

## CASE STUDY TITLE

Fairtrade Coffee Cooperative Strikes Double Jackpot: Environmental Protection & Better Prices



### SUMMARY

Before becoming Fairtrade certified, coffee farmers at SOPPEXCCA cooperative in Nicaragua used to get very low prices for their coffee and missed out on many benefits. They were selling for the sake of selling, without prioritizing the land or the environment. Since becoming Fairtrade certified, SOPPEXCCA's members are receiving better prices for their coffee, have adopted good agricultural practices and other climate change actions prescribed by the Fairtrade standards and have improved their productivity.

The impact has been felt not only in the cooperative but in the wider community, with biodiversity changes having a great impact on their wellbeing.

### BACKGROUND

SOPPEXCCA, a coffee cooperative based in Nicaragua, was formed in 1997 by a group of 62 smallholder farmers, who wanted to improve the lives of its members and their communities. The cooperative became Fairtrade certified in 2000.

SOPPEXCCA has since grown to 650 members, 180 of them women (28%). They produce around 2,300 metric tons of coffee a year, shade-grown on very small plots of land. Thirty per cent of their coffee is also certified organic.

Like other coffee cooperatives in Central America, SOPPEXCCA has been affected by the increased impact of climate change. More intense and unpredictable hurricanes, droughts, floods, and other extreme weather events, as well as pest plagues are affecting crop yields and, in some cases, wiping out producers' only source of income.

### AT A GLANCE

#### COUNTRY

- Nicaragua

#### LEVEL

- National

#### SDG ADDRESSED

- SDG 12 - Responsible Consumption & Production

The coffee rust crisis La Roya, and the volatile coffee market are also huge challenges for all coffee farmers in the region.

### STRATEGY

SOPPEXCCA's values are based on sustainable production and protection of the environment. The organization took the decision to become Fairtrade certified in 2000 as they felt that Fairtrade represented a good opportunity to improve their livelihoods.

Fairtrade certification, under the Fairtrade Small-Scale Producer Organizations standard, has also helped them develop their rural economy and protect the environment.

## STRATEGY

Environmental requirements: The Fairtrade Standards requires farmers to improve soil and water quality, manage pests, avoid using harmful chemicals, manage waste, reduce their greenhouse gas emissions and protect biodiversity. The standards prohibit the use of certain agrochemicals that are harmful to the environment and encourage farmers to reduce their use of pesticides. The standards also forbid cutting down protected forests in order to plant more crops. Fairtrade also organizes training for farmers so they can learn how to grow in harmony with the local environment and avoid creating monocultures.

Fairtrade Minimum Price: Fairtrade certification is unique as the only current standard to guarantee a minimum price for coffee producers - acting as a safety net against market price fluctuations. Ensuring the cooperative can benefit from the safety-net of the Fairtrade Minimum Price to be paid by buyers for their Fairtrade certified products. This price is calculated taking into account the costs being incurred by the cooperative to cover its sustainable production practices. For example, adopting organic fertilizers and improved water irrigation management and waste management.

Fairtrade Premium: Fairtrade certification is also the only standard to guarantee an additional premium, set at 20 cents per pound of coffee sold, to invest in business development and community improvements. In addition, the Fairtrade standard for Coffee specifies that at least 5 cents of the Fairtrade Premium must be invested in productivity and quality improvement projects. Farmers can choose to spend the Fairtrade Premium on projects such as tree planting, crop diversification, improved water management and clean energy, which help build environmental sustainability at a local level while also contributing to the global fight against climate change. Fairtrade farmers and workers decide for themselves how the Premium money is spent because they know best their local priorities for resilience building.

Support from Fairtrade staff: While some of the Fairtrade Standard requirements are classified as core (i.e., certified organizations must comply with from the start - such as no use of Genetically Modified Organisms), other requirements are classified as development. This means that SOPPEXCCA is supported to achieve this requirement through planned interventions in their development plans within a set timeframe. One example of development criteria is for farmers to implement measures to adapt to climate change.

SOPPEXCCA members receive continuous technical support and guidance from Fairtrade to comply with Fairtrade Standards and address their development challenges by implementing activities to mitigate their environmental and climate risks. This support is primarily provided by Fairtrade's Producer Networks covering Latin America and the Caribbean - CLAC and supported by Fairtrade International and its national member organizations. This support enables farmers to ensure a better return on their investment, better quality coffee and lower productivity costs, while also building their communities' environmental and climate change resilience.



## RESULTS & IMPACT

### Fairtrade Standards

More than 50% of SOPPEXCCA's members have been trained on re-using organic waste, measures to use water efficiently, treatment methods of wastewater, proper storage of hazardous waste and chemical pesticides. As a result, SOPPEXCCA's members now use water more efficiently and avoid water being misused, cutting down its production costs. Cooperative members are benefitting from improved access to drinking water and washing facilities. This is also now reinforced to respond to the COVID-19 crisis.

SOPPEXCCA is proactively contributing to the protection of ecological corridors and maintaining buffer zones around water bodies. The organization no longer uses the chemical products banned by the Fairtrade Standards. All this contributes to improved water quality in their community. SOPPEXCCA's members have also learnt to create natural barriers around their coffee fields, including ditches where local fauna can thrive.

### Fairtrade Minimum Price

Global oversupply has seen international market prices for coffee slump by 60% over the last two years, so the set Fairtrade Minimum Price of US\$1.40 per pound sold (or the market price if higher), has given coffee farmers some financial security and the confidence to budget for farm and household expenses. Fairtrade certified producer organizations are receiving approximately US\$0.40 per pound sold more than the average coffee producer and can thus allocate these earnings towards meeting the requirements of the standard.

### Fairtrade Premium:

The Fairtrade Premium has enabled SOPPEXCCA to implement a wide range of projects:

- Extensive coffee tree replanting program to counter the impact of leaf rust disease and increase productivity.
- Construction of a dry processing plant to prepare coffee for export and increase the organization's income by selling the services to other coffee cooperatives.
- Quality control: improved wet processing and sun drying techniques, construction of cupping labs and training of cuppers (and farmers).
- Training to improve farm management, accounts and record keeping.
- Improve organizational management and financial transparency - meetings are regular and minutes, decisions are taken democratically and communicated to members along with information on Fairtrade and market prices and details of Fairtrade Premium use.
- Projects to improve food security and reduce dependency on coffee by diversifying production into fruit (bananas, oranges, mangoes, guava, plums), honey, yams, cocoa for consumption and local sales.
- Environmental program including training in the correct use of agro-chemicals, reforestation, and protection of water sources.

### Support from Fairtrade's Producer Network:

Training on market conditions and market strategies have helped SOPPEXCCA access new markets, fostered the development of long-term partnerships with Fairtrade commercial buyers/traders who visit farms and understand the problems faced by farmers and vice versa.



## CHALLENGES & LESSONS LEARNED

Like many coffee producers in the region, SOPPEXCCA is facing serious challenges from disease and climate change: 30%-40% of coffee production in the region has been affected by la roya, the leaf rust fungal disease. Coffee can no longer be grown in some areas, forcing farmers to switch to cocoa and other cash crops. Furthermore, the impact of COVID-19 on coffee value chains, including a massive decrease in out-of-home demand due to lockdowns imposed in the largest coffee consuming countries, are aggravating producers' sustainability.

Lessons include the need to ensure full understanding and commitment of producers, as well as commercial buyers and consumers of the challenges facing coffee producers aggravated by climate change and market prices fluctuations. Standard interventions that reinforce and strengthen producers' strategies to adapt to and mitigate climate change are costly. Buyers and consumers need to recognize that a higher price must be paid for coffee to better protect people and the planet. This can help ensure that farms can continue to farm coffee. Otherwise, coffee farming risks becoming untenable, and our daily cup a thing of the past. Standards need to be complemented by programmatic support to help producers take up good agricultural practices, as well as advocacy work to enable producer organizations to reap better terms of trade and remain striving, sustainable businesses within a changing climate.

## POTENTIAL FOR REPLICATION

Fairtrade Standards promote better environmental management and climate resilience while prioritizing the strengthening of producer organizations. Additionally, programmatic support to improve the resilience of smallholder coffee producers is based on technical support and good practices provided at the local and regional levels. Standard setters are encouraged to review the Fairtrade standards available online and replicate such measures wherever possible and relevant.

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