

2022/2023

APONTE, COLOMBIA

FAIR & LIVABLE WAGE REPORT



ENSURING FAIR AND LIVABLE WAGES FOR EVERYONE ON THE FARM.

PREPARED BY

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In Aponte, small family-operated farms sell coffee to PROCAAL, an exporter, who aggregates the coffee and sells it to us. PROCAAL pays the families a “farmgate” price. This report is about the steps we take to ensure that the farmgate price provides a fair and livable wage for them.



INTRODUCTION

OUR GOAL IS TO ENSURE A FAIR AND LIVABLE WAGE FOR EVERYONE WHO WORKS ON THE FARM. A “FAIR AND LIVABLE WAGE” IS GENERALLY UNDERSTOOD TO MEAN A WAGE SUFFICIENT TO ENABLE WORKERS AND THEIR FAMILIES TO MEET THEIR BASIC NEEDS. PAYING A FAIR PRICE FOR OUR COFFEE IS JUST ONE OF MANY IMPORTANT ELEMENTS TO ENSURING A FAIR AND LIVABLE WAGE.

FIRST

we do our best to determine what constitutes a “fair and livable wage” in the immediate vicinity of the farm. As a guidepost, we rely on standards established by the Global Living Wage Coalition and other leading NGOs;

SECOND

we ensure that the price we pay is sufficient to support a fair and livable wage for both farmworkers and farm owners alike. To do this, we have conversations with the coffee seller – whether the exporter or the farmer – and make the requirement of a fair and livable wage for everyone who works on the farm integral to our price negotiations, and

THIRD

we verify that the amount paid to everyone on the farm meets or exceeds a fair and livable wage standard. In some cases, wages are paid on a salaried basis. In other cases, the farmer or worker is paid based on the amount of coffee they pick. In the latter scenario, we do our best to accurately convert the amount paid for picked coffee cherries to a weekly or monthly wage and measure that against the applicable fair and livable wage standard. In some circumstances, food, shelter and transportation are provided free of charge, and we factor those benefits into the calculation of whether the fair and livable wage standard has been met.

WHAT WE DO. WHY WE DO IT.



THE PROBLEM

In Colombia, coffee is often grown by small holders who have few, if any, workers. The family does nearly all of the work of growing and harvesting coffee before selling coffee cherries to the mill, which readies it for export. Often small holders do not receive an adequate price at the mill (the farmgate price) to cover their farming expenses and have enough left over to support their basic family needs.

OUR MISSION

Since 2017, we have been unwavering in our commitment to improve the lives of the people who work hard to grow and harvest our coffee. By spending much of the year visiting coffee farms, we establish strong partnerships with farm owners and producers and are able to better understand the needs of farmworker communities. We also learn firsthand how to create greater equity in the coffee supply chain. Integral to our efforts is ensuring not only that we pay a fair price for our coffee but that the price we pay benefits farmworkers in the form of fair and livable wages.

75%

OF COFFEE FARMERS LIVE
IN POVERTY
AND DON'T RECEIVE
FAIR PRICES

(PERFECT DAILY GRIND)

THE SOLUTION

In order to address endemic poverty related to coffee farming, buyers must at minimum pay a fair price. Often, however, paying a fair price to the exporter is not enough. Smallholders must benefit from the price by receiving from the exporter an amount sufficient to cover both farm expenses and basic personal needs.

The Global Living Wage coalition defines a living wage as: "Remuneration received for a standard workweek by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family. Elements of a decent standard of living include food, water, housing, education, health care, transport, clothing, and other essential needs, including provision for unexpected events." In the case of the Central Coffee Growing Regions of Colombia, the area where Aponte is located, the Global Living Wage Coalition has determined that the minimum livable wage is \$509 monthly for the year 2023, which was the year of our last harvest.

\$509

According to the "Living Wage Report: Central Coffee-growing Regions of Colombia 2023" published by the Global Living Wage Coalition, the living wage standard was 2,141,831 pesos or \$509 monthly in 2023.



\$2.60

FARMGATE PRICE PAID PER POUND

THE NEGOTIATED PRICE

After discussions with our exporter-partner, Jose Gomez, and our group of 20 smallholder farmers, we agreed to a farmgate price of \$2.60 per pound of green coffee, which is enough to cover farm expenses and pay a fair price and livable wage for their families.

DETERMINING THE STANDARD WAS MET

In Aponte, we have a direct contractual relationship with 20 small farmers (the “Smallholders”) who are paid by our exporting partner, PROCAAL, when they bring coffee cherries to the dry mill.

- On average, each Smallholder owns 1.25 hectares (about 3.1 acres) and produces 3,919 pounds of green coffee.
- From each Smallholder, Think Coffee buys, on average, 1,674 pounds of green coffee or about 43% of their total harvest.
- Through our exporting partner, PROCAAL, each Smallholder receives a flat rate of \$2.60 per pound of green coffee. Accordingly, the average amount paid to each Smallholder by Think Coffee is \$4,352.
- We have assumed that each Smallholder is able to sell the balance of their crop for \$1.85 per pound or roughly 71% of the price that Think Coffee pays. (We believe that, in nearly all cases, the Smallholders are paid considerably more than that.) Based on the assumption that each Smallholder receives \$1.85 on the balance of 2,245 pounds not purchased by Think Coffee, the total amount paid on average to each Smallholder for their crop is approximately \$8,505.
- As more fully described in Appendix A, a typical Smallholder farm of 1.25 hectares incurs an annual cost of operation of \$2,320.
- On average, the total amount received by each Smallholder after business expenses are paid is \$6,185, which exceeds the fair and livable wage standard of \$6,108 set by the Global Living Wage Coalition for the Central Coffee-Growing Regions of Colombia (2023).

ANKER BENCHMARK 2023 HARVEST	\$6,108 annually	<i>we assumed that other coffee buyers were willing to pay at least 71% of the price we paid</i>	
<u>Paid by Think Coffee</u>		<u>Paid by Others</u>	
price per pound	\$2.60	assumed purchase price	\$1.85
average # of pounds	1,674	average # of pounds	2,245
total price paid	\$4,352	total assumed price paid	\$4,153
total revenue	\$8,506		
average annual farm expenses	\$2,320		
net income	\$6,185	relationship to Anker Benchmark	+1.27%

\$2.60/LB

PRICE PAID TO FARMERS

33,487LBS

COFFEE PURCHASED IN 2023

FAIR & LIVABLE WAGES FOR FARMERS



20

FARMER PARTNERSHIP

1.25

HECTARES OF LAND FOR
THE AVERAGE FARMER

\$575

AVERAGE MONTHLY
INCOME

Enrique and Karen, our exporting partner, in El Paramo, Aponte with farmer partners Israel (far right) and Yeny Jamioy (next to Enrique)

OUR 2024 GOALS

We acknowledge that our sourcing methodology may be imperfect and our efforts may often fall short of our goals. The challenges facing the coffee industry are enormous, and they are complicated by the fact that from region to region there are different farming and exporting structures in place, as well as ever changing environmental, economic and political conditions. There simply cannot be a one-size-fits-all solution to the problem of endemic poverty in farming communities across the globe. We believe, however, that our efforts, and our failures, and the honest, detailed discussion of them represent a significant step toward improving living and working conditions and making our industry more sustainable.

1

Learn and Gain Insight

We will continue to make frequent visits, conduct in-depth research with individual smallholder farmers and assess specific data related to annual production costs to determine if the average price of coffee is enough to meet livable wage standards. By leveraging our findings and expertise, we hope to drive tangible changes that push our industry to greater sustainability.

2

Take Action and Implement

We will continue to prioritize fair and livable wages as part of our purchasing contract negotiations and will embed livable wage requirements in the contracts with our exporter.

3

Publish Detailed Results

Deliver concrete outcomes to smallholder farmers and share them openly with our customers and industry peers to drive positive change for Colombian coffee farmers.

OUR VISITS

Integral to our commitment to ensuring a livable wage for everyone on the farm is regular engagement with the farming community. Over the past two years, we have made visits to Aponte on the following dates: April 2023 (2 weeks) and August 2023 (4 weeks)

ACKNOWLEDGEMENTS

Anker 
Research
Institute

We would like to express our gratitude to the Global Living Wage Coalition and Anker Research Institute for their work in promoting equitable and sustainable wages for all. They have provided us with essential tools for ensuring a livable wage for the farmers we buy coffee from.

GLOBAL 
LIVING WAGE
COALITION

For a detailed report by authors, Agnes Medinaceli, Lykke E. Andersen, Marcelo Delejara, Richard Anker, and Martha Anker visit:

<https://globallivingwage.org/countries/colombia/>



We also wish to express our gratitude to PROCAAL for their dedication to producing high-quality coffee and for their invaluable support in uplifting farming communities. Their steadfast commitment to excellence is an inspiration to us, and we are proud to be associated with such esteemed partners and exporters.

APPENDIX A

Typical cost of operating a coffee farm in Aponte

Data provided by Israel Jamiroy, who operates a 2 hectare farm in Aponte

ACTIVITY	AMOUNT	AMOUNT	UNIT	UNIT COST	TOTAL C\$ PESOS
Weeding	20.0	22.0	Wage	30,000	660,000
25-4-24 (2 veces)	24.0	26.4	Bags	220,000	5,808,000
Fertilizer application	20.0	22.0	Wage	30,000	660,000
Purchase of pesticides					
Pesticide application	2.0	2.2	Wage	35,000	77,000
Shade management	5.0	5.5	Wage	30,000	165,000
Collection y beneficio (2da cosecha)	1,500.0	1,800.0	Kg C.P.S.	500	900,000
Packaging	16.0	17.6	Each	1,100	19,360
New cocos	8.0	8.8	Each	10,000	88,000
Harvest of 300 bunches	6.0	6.6	Wage	30,000	198,000
Fumig-Pulp Depreciation		0.0			0
Fertilizer transportation	20.0	22.0	Bags	6,000	132,000
Subtotal					8,707,360
Unforeseen costs = 5%	\$8,707,360				435,368
Administration (12 months \$ 10000 c/mo)					120,000
SUM					9,262,728
PER/1500					6,175.152
TOTAL				USD \$2,174.35	8,365,728