

## 24 Sustainable Livelihoods for Coffee Producers in East Africa: Is Producing Speciality Coffee a Way Out of Poverty?

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### Abstract

Commodity dependence is especially high in many least developed countries, with a corresponding increase in their vulnerability. For agricultural commodity-dependent developing countries, where a large portion of rural producers depend on commodities for their livelihoods, commodities and development are intertwined and inseparable concepts. Volatility and decline in the price of coffee have resulted in diminishing export revenues, undermining the ability of the state to invest in rural development. There have also been negative impacts at the micro level, leading to greater poverty among producers, deteriorating labour standards, and unsustainable land use practices. While the market for undifferentiated coffee has stagnated, the growth of the speciality market has created new opportunities for producers. A key characteristic of speciality markets is that they pay higher and more stable prices and provide additional benefits. For producers, the overall income impact depends on the balance between the costs of meeting the requirements of production standards and the income earned from the premium, plus additional non-monetary benefits. Findings from case studies conducted in Kenya, Tanzania, and Ethiopia show that benefits from producing for speciality markets do not always reach farmers in the form of higher prices paid and, ultimately, higher income, as hoped. To date, non-monetary benefits in the form of social development, including enhanced social capital, are not very widespread either. This can partly be explained with speciality production having been introduced very recently in these countries. A number of ways to address commodity dependence and its negative social and environmental impacts are discussed in this article.

**Keywords:** Coffee; speciality coffee; Ethiopia; Kenya; Tanzania; poverty.

## 24.1 Introduction

Commodity dependence is especially high in many of the least developed countries (LDCs). For agricultural commodity-dependent developing countries (ACDDCs), commodities and development are intertwined and inseparable concepts. Non-competing tropical agro-commodities form specific spatial patterns of production and consumption, usually defined on the basis of agro-ecological characteristics and historical, economic, institutional, and socio-political developments. While production is concentrated in favourable agro-ecological areas in developing countries in the South, trade, consumption, and value addition are mainly concentrated in and controlled by the North.

There is a considerable body of literature dealing with problems faced by countries that depend on commodities, such as declining terms of trade and price volatility, or developmental outcomes such as poverty or conflict (e.g. UNCTAD 1999; Morrissey and Filatotchev 2000; Page and Hewitt 2001; Collier 2002; Daviron and Gibbon 2002). The present paper deals with one specific commodity – coffee – and focuses on options that might enable small-scale producers to improve their livelihoods.

Coffee plays a crucial role in the livelihoods of millions of households in developing countries. Small-scale farmers produce over 75% of the world’s coffee. The number of people who depend directly or indirectly on coffee has been estimated to be as high as 500 million worldwide. In 25 African countries, about 33 million people earn a livelihood from growing coffee (ICO

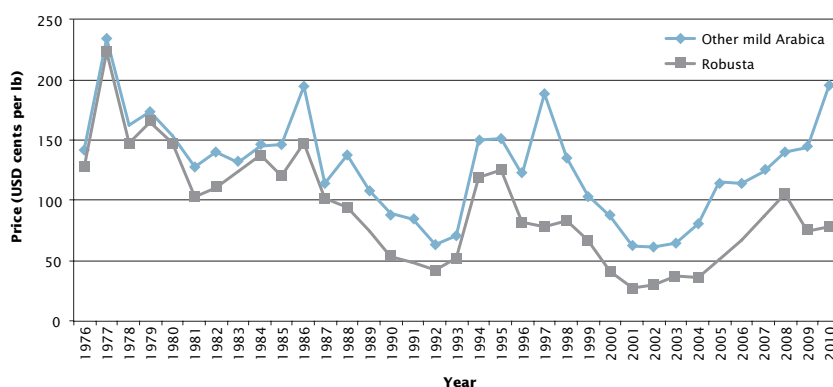


Fig. 1  
International  
coffee prices  
since 1976.

Source:  
International  
Coffee Organiza-  
tion (ICO),  
www.ico.org,  
accessed on  
18 April 2011.

2001). Yet market volatility and declining terms of trade, along with inadequate access to infrastructure, financial resources, and market information, greatly limit sustainable livelihood options for coffee producers. Changing patterns in the global coffee chain that also affect small-scale producers include the disintegration of the International Coffee Agreement in 1989, market liberalisation, corporate consolidation, and a worldwide oversupply, which has resulted in coffee prices falling to their lowest levels in over a century at the beginning of the 21<sup>st</sup> century (Figure 1) (Gresser and Tickell 2002; Rice 2003).

## **24.2 The ‘commodity problem’**

### **24.2.1 Long-term price declines and volatility**

Theoretical analysis suggests that commodity prices drop in relation to other prices because of relatively inelastic demand and lack of differentiation among producers. Furthermore, commodity prices are more volatile than those for manufactured goods (Page and Hewitt 2001). Besides the observed long-term decline in prices for agro-commodities<sup>7</sup>, price volatility is another issue, caused by the time lag between production decision and delivery to the market, delayed and inappropriate responses by producers to price signals, inelastic supply, and natural shocks. There are two types of commodity price fluctuations: short-term and long-term. Short-term shocks can be dealt with through savings, borrowing, or market-based mechanisms (e.g. insurance), while dealing with long-term shocks requires permanent changes in the economy (DFID 2004).

### **24.2.2 Impacts of coffee price decline and volatility**

**Macroeconomic impacts:** Countries that are most dependent on coffee in terms of aggregate export revenue are characterised by smallholder-based production systems. In the late 1990s coffee represented 20% or more of export earnings in nine developing countries (Gibbon 2005). For these countries, low coffee prices led to an overall decline in export revenues. In Ethiopia, for example, coffee revenues declined by USD 118 million from 1998/1999 to 2001/2002, dropping from USD 281 million to USD 163 million (IMF 2005).

The immediate impacts of declining export earnings are decreasing state budgets and limited spending on rural and agricultural development or on education and health, thus endangering achievement of the Millennium Development Goals (MDGs). Service organisations such as certification/regulatory agencies or coffee research institutes will also experience a reduction in income, with the result that services will no longer be provided. Consequently, investment in research, innovation, and extension in many African countries has declined, resulting in substantially lower quality and yields than in other coffee-growing countries.

**Poverty:** Commodity producers are often among the poorest of the population. In addition, they are hardest hit by reduced government spending in pro-poor sectors (Junta Nacional del Café et al 2006). Vakis and colleagues (2004) estimate that in Nicaragua the poverty headcount rate for households not involved in coffee production declined between 1998 and 2001 from 64.7 to 54.6, while for those producing coffee it increased from 73.6 to 75.4. They further found that coffee farmers suffered more than labourers on estates; that child malnutrition increased slightly in coffee-growing regions; and that primary school enrolment for coffee-producing households dropped. They conclude that most socio-economic indicators worsened for coffee-producing households between 1998 and 2001, a period that saw coffee prices in Nicaragua decline by more than half.

Coffee prices have been so low at times that they did not cover production costs. Estimates indicate that even in countries with the lowest production costs, such as Vietnam, farm-gate prices covered as little as 60% of production costs (Gresser and Tickell 2002). Similar findings from Ethiopia show that in 2000/2001 farmers produced at a loss – market prices covered only between one third and two thirds of production costs (Oxfam International 2002).

As incomes for coffee-producing households decrease, households have to switch to other livelihood strategies, some of which have negative social and environmental impacts. Migration of male workers from Central America to the US is reported to have increased, leaving women and children behind and increasing their workload; spending on education and health has been reduced; malnutrition is increasing; seasonal workers and wage labourers do not find work; more expensive adults are replaced by child labourers (Figure 2); general working conditions on plantations have worsened; and smallholder producers with their own holdings are increasingly cutting down coffee plantations, including shade trees, and planting timber, staple crops,



Fig. 2  
Girls sorting coffee beans of different grades. Child labour is still a common feature and can be seen as an indication of increasing poverty among coffee-producing households due to declining coffee prices. (Photo by Eva Ludi, February 2008)

or other remunerative and sometimes illegal cash crops (Gresser and Tickell 2002; Nchahaga 2002; Gatzweiler 2005; Green 2005).

**Environment:** Negative environmental impacts from coffee price declines are determined largely by whether adaptation occurs via intensification or extensification. If access to inputs is constrained, declining prices may result in extensions of farming on marginal land to compensate revenue losses, leading to increased soil erosion, further deforestation, and loss of biodiversity. If access to land is constrained, farmers may be forced to increase production by increasing their use of fertilisers and pesticides, resulting in soil and water pollution (Green and Morrison 2004). More than 80% of the 11.8 million hectares of coffee plantations worldwide are located in areas previously or currently covered by rainforest. Furthermore, coffee is grown in 13 of the world's 25 biodiversity hot spots. In Latin America, increasing productivity is partly a result of the conversion of 40% of previous 'shade-grown' coffee production (Figure 3) to 'sun-grown', and there is evidence that expansion of coffee production has been a substantial cause of deforestation in Africa (Halweil 2002; Gooding 2003). Deforestation and changing planting patterns could have serious implications specifically for the preservation of genetic diversity in Ethiopia, which is the sole centre of origin of Arabica coffee (Tadesse Woldemariam Gole 2003).

Fig. 3  
Shade-grown coffee with a field of tef in the foreground. In most parts of Ethiopia, coffee is grown under shade trees; households usually combine staple food production and coffee production. (Photo by Eva Ludi, February 2008)



## 24.3 Is sustainable coffee the answer to the crisis?

### 24.3.1 Speciality coffee

The current social, economic, and environmental challenges facing the coffee sector and ultimately coffee producers are the result of a long history of market liberalisation, dismantling of vital support structures for coffee producers, privatisation of parastatal enterprises (e.g. marketing boards), insufficient infrastructure development, supply chain inefficiencies, market imperfections, corporate consolidation, and a concentration of market operations downstream, leading to high and growing levels of oligopoly (e.g. in the late 1990s, 6 companies controlled 50% of the international coffee trade) and a global oversupply of undifferentiated commodity coffee (Giovannucci and Koekoek 2003; Daviron and Ponte 2005). All these developments have had adverse impacts on the livelihoods of coffee producers, both directly, through lower producer prices and declining incomes, and indirectly, through reduced government spending on technical and marketing support or social development. As a reaction to these problems, there is a growing trend towards more sustainable coffee production characterised by specific production practices, more transparent supply chain and market relations, market differentiation,



and international adoption of ‘best practices’ in sustainability, including aspects like economic viability for producers, environmental sustainability, biodiversity conservation, and social responsibility (Daviron and Ponte 2005; Murray et al 2006).

While the market for (undifferentiated) commodity coffee has stagnated, growth in the speciality market has created important new opportunities for small-scale producers. Coffee was the first labelled commodity and remains the backbone of the Fair Trade (FT) system (Raynolds 2002; Murray et al 2006). Over the past two decades the market for speciality coffee<sup>8</sup> has grown significantly. Certified FT coffee, for example, increased from 12,000 tonnes in 2000 to 62,000 tonnes in 2007 (FLO 2008). Despite the remarkable growth in certified FT coffee, the total volume of certified and non-certified coffee sold as sustainable was only around 1.2% of the global coffee market in 2000 (Daviron and Ponte 2005), and total coffee sold as speciality coffee (including, for example, the Starbucks preferred supplier programme) still accounts for less than 10% of global coffee purchases (Blowfield 2004). Key characteristics of speciality markets are (Junta Nacional del Café et al 2006; Murray et al 2006):

- Guaranteed minimum price, usually agreed in advance with producers;
- In the case of Fair Trade, an additional premium that can be invested in projects to enhance social, economic, and environmental capital;
- Market information and communication along the supply chain;
- Capacity building and improvement of technical knowledge through training for producers;
- Infrastructure development for producers and local communities;
- Improved environmental conditions related to production;
- Improved working conditions for labourers;
- Reduced risks for producers through longer-term contracts;
- Emphasis on more equitable supply chain participation and partnerships between trade partners;
- New organisations that are seen by indigenous producers as vehicles for cultural revival.

### **24.3.2 Impacts of certification systems on coffee producers**

The direct measure of the impact of sustainability standards on farmers in the coffee sector is the level of the premium they are offered. Of all the speciality systems, FT pays the highest price, amounting to 125 USD cents per lb (USD

2.76 per kg). When the price of coffee at the New York Coffee Exchange is 125 USD cents per lb or above, the Fair Trade price is the New York price plus 10 USD cents per lb (i.e. plus USD 0.22 per kg) (FLO 2008). For producers, the overall income impact of sustainability standards depends on the balance between the extra costs of meeting the requirements of the standards, including additional labour costs and costs for certification, on the one hand, and the extra income earned from the premium and from the impact of changed farming practices on yields and quality, on the other hand. For FT coffee, the balance is generally reported to be positive, since farmers' organisations have not had to pay for certification and inspection so far. Moreover, the premium is substantial and the necessary changes in the farming system are limited. In addition to a binding commitment to pay a price that covers the costs of production and livelihoods for individual producers, Fair Trade standards include contracts that encourage long-term planning and partnerships and provide a premium to be invested at community level to enhance social capital (Bacon 2005). The main question that remains, however, is whether this situation can be maintained in future, given that there is an oversupply of FT coffee that is exerting a downward pressure on prices (Daviron and Ponte 2005). Additional pressure on prices for speciality coffee comes from large producers/estates who claim that their coffee is produced according to specified standards but who do without expensive third-party verification (Gresser and Tickell 2002). The FT market and consumer demand for more expensive speciality coffee in the North are the fundamental forces in determining the success or failure of all these initiatives (Murray et al 2006) – representing a new form of dependence of Southern producers on Northern consumers.

FT certification has so far been available only to small, family-based growers organised in politically independent and democratic farmer groups, organisations, or cooperatives, who must assure that they also pursue ecological goals (Murray et al 2006). Certification requires setting up formal organisations, auditing, and mechanisms to assure transparency and accountability. These requirements are not easily met, as the case study from Kenya demonstrates (see section 24.4). Producer organisations are often dominated by better-off farmers, and the premiums provided to the organisations do not necessarily reach those most in need. There is also evidence indicating that men significantly outnumber women in formal organisations, and that young producers and marginalised groups (e.g. ethnic minorities) are underrepresented as well (Utting-Chamorro 2005).



In summary, speciality schemes are meant to provide benefits – financial and otherwise – to commodity producers. Among the different speciality schemes, Fair Trade is the furthest developed; it includes prices meant to cover the costs of production and of living, as well as a premium for social development and organisational and managerial support which is intended to help build up social capital in producing communities. Other schemes focus more closely on environmental dimensions or labour standards. Common to all is the aim of improving the livelihoods of coffee farmers who have suffered in recent decades from declining prices, reduced government support, and the growing dominance of downstream actors.

#### **24.4 Evidence from the field**

Research in three coffee-producing countries – Ethiopia, Kenya, and Tanzania – was carried out under the Swiss National Centre of Competence in Research (NCCR) North-South programme. Two villages were selected in each country: one linked to a speciality market, and one producing for the mainstream coffee market. Research objectives were (a) to examine the effects of coffee price changes on the livelihoods of producers; (b) to explore coffee value chains and the stakeholders involved at various levels in the chain; (c) to identify household responses and coping strategies for dealing with changes in the price of coffee and changing marketing arrangements (e.g. speciality markets, Fair Trade arrangements); and (d) to assess, as far as possible, the impacts of changing production patterns on natural resources and the environment.

Findings presented here concern information regarding the importance of coffee production at household level and some indications of whether or not selling to a speciality market makes a difference to household income and community development.

##### **24.4.1 Kenya (Chiuri 2009)**

In both of the selected villages, Rumukia and Mathira, coffee is considered the most important source of income, followed by income from livestock and subsistence crop production. Although farmers reported that income from coffee sales had doubled over the last 10 years, they were worried about increases in the cost of living, which had tripled, and increases in the costs of farm inputs and implements, which had risen by an even greater factor. Farmers

concluded that overall, their net income from coffee production had declined as the production cost increases outweighed the returns.

Rumukia is one of the few Kenyan farmers' cooperative societies certified by Fairtrade Labelling Organizations International (FLO), although it reportedly has some unresolved issues – such as, for example, treating seasonal workers differently from permanent employees and failing to prepare annual plans for distribution and use of the FT premium and share them with farmers – which led to temporary suspension of certification.

In 2007/2008, on average, farmers from Rumukia received 66 USD cents per lb (USD 1.46 per kg) of red coffee cherry sold to the pulping factory (Figure 4). Farmers from Mathira, whose coffee went through the auction market, received an average of only 42 USD cents per lb (USD 0.93 per kg) of red cherry. The premium for coffee sold through the Rumukia Cooperative Society was 10 USD cents per lb (USD 0.22 per kg) of green bean.

Despite these generally positive findings with regard to payment for coffee, the sustainability coffee sector is not considered to have created sufficient wealth for smallholder producers. Although cooperative societies linked to the FT market are able to realise higher returns, the premium price for Fair



Fig. 4  
Red coffee cherries. (Photo by  
Eva Ludi, February  
2008)

Trade certified coffee is still not high enough to lift smallholders above the poverty threshold or to sufficiently empower women, who provide the bulk of labour in coffee production. In addition, organisational and managerial requirements seem to pose significant difficulties, as demonstrated by the temporary suspension of the FT certificate in the case of Rumukia.

#### **24.4.2 Tanzania (Mbeyale and Mhando 2010)**

Again, two villages were selected: Mshiri, belonging to the Marangu East Primary Society, which is linked to the speciality market through the Kili-manjaro Native Cooperative Union (KNCU), and Mruwia, of the Mruwia Primary Society, which sells its coffee via the auction in Moshi and is no longer a member of the KNCU. Mruwia, together with 32 other primary societies, pulled out of the KNCU in 2001, as they believed that incentives and support, both financial and otherwise, were insufficient. This is changing, however, since the KNCU has recently established links to FT organisations and has begun to provide additional services to its members.

In Mshiri, 60% of the households reported that coffee was their most important source of income, whereas in Mruwia, coffee was the most important source of income for only 25% of the households. Interestingly, farmers in Mruwia had larger areas under coffee plantations than farmers in Mshiri (0.62 ha and 0.46 ha, respectively). Average coffee production, however, at 23.93 kg/ha, was significantly higher in Mshiri than in Mruwia, where it was 16.88 kg/ha. The availability of extension services provided by the KNCU, to which Mshiri belongs, might explain the better productivity achieved by comparison with Mruwia.

Despite substantial price declines and less government support than in the period prior to liberalisation, most farmers in both villages reported that they do not intend to abandon coffee farming altogether, although they plan to increasingly diversify their sources of income (Figure 5). Recent rises in the price of coffee have led to increased investment in coffee plantations (e.g. maintenance, planting of seedlings).

A large majority of farmers in both villages (Mruwia: 78.9% and Mshiri: 98.2%) reported that they do not use inputs (artificial fertilisers, pesticides, or herbicides) on their coffee plantations. Negative experiences and a number of health episodes had resulted from the use of toxic inputs in the past. Farmers also reported that pests and diseases had become resistant to the inputs pro-

Fig. 5  
A coffee farmer in the Mt Kilimanjaro area, Tanzania. The intensive intercropping of coffee, banana, beans, vegetables, yam, and other plants on a single plot, integrating food crops and cash crops, is characteristic of the area. (Photo by Eva Ludi, June 2008)



vided, and that inputs, especially fertilisers, had become extremely expensive. Finally, in the case of Mshiri, use of artificial inputs is highly discouraged by the KNCU. KNCU extension agents promote the use of manure and other organic fertilisers instead.

Coffee farmers reacted in a number of ways to falling prices and market liberalisation. In 1993, the market was opened and farmers were allowed to sell to cooperatives, private coffee buyers, or directly to the auction via their own primary societies. Mruwia established its own primary society and began to sell coffee via an agent directly at the auction in Moshi in order to avoid bureaucracy and payments to the Union. Farmers belonging to the KNCU paid approximately TZS 500 (USD 0.33) per kg of coffee for various fees, taxes, and levies, whereas these expenses were only TZS 300 (USD 0.20) for farmers from Mruwia.

Despite higher costs, membership in the KNCU has recently once again brought a number of advantages. Whereas the Mruwia Primary Society does not assist farmers in any way other than collecting and selling coffee, the KNCU provides its own extension agents, supporting farmers in moving to organic coffee production, providing technical support for coffee plantation management, and, in 2007, providing hybrid coffee tree seedlings that are

resistant to two major diseases and produce higher-quality coffee than local varieties. In 2006, in addition, the KNCU raised the price of coffee paid to members by 10% and began to pay yet a higher price to farmers who produce organically.

Although the KNCU has marketing links to FT coffee buyers abroad (USA, South Africa), farmers themselves are not aware that their coffee is being sold as FT. Only the secretary of the Primary Society was aware of the KNCU's FT links, but even he was not able to indicate whether coffee from Mshiri was sold as FT or not. Data from the KNCU indicate that only 20% of the coffee collected from its member societies is actually sold as FT coffee at a premium price. No premium is paid to individual farmers; the KNCU justified this with the inability to establish the origin of coffee sold as FT. Instead, after consultations with its members, the KNCU decided to use the FT premium for community infrastructure, such as the establishment of shops or the upgrading and renovation of buildings, or to support children whose parents were unable to pay their school fees. The amount of coffee sold by the KNCU as FT is currently small. This limits the additional income, the premium that can be invested in social development for the benefit of the entire community, and additional support provided by the Union. Consequently, producers do not consider these to be a major incentive.

#### **24.4.3 Ethiopia (Aklilu Amsalu 2010)**

In the Ethiopian case study, three villages were selected in two districts of Jimma Zone: Chidero-Suse, Genji-Ilbu, and Haro. In all three villages, coffee accounts for the largest share of household income, although there are considerable differences in the portion of total farmland under coffee: in Chidero-Suse this is 55%, in Genji-Ilbu 68%, and in Haro 75%. On average, coffee accounts for 54% of total annual household income, with Genji-Ilbu being most dependent on coffee (62% of income) and Chidero-Suse least (49%). Across wealth categories, coffee contributes most to the income of rich households (63%), followed by poor households (54%), and the least to average households (51%). Looking at total income from coffee and other sources, including remittances, more than 50% of households earn less than USD 350 per year and more than 75% less than USD 700; this means that more than 50% and 75% of households live below the USD 1 and USD 2 per day poverty threshold, respectively. These findings are similar to results from another study conducted in Jimma Zone by Samuel Gebre Selassie and Ludi (2008), who found that coffee accounted for 70% of the total value of

agricultural output sold. This study also found that those 25% of all households that were highly commercialised – as defined by the degree of market participation – generated over 95% of their cash income from coffee sales and had the highest share of their landholdings allocated to coffee plantations, while the least commercialised 25% of all households earned 63% of their income from selling food crops and had the lowest share of their land devoted to coffee.

Farmers in the three villages use different market outlets to sell their coffee. Farmers in Chidero-Suse sell to private coffee traders, mainly because their cooperative is mismanaged, and they receive payments only long after the coffee has been delivered. Farmers in Genji-Ilbu sell mainly to their cooperative, which is a member of the Oromyia Coffee Farmers' Cooperative Union (OCFCU). OCFCU is the largest cooperative union in the country, and provides a number of services to its member cooperatives. Genji-Ilbu benefits from better coffee prices, dividends, and credit facilities at times of coffee purchase, and from market information and technical assistance. The Union either sells the coffee at the central auction market in Addis Abeba or exports it directly without having to pay a tax. Finally, Haro supplies coffee to the speciality market via an individual exporter. Only about 12% of coffee producers in this community, however, participate in the speciality scheme. This low rate of participation is mainly due to limited knowledge about the scheme and its potential benefits. Farmers reported that they do not receive sufficient benefits and that there is limited trust in the business practices of the exporter in charge of the speciality scheme in the area.

Farmers in Genji-Ilbu sell their coffee via the cooperative to OCFCU. They seem to trust such an organised approach more than individual initiatives, which might be driven by personal profit motives rather than a genuine interest in the welfare of coffee producers. Given that the FT movement has been introduced to Ethiopia only very recently, no conclusive statements can be made with regard to financial and non-financial benefits of farmers participating in alternative marketing channels.

## **24.5 Conclusions**

The current situation of coffee production and consumption was labelled by Daviron and Ponte (2005) as the 'Coffee Paradox' – a coffee crisis in producing countries, with international prices at their lowest levels in decades,



and a coffee renaissance with ever more expensive coffees in consuming countries. They further conclude that the coffee crisis is related not only to oversupply on international markets, but also to changes in the governance structure of the global value chain for coffee.

Changes in the global coffee economy have various impacts on small producers' options for sustainable livelihoods. On the positive side, increasing consumer awareness of the plight of coffee producers has led to a shift in consumer demand towards higher-quality coffees produced under certified social and environmental standards, for which consumers are willing to pay higher prices. However, Daviron and Ponte (2005) have shown that speciality coffee does not necessarily lead to higher farm-gate prices.

Preliminary findings from the three case studies indicate that there have been major changes in the marketing structure since the abandonment of compulsory auctions and the dissolution of parastatal marketing boards. Private actors and organisations linked to speciality markets are increasingly gaining influence. In all three case study areas producers have suffered direct losses in income as a result of declining global coffee prices and as a result of the termination of technical, managerial, and marketing support provided by public agencies. Initial results, however, also seem to indicate that there are considerable challenges related to the establishment of alternative production systems and marketing channels which are meant to benefit smallholder coffee producers. Although in Kenya a cooperative was certified by FLO, there were serious organisational and management issues, so that certification temporarily had to be revoked. In Tanzania, although the KNCU as a whole holds an FT certification, farmers belonging to member cooperatives receive premiums not individually but in the form of limited community investments, as the KNCU is unable to sell all its coffee to speciality markets at a premium price. In Ethiopia, FT has been introduced only recently, and not all primary societies can buy coffee from producers at premium prices, in part because they are burdened with debts, which they have to service first.

Despite these mixed findings regarding the benefits of producing for speciality markets in the three case study areas in Ethiopia, Kenya, and Tanzania, efforts to improve sustainability certification systems should nevertheless be further promoted, with a view to enhancing these systems' appeal to consumers and bringing about improvements in producers' livelihoods. Moreover, this process should be enhanced through more inclusive debate

on sustainability criteria and on institutional settings and their related costs – financial and otherwise – as well as on cost-sharing mechanisms; by giving producers more power in negotiations relating to standards; and by improving technical assistance in the coffee production sector but also in alternative enterprises, as a means of supporting diversification. This should not lead to consumers paying more for their coffee, but to fairer final price distribution within the overall value chain.

At the national level, investments and policy changes that help to reduce production costs should be given further support. This can include, for example, provision of better extension services, credits, and access to certification bodies; support in forming farmers' organisations to make use of economies of scale; improvement of the regulatory system; and provision of basic social and economic infrastructure.

The dependence of coffee producers on the whims of consumers, primarily in developed countries, is one problem that cannot be solved by increasing sustainable coffee production and the share of income that coffee producers receive. With stagnating populations and low economic growth rates, further demand for high-quality coffee can be expected to reach its limits. In recent years, global demand has remained almost constant, reducing options for smallholder producers to enter potentially rewarding value chains. Increased overall demand can only be expected from emerging economies and from the growing urban middle class within producing countries.

## Endnotes

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<sup>7</sup> This paper does not discuss recent price spikes for a number of agro-commodities such as rice, maize, or wheat. For a discussion, see Wiggins and Levy 2008.

<sup>8</sup> Speciality coffee is an umbrella term that includes certified Fair Trade, organic, shade-grown Rain-forest Alliance, Utz Kapeh / Utz Good inside, and other coffees, but also coffees that distinguish themselves by specific quality standards or geographical origin.

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