

2022/2023

SANTA TERESA, NICARAGUA

FAIR & LIVABLE WAGE REPORT



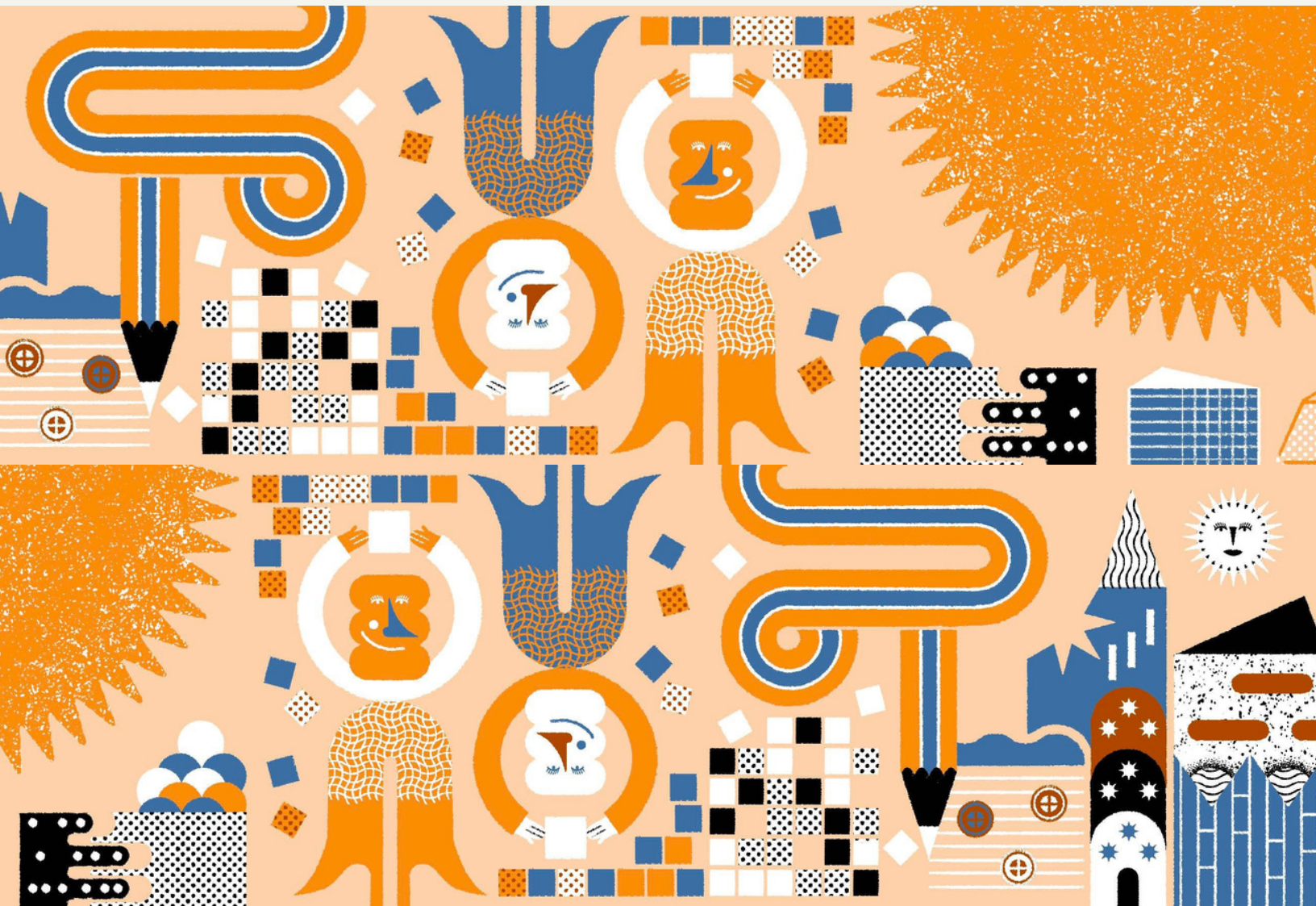
ENSURING FAIR AND LIVABLE WAGES FOR EVERYONE ON THE FARM.

PREPARED BY

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At Finca Santa Teresa, Think Coffee pays the farm owner, Jorge Lagos, directly for his coffee. Jorge employs workers. This report is about the steps we take to ensure 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 TO THE SELLER IS JUST ONE OF MANY IMPORTANT ELEMENTS TO ENSURING A FAIR AND LIVABLE WAGE FOR THE PEOPLE WHO DO THE HARD WORK OF PICKING OUR COFFEE.

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

Many Nicaraguan farm workers are not paid enough to provide for basic needs. They live in inadequate shelter with dirt floors, leaky roofs and other unsanitary conditions. Food insecurity is common. As a result, coffee workers often leave their communities in search of better working and living conditions. In turn, farm owners often struggle to find people to work on their farms, leading to a vicious cycle that far too often leads to coffee farms shutting down altogether.

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 THE WORLD'S
COFFEE FARMERS
ARE ESTIMATED TO LIVE
BELOW THE POVERTY LINE
(PERFECT DAILY GRIND)

THE SOLUTION

In order to address endemic poverty related to coffee farming, buyers must pay a fair price for coffee – one that allows farm owners to cover all of their costs and be able to pay themselves too. But paying a fair price is not enough. Little will be solved unless farm workers benefit from the price paid by receiving a fair and livable wage.

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 Northwest Nicaragua, the area where Santa Teresa is located, the Global Living Wage Coalition has determined that the minimum livable wage is \$276 monthly for the year 2022, which was the year of our last harvest.

\$276

According to the “Living Wage Update Report: Northwest Nicaragua 2022” published by the Global Living Wage Coalition, the living wage standard was 9,815 cordoba or \$276 monthly in 2022.



\$3.00

PRICE PAID PER POUND OF COFFEE

THE NEGOTIATED PRICE

After many discussions with our farmer-partner, Jorge Lagos, we agreed to a price of \$3.00 per pound of green coffee, which was enough for him to pay his workers livable wages and provide him and his family, as the farm owners, with a livable income for the 2022 harvest.

DETERMINING THE STANDARD WAS MET

At Finca Santa Teresa, workers are paid one of two ways: salary for non-coffee pickers or per lata of coffee cherries for coffee pickers. (A lata of coffee cherry is approximately 12 kilograms.) In general, the workers who get paid on salary live on the farm year-round and have meals and transportation provided to them free of charge. The coffee pickers work seasonally during the harvest. They also receive free housing, meals and transportation.

For workers paid per lata of coffee cherry picked, we converted the amounts paid to a monthly rate based on the following:

- Jorge represented to us that the average number of lata picked per day per worker is 6, which he confirmed in writing to Enrique Hernandez, our Chief Impact Officer (CIO). This amount is consistent with what we have observed during our visits to the farm.
- Although the pickers do not pick 7 days per week, Jorge pays each picker as if they worked every day. For example, if a worker picks 6 lata per day, Jorge will pay the worker for 42 lata, not 36.
- The amount paid by Jorge per lata was 75 cordoba. This was verified by our CIO, who personally witnessed payments being made during his visits and was further confirmed by Jorge in writing.
- With payments of 6 lata per day for 30 days per month at 75 cordoba per lata, the monthly compensation received by a typical picker on Jorge's farm is 13,500 cordoba or \$367, which exceeds the standard established by the Global Living Wage Coalition.

For workers paid by salary, we verified that the amount paid met the minimum standard of 9815 cordoba or \$276 monthly based on the following:

- The minimum amount paid in cash per day to each worker was 245 cordoba, or 7350 cordoba per month. Jorge has provided proof of the amounts paid.
- All meals are provided free of charge to all family members. We have estimated the value of meals to be 5372 cordoba (NIO) monthly. (See Appendix A for further detail.)
- Year-round housing is made available for all families who work on the farm and up to 90% of families have made the choice to live there full time. We have estimated the cost savings for utilities to be 863 cordoba monthly. (See Appendix A for further detail.)
- The total of monetary and in-kind benefits is approximately 14,565 cordoba or \$396, which exceeds the standard set by the Global Living Wage Coalition.

Anker Benchmark for 2022 Harvest	10,190 NIO/month
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HARVEST WORKERS paid per lata	
lata	12 kg of coffee cherry
amount paid per lata	75 NIO
avg # of lata paid per person/month	180 lata
average pay per month	13,500 NIO
relation to Anker Benchmark	32.48%

FULL-TIME WORKERS paid on salary	
monthly salary	7,350 NIO
food cost in-kind per month	6,352 NIO
housing/utilities in-kind per month	863 NIO
total monthly compensation	14,565 NIO
relation to Anker Benchmark	42.93%

NIO = Nicaraguan Cordoba



WORKING CONDITIONS ON THE FARM

- In order for Jorge to operate his farm, he employs approximately 60 cherry pickers during harvest and 10 full-time employees year-round.
- For all workers, transportation is made available between worker homes and the farm. These benefits were not included in our fair and livable wage calculations.
- Pickers during the harvest work Monday to Saturday with Sundays off but are paid based on 7 days of picking. They work daily shifts from 6 am to 2 pm.
- Most pickers live in the nearby city of Yalaguina in the department of Nueva Segovia, which is approximately 2 hours away. For pickers, Jorge provides accommodations and meals during the work week in the harvest season.
- While we have used the amount of 6 lata per day as the average amount picked by a worker, that amount is actually at the low-end of picker volume and that many pickers pick – and are paid for – quite a bit more.
- The family members of full-time workers generally reside on the farm 26 days per month and eat their meals there too.
- All employees are paid bi-weekly in cash and are exempt from paying any local or state taxes since they are agricultural workers.

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

MAINTAIN COMMUNICATION

We will continue to make regular visits to our farmer partner and his workers, ensuring the livable wage standards are being met and are sufficient for everyone who works on the farm. Additionally, we will ensure that the wages keep pace with inflation on basic necessities.

2

LEARN AND GATHER DATA

We will continue to maintain written records of interviews and data that we collect in an effort to improve our standards and keep ourselves accountable. We will incorporate key elements of our fair and livable wage standards into our contracts to ensure that there is a clear understanding between us and our seller that the price we pay is meant to benefit everyone in the supply chain.

3

PUBLISH RESULTS

We will continue to deliver tangible results and openly share details with the public. We are confident that full transparency will help drive positive change for coffee workers in Nicaragua.

OTHER NOTES

Although Think Coffee buys a lot of the coffee produced by Finca Santa Teresa, we do not buy all of it. For coffee that we do not buy, Jorge generally gets paid less than the price we pay, which makes it challenging for him to meet the livable wage standard, particularly for year-round workers.

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 Finca Santa Teresa on the following dates: January 2022 (2 weeks), June 2022 (2 weeks), January 2023 (2 weeks), September 2023 (1 month).

ACKNOWLEDGEMENTS



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 workers on the farms we buy coffee from.



For more information on their work, visit:
<https://globallivingwage.org/living-wage-benchmarks/northwest-nicaragua/>

We also wish to express our gratitude to our partner at origin, Jorge Lagos of Finca Santa Teresa, for his dedication to producing high-quality coffee and for his invaluable support in uplifting farming communities. His steadfast commitment to excellence is an inspiration to us, and we are proud to be associated with such an esteemed partner who is willing to create a stronger, more sustainable industry for everyone.

APPENDIX A

In October of 2017, the Global Living Wage Coalition (GLWC) published the “Living Wage Report for Northwest Nicaragua” (the “2017 Report”). In the 2017 Report, GLWC determined that the gross livable wage per person for a family of four with 1.62 wage earners was 8,047 cordoba or \$265 per month. In subsequent years, GLWC issued reports that made adjustments to this gross livable wage calculation based on the rate of inflation.

In the 2017 Report, GLWC provided a detailed breakdown of the expenses included in the livable wage calculation. For purposes of our own livable wage analysis, we incorporated two of these expenses into our calculations: meals and utilities. We included them in our livable wage calculation because they were expenses that were not incurred by the family because our farmer-partner effectively replaced them during the time that the family stayed on the farm, which is generally 26 days per month. We adjusted these expenses based on the same rate of inflation that GLWC assumed in making its yearly gross livable wage adjustments.

According to the 2017 Report, the monthly cost for meals for a family was 5372 cordoba. When adjusted for inflation, that monthly cost in 2022 was 7330 cordoba. On Jorge’s farm meals are generally eaten by all family members (not just the worker). They are also generally eaten on the farm only 26 days per month. Accordingly, we have adjusted the cordoba allocable to meals to 6352 for purposes of calculating whether the gross livable wage standard has been met.

According to the 2017 Report, the monthly costs for utilities (water, electricity, cooking fuel and waste collection) was 730 cordoba. When adjusted for inflation, that monthly cost in 2022 was 996. Since the worker family generally only lives on the farm for 26 days per month, we adjusted the cordoba allocable to utilities to 863 for purposes of calculating whether the gross livable wage standard has been met.

Even though housing was made available to all families free of charge we did not credit housing (rental or ownership) costs against our livable wage standard since in most cases the family continued to maintain a house away from the farm.