

5 April 2022

## Fairtrade Unveils New Living Income Reference Price for Indonesian Coffee Farmers

*Developed with local coffee experts, the new voluntary price shows the need for a 26% boost over current market prices for farmers in Indonesia's Aceh region*

**BONN, Germany** – Fairtrade has introduced a new Living Income Reference Price for coffee sourced in Indonesia's Aceh region as part of its ongoing global effort to protect farmers from market volatility and empower them in achieving decent and sustainable livelihoods, the international social justice organization has confirmed.

The announcement comes amid a positive global price trend, although the threat of market volatility remains a constant for coffee farmers and endangers their ability to achieve and maintain a decent livelihood while rendering them vulnerable to numerous hardships, including poverty.

“The current boom of high coffee market prices in general is encouraging and shows us that farmers can indeed be paid more,” said **Carla Veldhuyzen van Zanten, Fairtrade International's Senior Advisor for Sustainable Livelihoods**. “But price volatility means farmers can't be sure that any farm investments today will pay off in the future.”

A living income enables a household to afford decent housing, nutritious food, education, health care and other essentials. According to Fairtrade, a Living Income Reference Price is what farmers need to be paid to be able to invest in sustainable farming practices and achieve a living income when other key parameters such as viable farm size and sustainable yields are met. Fairtrade has previously set reference prices for cocoa and vanilla and, in 2021, launched its first coffee [Living Income Reference Price for Colombia](#).

“Farmers need a price they can count on,” continued **van Zanten**. “That's why we consulted with Indonesian coffee industry experts and farmers to establish a target sustainable yield and, from there, we calculated the price farmers need to receive to support sustainable farming as well as a decent living for their households.”

Coffee from the highlands of Aceh, located on the Indonesian island of Sumatra, is world-famous for its quality, low acidity and organic production. Yet, despite its renown, coffee farmers in Aceh continue to encounter financial difficulties. Fairtrade's research with more than 360 Aceh coffee farmers from five cooperatives indicated that in 2020 they earned only 40% of a living income on average.

Set at 13,600 Indonesian rupiah (US\$ 0.95) per kilogramme of coffee cherry, the new reference price for Aceh – which is currently voluntary for companies that want to work towards



living incomes in their supply chains – is a farmgate price that factors in farmers’ costs to implement the agricultural practices required to achieve sustainable yield levels as well as to pay a living wage to hired workers. For Aceh coffee, this is based on organic production.

And despite the rise in global market prices since 2020, the new reference price is still about 26 percent higher than the current market prices for Aceh coffee, which in February averaged 10,800 rupiah per kilogramme of cherry.

While the reference price is voluntary, the Fairtrade Minimum Price and Premium remain mandatory for all Fairtrade coffee sales and provide a safety net that helped many farmers stay afloat during the last coffee price crisis in 2019. In addition, Fairtrade is planning living income projects with coffee companies and producer organizations to progress on the various pathways to close the income gap, for instance by optimizing yields or diversifying income, as well as paying the Living Income Reference Price.

The new reference price is the product of an inclusive roundtable dialogue Fairtrade initiated with the Sustainable Coffee Platform of Indonesia (SCOPI), Indonesian coffee researchers and key stakeholders representing farmers, industry, and government. The process pointed to other areas beyond the issue of price where action is needed, including yield improvement, cost efficiency and income diversification for very small farms.

For instance, the roundtable set a target for a realistic crop yield based on sustainable farming methods of 6,000 kilos of coffee cherry per hectare. About one quarter of the Fairtrade farmers sampled currently meet this target, indicating a broad need for measures to increase productivity. In addition, price modelling showed that a farm size of less than 1.3 hectares will not be able to support an average four-person household through coffee alone, meaning that households with smaller land sizes will need to add some other means of generating income.

“Having all the pieces spelled out for a living income is a first step,” said **Erwin Novianto, Regional General Manager of Southeast Asia for the Fairtrade Network of Asia and Pacific Producers (NAPP)**. “Now we need companies to step up and fulfil their responsibility to enable living incomes in their supply chains. It’s not just about today, but also tomorrow. If farmers can’t support their families, how can they invest in their farms to ensure sustainable, quality, climate-resilient coffee production in the future?”

“For us, coffee farming is the only source of livelihood, we live off its income,” added **Ara Siberani, chairman of Fairtrade certified Arinagata Cooperative**. “As producers, we deserve to live a decent life similar to other professions. We call our consumers, governments, and stakeholders to support us in achieving a prosperous life for the sake of the future of our children and for the sustainability of our coffee farming.”

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For more information, contact [press@fairtrade.net](mailto:press@fairtrade.net).

**Notes for the Editor**



The specific calculations used to establish the Fairtrade Living Income Reference Prices for coffee from Aceh, Indonesia, are detailed in an explanatory note. An advance copy is available here: <https://files.fairtrade.net/Fairtrade-Living-Income-Reference-Price-for-Coffee-from-Aceh-Indonesia-explanatory-note.pdf>

### **About Fairtrade International**

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