



Tropentag, September 15-17, 2021, hybrid conference

“Towards shifting paradigms in agriculture
for a healthy and sustainable future”

Long-term Impact of Fairtrade Coffee Certification on Household Income in India

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Abstract

Coffee certification is increasing rapidly in global value chains in lieu of the price premiums received by coffee farmers. This is also true to fairtrade certification of small-scale coffee farmers. However, several studies on coffee certifications reveal mixed results on welfare impacts. One of the promising objectives of Fairtrade coffee is to improve the livelihoods of smallholder farmers. Against this background, we analyse whether Fairtrade certification will make discernible changes in livelihoods for small-scale coffee farmers of Araku valley in India. We use cross-sectional data of 386 households from 2011 and 2018. Propensity score matching and endogenous switching regression methods are applied to the impact evaluation in order to reduce self-selection bias. We find that certified members show significantly 8% higher coffee income than non-certified members. The benefits being modest and certification systems gaining slower in momentum, challenges persist in escalating capacity of cooperatives and gearing up awareness of fairtrade in communities. Income gains have been significant among certified households indicate a pavement to sustainable livelihoods reducing income risk and improving poverty prevalent in the survey area. Higher farm gate prices and assured minimum prices of coffee have boosted the economic performance of coffee producers. Maturity of farmers i.e., age, participation in coffee training and years of cropping experience play a crucial role for households to be certified. Fairtrade certified farmers directly benefit from price premiums and indirectly from communal infrastructures. Fairtrade certification should thus be promoted to reduce poverty and improve smallholder livelihoods of coffee growing households in rural India.

Keywords: Coffee, endogenous switching regression, fair trade certification, India, propensity score matching