Baseline Assessment: Results Presentation

German Retailers Working Group on Living Income in the Coffee Sector

dm Kaufland LIDL REWE GROUP

german cooperation DEUTSCHE ZUSAMMENARBEIT

Implemented by giz Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

SASI Sustainable Agricultural Supply Chains Initiative

Foreword

We are pleased to present the results of the **Baseline Assessment of the German Retailers' Working Group on Living Incomes in the Coffee Sector**. This report represents an important milestone in the project and provides an **evidence-based foundation** for the development of our implementation strategy.

We would like to sincerely thank all participating **producer organisations and their members in Honduras and Peru** for their commitment, openness and collaboration during the needs and income assessments. We are thankful to have been trusted with sensitive income related data; and, as discussed, this data was collected in connection with efforts to stabilise incomes and will be used to **inform future initiatives** within and beyond this project.

The data in this report refer to the **coffee year 2024/2025**, a period characterised by exceptionally high and still rising coffee prices. The results also show similarly high producer incomes among those assessed. However, when comparing these recent trends with data from previous years, when coffee prices were lower, there is a clear indication of a **strong correlation between producer incomes and market price fluctuations**. This context underscores the importance of fair and stable prices for coffee producers' livelihoods.

Despite the conclusions which can be drawn from the data gathered, it is essential to consider the **methodological limitations** of the assessment. The income figures are estimates based on self-reported data rather than formal bookkeeping, and the sample size was limited due to infrastructural and financial constraints. As such, the results of this report should be considered as an orientation rather than a specifically accurate data base for our project.

The assessment also highlights the **importance of hired labour**—both seasonal and piece-rate—in the Honduran and Peruvian coffee production systems. While this study does not assess whether paid wages meet living wage benchmarks, the role of wage labourers remains an important consideration for future work.

In line with recommendations from the Living Income Community of Practice (LICOP), income, yields and farm size are reported as medians. The median more accurately represents the "typical" farmer than the mean as it reduces the influence of extreme values.

Despite certain methodological limitations, the baseline assessment nonetheless establishes a critical reference point. The project aims to **stabilise and**, where possible, **improve producers' income situations**, with future endline assessments serving to measure progress.

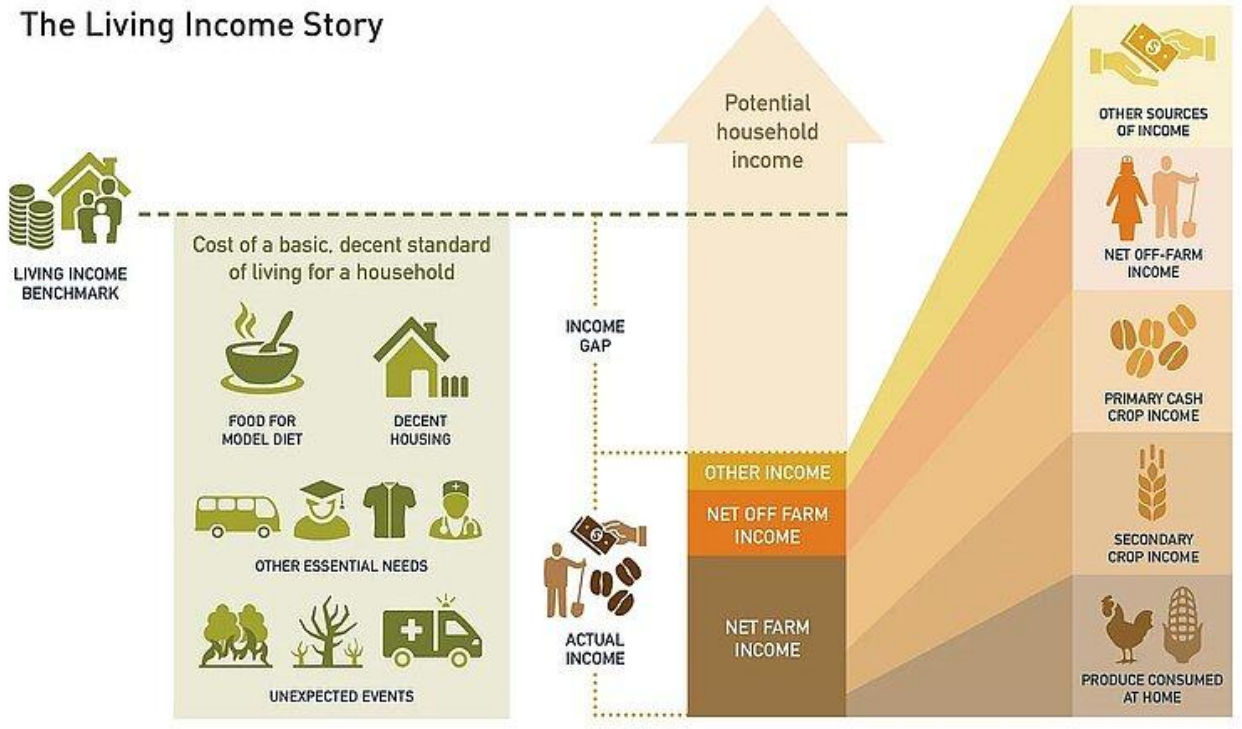
Content

1

Methodology

Living income concept

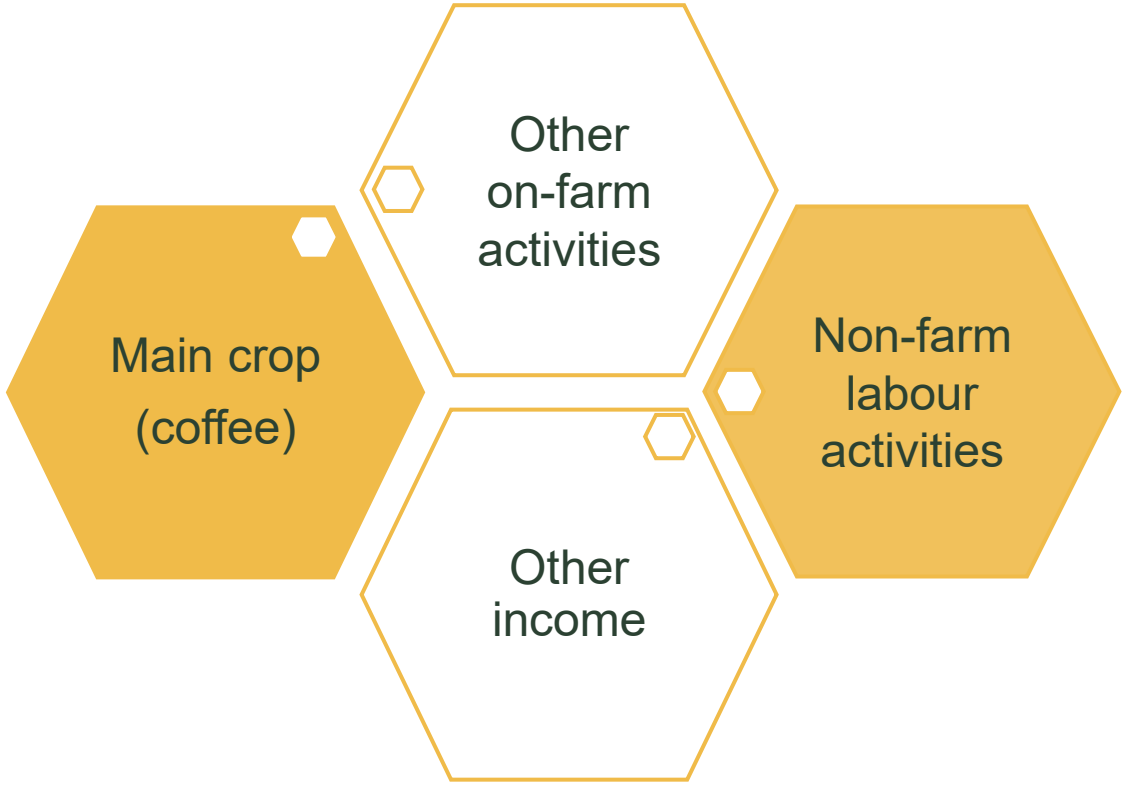
- **Living income benchmarks** from Anker (Peru) and New Foresight (Honduras) are used as reference
- **Primary data** covering all relevant **sources of income** was collected in the field



Source: Living Income Community of Practice: https://www.living-income.com/the-concept/

Calculation of agricultural household income

Composition



Household income assessment

Variables assessed:

- **Household composition** and **farm size**
- **Coffee production** and **sales**
- Coffee production **costs**:
  - Inputs (fertilizers, pesticides, seedlings, equipment), farm establishment costs
  - External labour
  - Transport, cooperative fees
- Income generated from **other crops** & **animal husbandry** (incl. self-consumption)
- Income from **off-farm labour** (wage labour and self-employment)
- **Other income** (e.g. remittances, payments from government, etc.)

➢ **Calculation of individual household income**

Income from coffee
=
value of production –
costs of production

Following recommendations from LICOP & COSA

Methodology for establishing reference values

Peru: Anker Report from 2020 (Anker Research Network, 2020) provides the Living Income Benchmark for different regions, including Junín

Honduras: New Foresight Report from 2023 (NewForesight, 2023) provides Living Income Benchmark for different regions, as well as an average value – the average value is being used in the study

- These benchmark values were adjusted for inflation
- The inflation-adjusted values were then **adjusted to each household's size** using the **OECD equivalence scale** (as recommended by LICOP, Benchmarking FAQ v.2.0, 2025):

Adult Equivalency = 1 + 0.5 * (#Adults-1) + 0.3 * (#Children)

- The final **household-adjusted reference value** is compared with the calculated household income (based on primary data) to calculate the **living income gap** for each household

Methodological approach for data collection

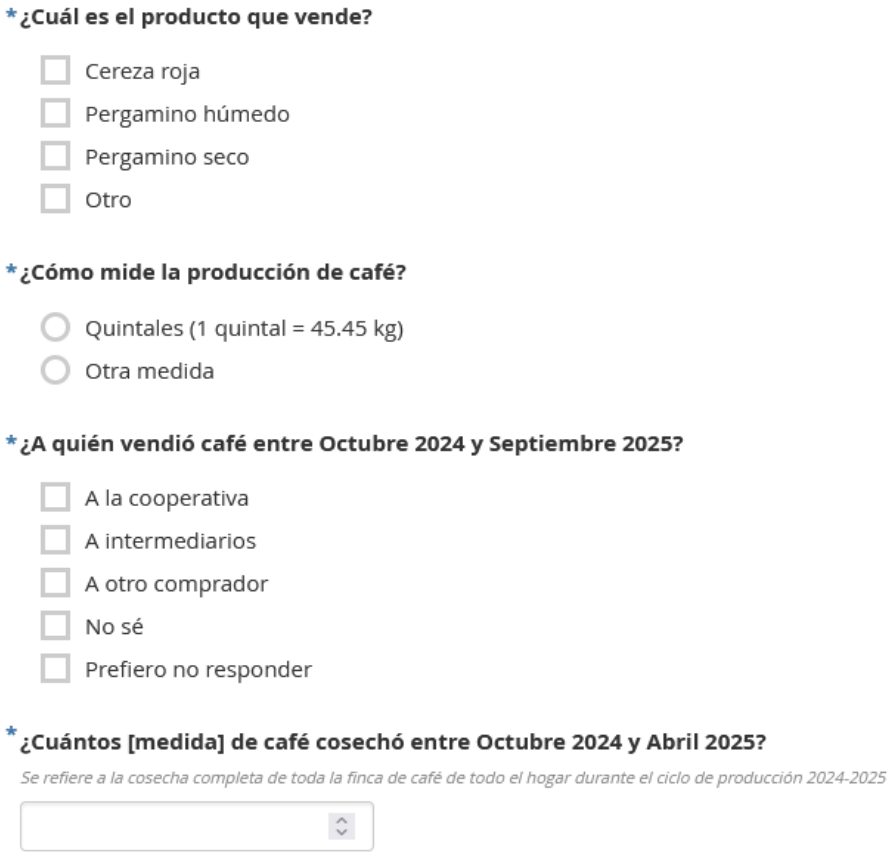
Quantitative data collection (survey)

Sample sizes:

- **62 households our of 1000** interviewed in Peru
- **72 households out of 1000** interviewed in Honduras
  (60 interviews included into the analysis due to data gaps)

Stratified random sampling:

- Peru: based on organizations
- Honduras: based on organizations & gender



Methodological approach for data collection

Qualitative data collection

- **Expert interviews** with representatives from all organizations
  - ➢ Information for needs assessment & context knowledge

- **Focus Group Discussions** with producers with gender focus (one purely female FGD per country)
  - ➢ Needs assessment

Methodological limitations

- Limited sample size (due to logistical and financial restraints);
- Limited or weak record-keeping of coffee and other crop production, income, and labour use. Consequently, data had to be estimated rather than documented, which may have led to overestimation;
- Income measurement is a sensitive issue, especially for home-based businesses;
- Business and household expenses may be mixed, potentially leading to underestimation of business income;
- Home-based businesses may operate informally, complicating accurate income reporting.

2

Country contexts & study households' profiles

Following the **Aligned Inclusive Living Income Narrative and Indicators (LICOP, 2024),** all indicators should use the **median**, since they **illustrate** the **"typical" farming household** and avoid the skew that is often caused by a relatively small number of households with large land size, production and income.

Contextualization of survey results

- **High market price** in the analysed year leads to higher incomes and fewer households under the threshold
- Specific **target group**:
  - Families producing coffee on their **own land**
  - All producers are **associated** with organisations
  - Producers are **certified**
  - Partly very **broad support programs** implemented by the organisations

Context of coffee production

PERU
Junín

- People tend to cultivate larger areas than on average in the country
- Areas are measured in hectares
- People dry coffee cherries on their farms or at their homes and most people sell dry parchment coffee

Applicable to both countries


- Workers on the coffee farms are divided into pickers (“cosechadores”) who are paid based on the amount of “latas” they pick, and day labourers (“jornaleros”) paid for each day
- There is no unique value for how much “una lata” is

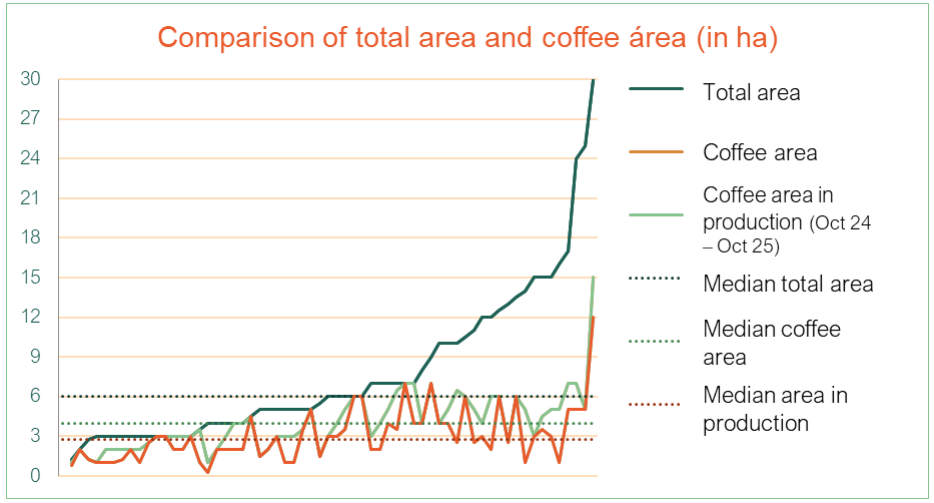
HONDURAS
Occident region

- There is a big variety in the coffee products sold:
  - Some people sell coffee cherries
  - Some people sell cherries and get paid for the amount of parchment coffee that was produced out of their cherries by the cooperative
  - Some people process at their homes and sell wet parchment or dry parchment coffee
  - Some people even roast and sell coffee under their own Brand
- There is a large variety of measurement units for areas and weights (manzanas, tareas, quintales, etc.)
- Very high dependence on external labour

Land ownership and area of coffee production

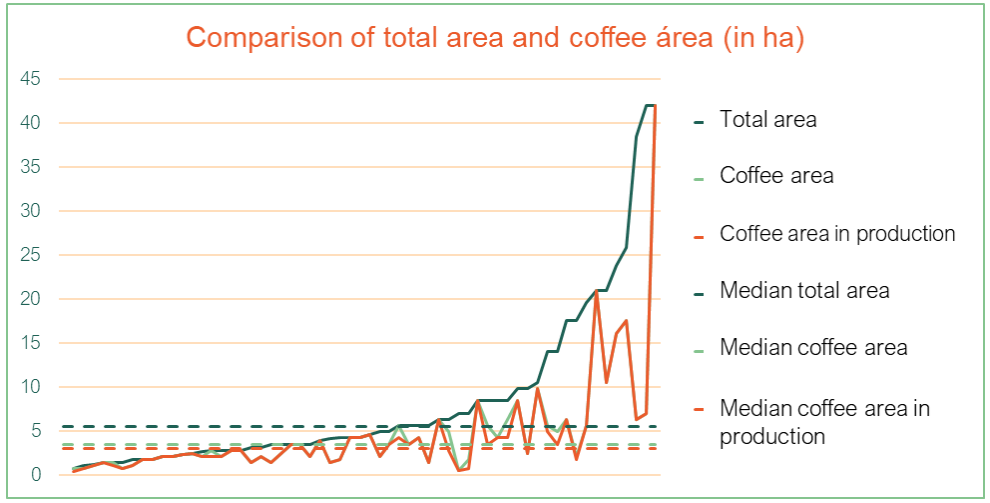
PERU

- Total land owned: median: 6 ha
- Coffee area: median: 4 ha
- Coffee area in production: median: 3 ha



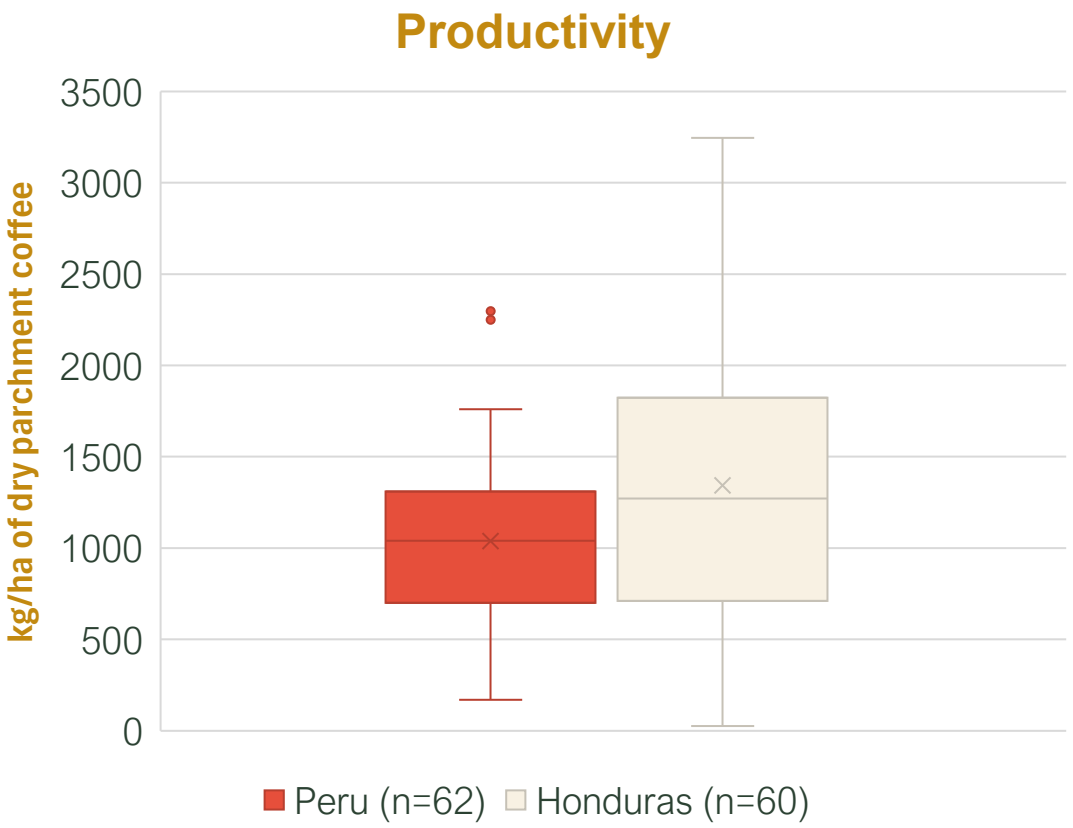
HONDURAS

- Total land owned: median: 4.4 ha
- Coffee area: median: 2.8 ha
- Coffee area in production: median: 2.8 ha



Production & productivity

Please have in mind the methodological limitations



PERU

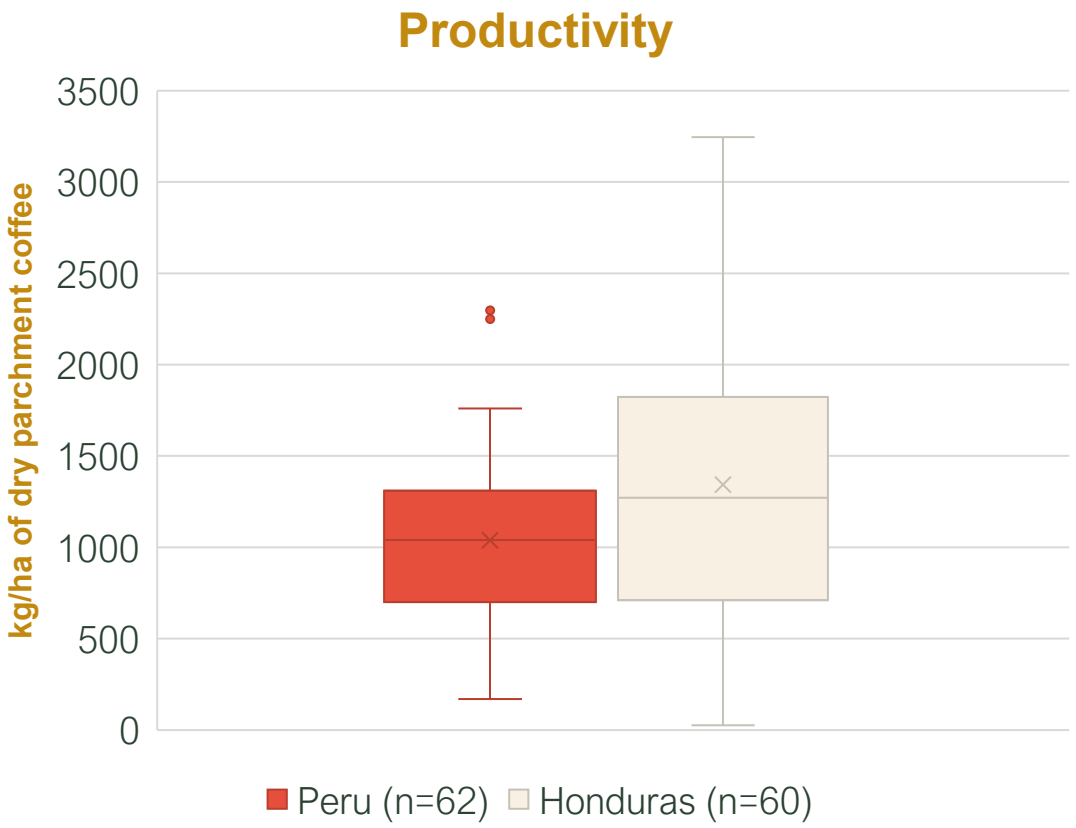
- **Total production per household:** median: 2,850 kg of dry parchment coffee
- **Productivity:** median: 1,040 kg/ha
- **Average for Junín:** 585 kg/ha

HONDURAS

- **Total production per household:** median: 3,608.7 kg of dry parchment coffee
- **Productivity**: median: 1,271.9 kg/ha
- **Average for respective regions**: 1,320.6 kg/ha (Lempira) – 1,689.6 kg/ha (Copán)

Prices received for most common products

Please have in mind the methodological limitations



PERU

- **Dry parchment coffee** sold as **certified** to the **cooperative** (n=55)**:** 3.83 – 5.61 €/kg; average: 5.00 €/kg

HONDURAS

- **Coffee cherries** sold as **certified** to the **cooperative** (n=19): 0.67 – 0.89 €/kg; average: 0.78 €/kg
- **Dry parchment coffee/ green coffee** sold as **certified** to the **cooperative** (n=31): 2.84 – 7.69 €/kg; average: 4.20 €/kg

External labour

PERU

- **9.7 %** did all the work on the coffee farm with household labour
- **90.3 %** hired **temporary workers** only

HONDURAS

- **100%** hired **temporary workers**

Diversification

PERU

- **85.5 %** of the households cultivate **additional crops** (mainly banana, avocado, pacae, and maize)
- **85.5 %** has **timber trees** on their farms
- **88.7 %** have **animals** (mainly chicken and guinea pigs)

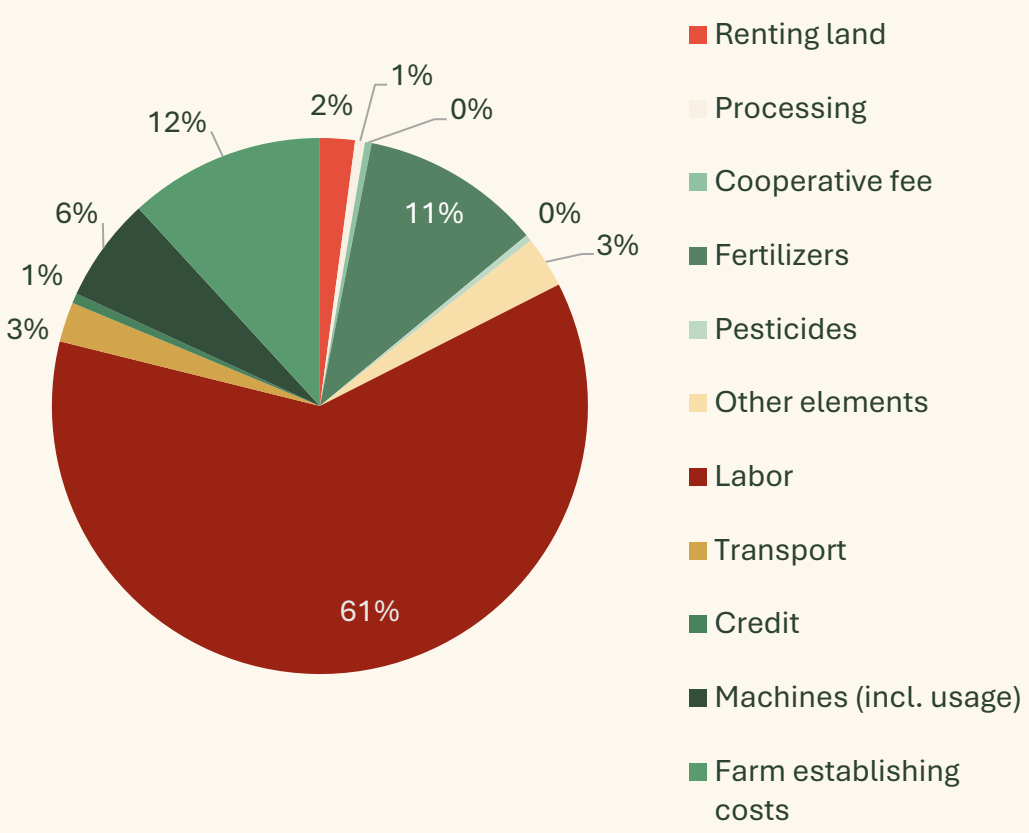
HONDURAS

- **58.3 %** of the households cultivate **additional crops** (mainly banana, maize, beans, and citrus fruits)
- **88.3 %** have **timber trees** on their farms
- **58.3 %** have **animals** (mainly chicken and cows)

Composition of production costs

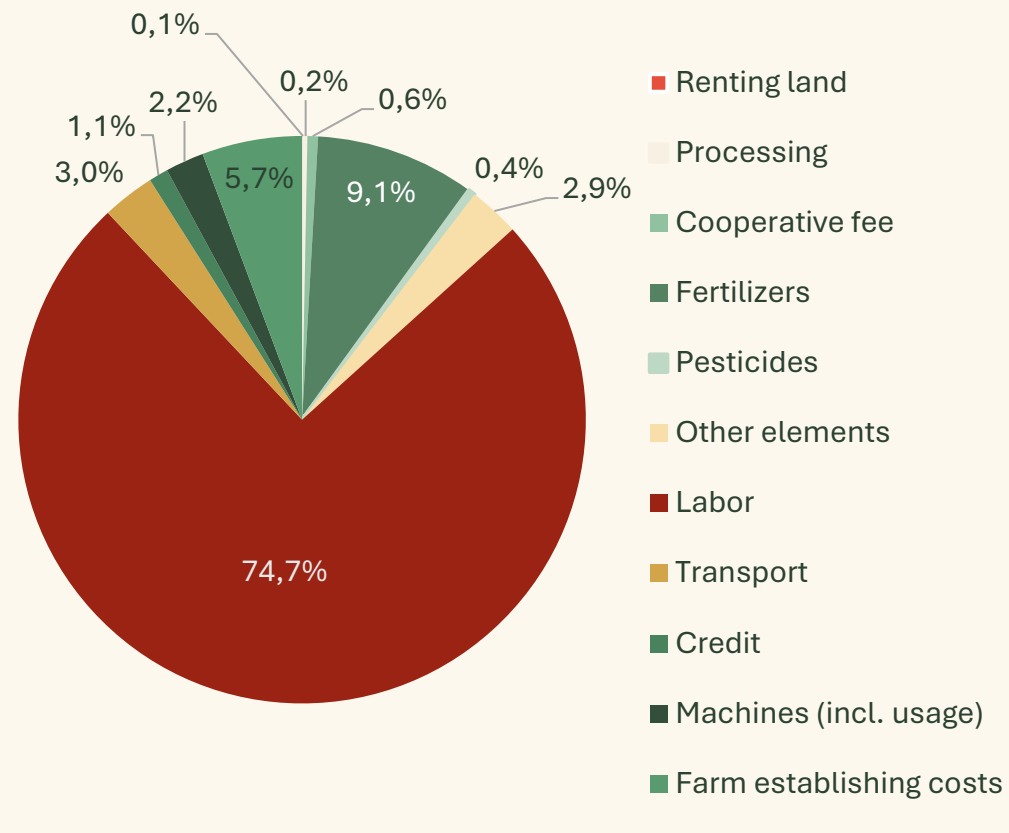
PERU

(n=62)



HONDURAS

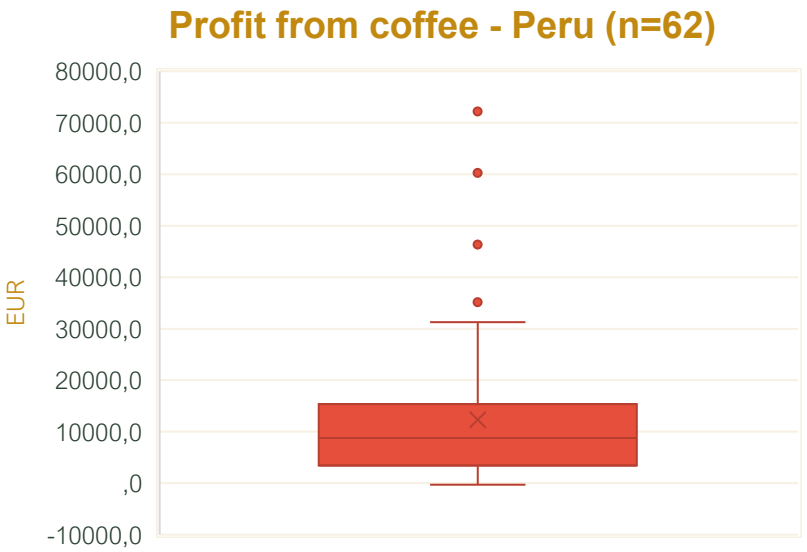
(n=60)



Profit from coffee production

Please have in mind the methodological limitations

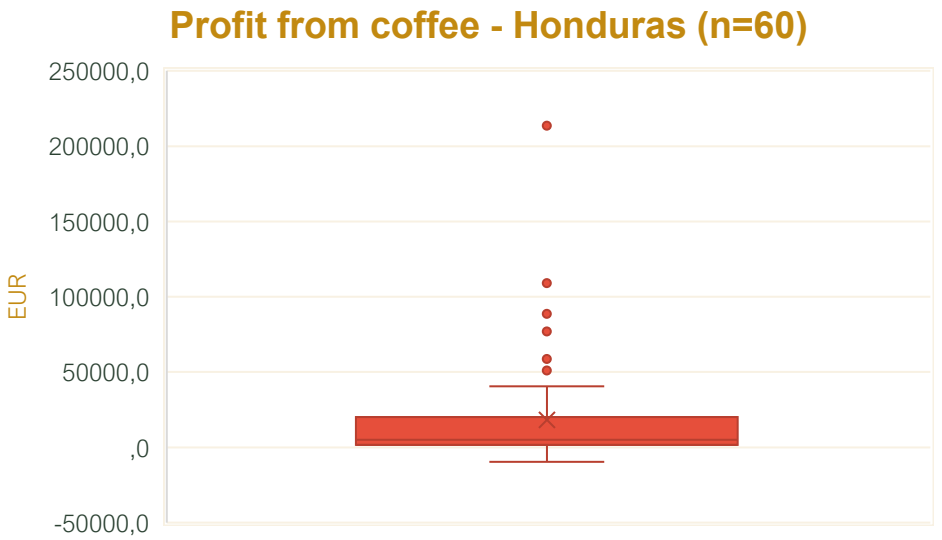
PERU



Net profit Peru:

- **Median: 8,771.24 €** (excl. family labour and unpaid community labour)

HONDURAS



Net profit Honduras:

- **Median: 4,994.40 €** (excl. familiy labor and unpaid community labor)

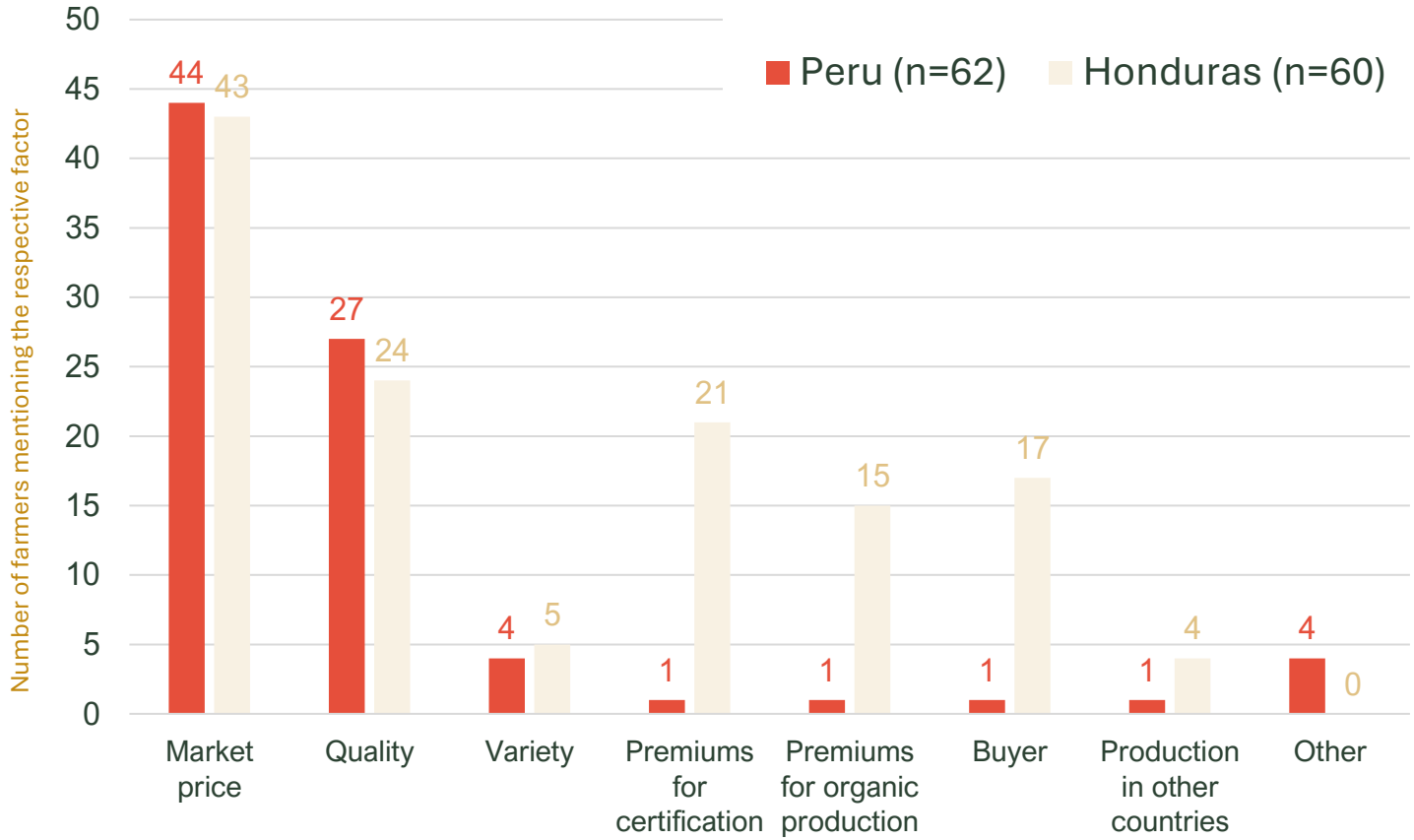
Factors influencing the coffee price received
(according to producers' perception)

Please have in mind the methodological limitations

Producers' feedback on price development

Peru: 88.7% perceived this year's price as higher than last year's price

Honduras: 96.7% perceived this year's price as higher than last year's price



3

Household income & living income gap

Adjusted living income value

PERU

- **Annual reference value:** 3,418.99 – 11,658.52 € (depending on household size)
- **Median**: 6,857.97 €

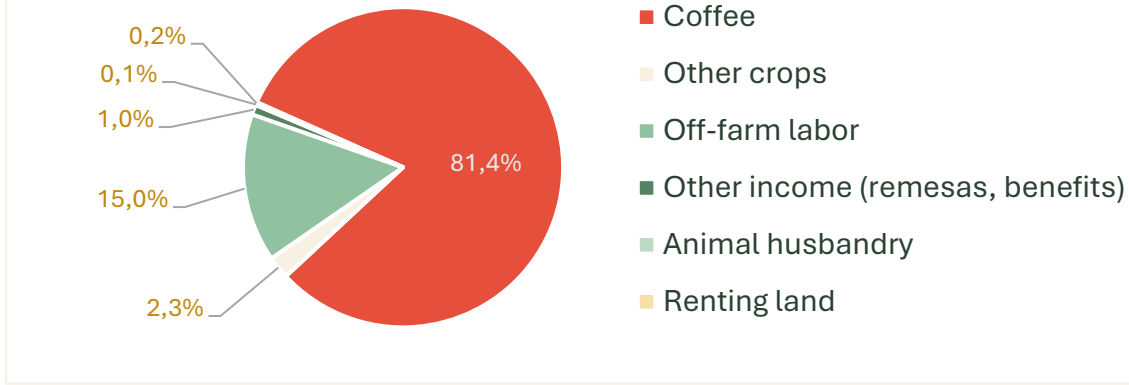
HONDURAS

- **Annual reference value**: 5,147.87 – 22,650.62 € (depending on household size)
- **Median:** 7,893.41 €

Total household income and its composition

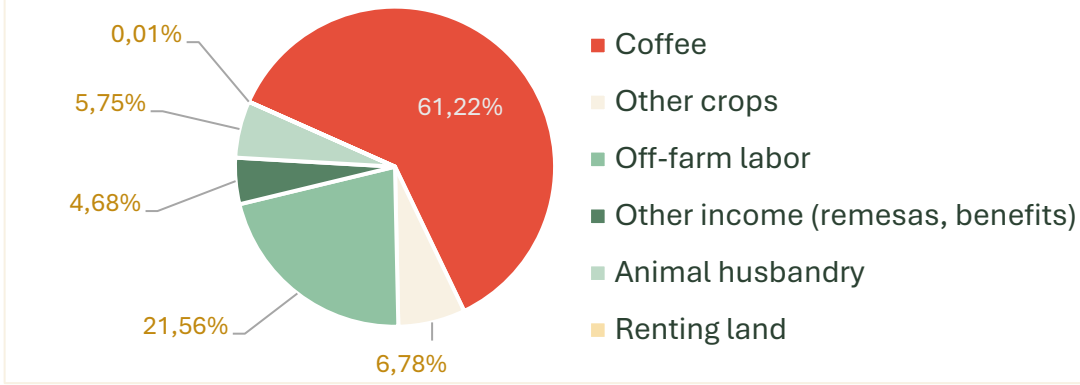
Please have in mind the methodological limitations

PERU



Total annual income per household
Median:
10,214.03 €

HONDURAS



Total annual income per household
Median:
10,877.73 €

Key characteristics of households below the living income threshold

- Smaller farm sizes and coffee farm sizes
- Lower productivity — point for action!
- Lower overall production — point for action!
- Slightly lower diversification with other crops — point for action!

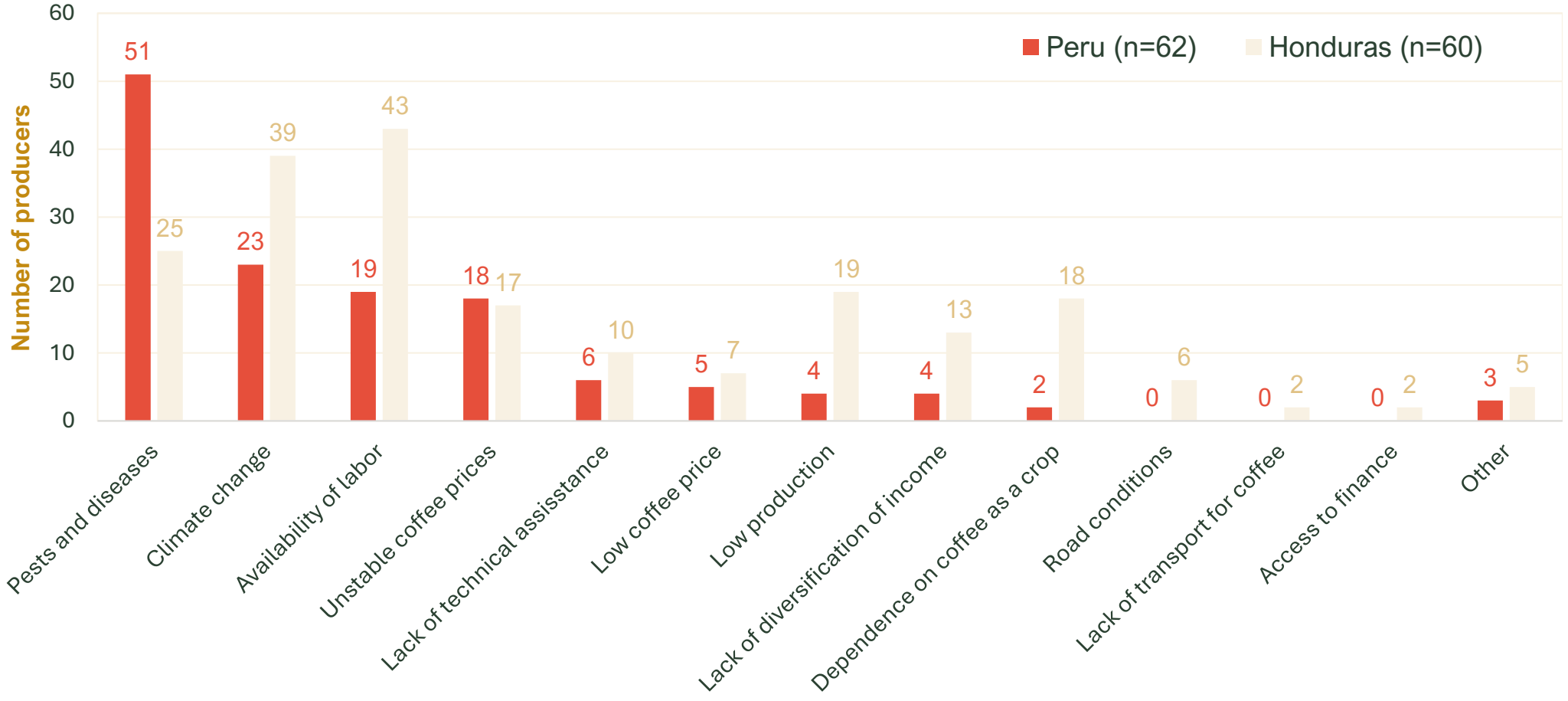
Conclusion/observations

- **Record keeping** is very weak in both countries and does not allow for exact measurement of income → training and capacity building on this topic are needed as **basis for reliable income measurement**.
- Both countries present a **high variability in many of the key indicators** (farm size, productivity, income and profit from coffee, overall household income); variability is especially high in Honduras.
- **Income from coffee** is the main source of income for the analysed households.
- The **market price for coffee** is the key determinant of the price received by farmers → fluctuations in the market price affect farmers and a decrease in the market price most likely would lead to a **larger share of farmers below the threshold of a living income**.
- Availability of external labour, climate change and pests and diseases are the main **challenges** faced by farmers.

4

Support needs assessment – Results

Main challenges faced by producers – from survey



Producers' perspectives – from Focus Groups

Major challenges related to coffee production

Insufficient labour availability

- shortages due to migration (Honduras)
- lack of family succession,
- competition among producers
- inexperienced workers
- higher costs
- the need to offer incentives (transportation, better conditions)

Climate change

- altered rain and drought cycles affect production and quality
- increase in pests and diseases

Pests and diseases

- coffee production affected by pests and diseases, even in previously resistant varieties;
- pest control options limited by organic standard

Price volatility

- Dependence on market prices and their variability: vulnerability to market fluctuations

Lack of infrastructure

- for drying coffee
- poor roads hinder access to farms in remote areas

Lack of Investment & knowledge

- need for competent technical assistance, soil analysis, exploration of more resistant varieties, provision of organic fertilizers

Informal Management

- lack of planification and financial records

Low production & profitability

Producers' perspectives – from Focus Groups

Key solutions identified

Innovative technical assistance & adaptation to climate change

- Training of technicians and producers in **innovative solutions** for pest management, soil management and efficient use of inputs
- Resistant varieties and fertilisation aligned with the climate

Innovative technical assistance & adaptation to climate change

- Incentives for workers (transport, attractive conditions)
- Program to promote **generational renewal**

Improved infrastructure and logistics

- Introduction of **tools** and **equipment** to reduce dependence on labour
- Investments in roads and transportation options

Access to finance and fertilizer supply

- Loans for investment in machinery and production improvements
- Provision of organic fertilizers in compliance with certification standards to increase productivity

Diversification and quality

- Diversification with orchards, garden plots, and other crops

Price stability and markets

- Fair and stable prices, greater transparency in price management

Perspectives of the organizations

Practices and services

Services offered by cooperatives

- Technical assistance and certification programs
- Training in farm management, fertilization, and pest control
- Additional programs on various relevant topics (depending on the organisation)

Delivery of supplies

- Organic fertilizer (free of charge in some cases)
- Plants and fertilizers

Diversity of organisations and associated producers (HN)

- Different types of organizations offering a very different level of services and programs
- Associated producers differ from entrepreneurs to small producers: wide range of economic capacities making it difficult to identify needs

Information Management and digitalization

- Different levels of digitisation, depending on the organisation
- Information on quantities and prices managed by the collection areas (Peru) → potential to connect departments within the cooperative structures and improve knowledge management
- Organisations are mostly prepared for georeferencing and traceability requirements (EUDR)

Perspectives of the organisations

Challenges and needs for support

Main challenges

- **Lack of liquidity** and access to loans
- **Price volatility**
- Migration and lack of take-over by younger generation; farms managed by elderly people and inactive members (Honduras)
- **New organic regulations**: producers with more than 5 ha are no longer eligible for group certification
- **Pests and diseases** (coffee rust) with limited control due to organic standards
- Impacts of **climate change**: irregular rainfall, droughts, migration to higher altitudes, increase in diseases due to climate change, age of trees

Key needs

- **Larger technical teams** to provide more **technical assistance** to producers
- Strategies to keep producers active and improve membership management (Honduras)
- Incentives to strengthen **integration of new generations**
- Greater price stability for better planning (Peru) and to retain members (Honduras)
- More options for **biological pest management** and training in innovative solutions to deal with pests and the effects of climate change
- Better technological infrastructure for processing to reduce costs and improve efficiency

5

Recommendations

Recommendations: At level of organizations (I)

Improve technical assistance

Implement a basic program as a basis and follow an assistance plan; develop and implement a more advanced technical assistance program in line with the organization's focus topics; map initiatives and strengthen existing programs; expand technical teams

Digitalization

Promote digitization and information exchange between departments within cooperatives (Peru); encourage digital data collection in the field (where this is not yet done); strengthen traceability systems where they are insufficient; train staff on traceability and data management

Diversification and inclusion

Establish a women's committee and/or a network of youth promoters to enhance the dissemination of knowledge and empower these groups

Staff capacity building in **governance** and **organizational leadership**, as well as **marketing** and **commercialization**

Establish/strengthen basic organizational structures (where it does not exist or is insufficient) and improve **membership management** to identify inactive members and channel resources and technical assistance offers (Honduras)

Recommendations: At level of organizations (II)

Innovation against pests and climate change:

Develop methods of biological pest management and resistant varieties with scientific support; provide training in their use and offer low-cost inputs

Organic fertilizers:

Promote and scale up the production of organic fertilizers and compost by cooperatives (based on existing initiatives); hold workshops for producers on how to make their own fertilizers and supply them at reduced prices through cooperatives

Infrastructure and tools:

Provide dryers and kilns to prepare organic fertilizer to reduce costs and dependence on manual labour

Access to financing:

Establish partnerships with financial institutions and revolving funds for low-productivity producers

Establish coffee nurseries that producers can take to their farms and use for the renewal of their coffee farms

Recommendations: At producer level

Financial management:

Train producers in recording income/expenses and provide notebooks/digital applications to enable measurement of expenses and income

Youth participation:

Create generational succession programs with technical training, barista courses, training in entrepreneurship, business stability, and reforestation to motivate young people

Raising awareness about the **benefits of income measurement** and the importance of providing related data to **work together towards a decent income**

Implement training on **basic traceability** at the farm level where required

Addressing labour shortages:

Develop strategies for group hiring and microenterprises specializing in pruning and maintenance

Recommendations: for producers below living income benchmark

Increase productivity:

Perform soil analysis and provide personalised recommendations for renewal and fertilization

Support with obtaining fertilizers and composts that comply with organic certification:
workshops on homemade production, provision of inputs

Diversification:

Promote additional crops and complementary projects to reduce dependence on coffee (HN**)**

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SASI Sustainable Agricultural Supply Chains Initiative