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Fairtrade Certification and Poverty: A Panel Analysis of the Coffee Sector in India

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Abstract

The fairtrade minimum price and the price-premium make fairtrade certification unique. This particular certification scheme has gained popularity in the developing countries with the fact that it gives small-scale farmers access to global markets and directly or indirectly reduces poverty. Having said about fairtrade's role as a poverty reduction measures, there has been too little research known about the impact of certified Indian coffee on Indian small-scale farmers. Although coffee had been introduced a long time ago, certification schemes remain limited in India. Fairtrade initiative is a new concept in the coffee sector of India, only started in 2007, which explains the limited impact studies. The cooperative called Small and Marginal Tribal Farmers Mutually Aided Cooperative Society (SAMTFMACS) of Araku Valley is the largest cooperative of coffee in India and is the first one to have received fairtrade certification.

The paper addresses the impact of fairtrade certification on coffee smallholders' livelihoods through a case study in Araku Valley, India. Assessing the impact of fairtrade on income and poverty of small-scale coffee producers and further investigating the role of fairtrade's social premium on community welfare development, this study tries to answer the question: does fairtrade certification improve the well-being of small-scale coffee producers of Araku Valley, India? The empirical analysis of this study is based on the balanced panel data collected two times over a period of 2010 and 2011 and uses the simple matching method in the absence of baseline data to find out the impacts for smallholders in certified producers groups by comparing them with similar non-certified groups.

Keywords: Coffee, fairtrade certification, India, panel analysis, poverty, smallholders