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Coffee Certifications: A Profitable Strategy for Improving the Livelihoods of Smallholder Farmers? Evidence from an Impact Evaluation in Colombia’s Coffee Belt

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Abstract

For the past decades, Voluntary Sustainability Standards (VSS) have been at the forefront of global sustainability governance in the coffee sector, in an effort to ensure transparency for the public and improve the livelihoods of smallholder coffee farmers. Raising farmer’s income and ensuring economic sustainability should be considered a key measure of output legitimacy of certifications, as it has been the main incentive for producers to participate in these schemes. However, as certified products have entered the mainstream market, supply has vastly outpaced demand, thus turning coffee certifications into an entry barrier to certain markets and causing the price premium to erode. In addition, external circumstances beyond certifications such as the price volatility that characterises the sector, the uneven distribution of value and risks among the coffee value chain, the rise in input and labour costs, as well as the impacts of climate change, pests and diseases, are already pushing coffee farmers beyond the limits of profitability. For all those reasons, the capacity of VSS to ensure economic sustainability at the farm level has been put into question. So far, evidence from qualitative studies and the few rigorous evaluations conducted points to mixed and ambivalent effects of coffee certifications on farmers’ livelihoods. What is more, most of these studies focus only on income from coffee, fail to accurately account for the costs of production and use small and non-representative samples. In this paper, we take broader impacts into account, assessing the effects at the plot, farm and household level, and account for substitution effects due to coffee specialisation. Using a matched sample of over 600 smallholder farmers from three cooperatives in Colombia’s coffee belt to create a robust counterfactual, we first calculate the costs of production of both certified and non-certified farmers and then evaluate the impacts of third-party labels such as Fair Trade, Rainforest Alliance, and 4C, and company-led standards as Nespresso AAA and Starbucks C.A.F.E. Practices, as well as multi-certification strategies. The results of the study will shed light on the question of the effectiveness of VSS in terms of creating real change on the ground.

Keywords: Coffee certifications, economic impact, impact evaluation