** of the Guji farmers supplying to Trabocca earn an income above this benchmark, the majority of them do not.

We are currently designing interventions to close this living income gap. These may include establishing a long-lasting transparency system, building trust and long-term engagement between supply chain partners, facilitating crop yield increases and designing additional premium payments.

To ensure these interventions succeed in closing the living income gap, there must be traceability and collaboration along the supply chain. In fact, the two are closely intertwined. Supply chain traceability and the implementation of living incomes depend on having access to relevant data and sharing knowledge with the supply chain and expert partners.



The price of a kilogram of coffee was increased by **170%**

Coffee farmers in Ethiopia's Guji region

It was possible to have **proof of payment** for each farmer.

### 3 VISION: INSPIRING OTHER STAKEHOLDERS TO JUMP ABOARD

Ideally, coming full circle, the coffee roasters that buy Trabocca's coffee use an on-pack QR-code with which coffee drinkers can access the consumer interface of Trace. This interface offers full transparency on the origin of their coffee. This is advantageous for Trabocca, as it allows them to satisfy consumers' demand for ethical and sustainable products and sustain their brand integrity through honest storytelling. Going beyond the consumer, by mapping out and tracing their supply chain, Trabocca is future-proofing their business model. As European due diligence regulation is accelerating, companies will soon need to provide concrete evidence and full transparency on their sourcing practices. And traceability is a tool that can assist companies in that shift.

In that sense, **Trabocca is making the business case for transparency and traceability**, and we hope this will inspire others to follow suit. Through partnerships like these, Fairfood seeks to actively engage companies, decision-makers and CSR managers in living income action. Our aim is to make fairness and sustainability commitments standard practice in everyday business.

QR code to access the Trace consumer interface

**Alemayehu B.** received \$0.90 per kilogram of harvested coffee cherries, around \$6.30 per kilogram of quality roasted coffee. A 170% increase in price compared to neighboring farmers in **Oromiya, Ethiopia**.



‘We have always been conscious that coffee is a beautiful product, but it holds a lot of poverty. We believe it should be valuable for everyone in the supply chain.’

~ Cerianne Bury  
Quality Systems Supervisor at Trabocca

