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SPP Global sets new minimum sustainable price for coffee

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Updated minimum sustainable prices for SPP Global coffee mean producers in this network get a leg up to improve their quality of life, all while keeping up the hard work it takes to provide a great share of the world's coffee supply. Moreover, these producers play a positive role in reshaping their respective socioeconomic landscape, just as they protect the environment. The minimum SPP prices for coffee were last raised back in 2011, so moving them now from \$2.20 to \$2.52 USD per pound of washed arabica coffee is a significant step towards achieving sustainability and prosperity for thousands of peasant families.

SPP Global is an intercontinental network of small agricultural producer organizations who own and run their own label serving to endorse – via a third-party verified certification scheme – organizations who are composed of small organic and ecological producers committed to the prosperity of their respective communities.

SPP Global came into being to amplify the voices of organized small fair trade producers by recognizing the crucial role they play in fighting for better living conditions. To that end, the network has

had its own standards and procedures since 2010, including a list of set "SPP Minimum Sustainable Prices". These prices are determined according to economic justice principles and based on the expenses farmers need to cover to produce organically and sustainably. These price floors are essential to support peasant families since they ensure income stability, as opposed to having to face uncertainty prevailing in other markets.

In the current global trade system, all crops are subject to international price volatility due to climate change or political factors. Furthermore, coffee – as is the case with other agricultural commodities, such as corn, wheat, soybeans, sugar, etc. – is prone to wild swings in international prices determined by the C-Market in the New York Stock Exchange.

International coffee prices are set based on changes in supply and demand, instead of aiming to cover all production costs. Global coffee supply varies because climate and other natural phenomena have a significant impact on global production volumes. That is, it is not known exactly how much coffee will be available for a given period. Likewise, supply is influenced by political decisions to increase or stop coffee production in certain countries. Uncertainty leads to price speculation. Middlemen take advantage of this situation by hoarding or selling out large volumes of coffee - thus creating shortages or fictitious oversupply -; this means, they can basically buy when coffee is cheap and sell when prices peak.

This means that producers selling to conventional markets are the ones who, through their work, end up absorbing additional costs when prices drop and do not really benefit when prices rise because most profit is concentrated in the hands of large intermediaries who have the ability to game supply and demand.

This is an unfavorable context that most coffee producers have to deal with, but that's not the case for producers who are part of a fair trade network. Particularly, SPP Global member producers currently benefit from an updated minimum sustainable price for coffee. This new price captures the actual ever-increasing (both due to inflation and the energy/logistics crisis) costs they need to pay, as well as the fact that their income has been affected by the dollar's depreciation with respect to their national currencies.

Back in 2019, at the initiative of its Standards and Procedures Committee (CNP) - composed of representatives from producer organizations and buyers -, SPP Global decided that it was necessary to review the production costs that must be covered per producer/organization, as well as the actual living expenses producers pay, so as to assess whether a price adjustment needed to happen. An in-depth study was conducted over the course of three years. For this, the living conditions and production context of small coffee producer families from different countries was assessed. It was then concluded that a minimum sustainable price increase was a must if we wanted to be consistent with the principles and values that guide our organization, such as the fight for a dignified life, sustainable prices and local economy enhancement.

The new minimum sustainable price for organic coffee is \$2.52 USD per pound of green coffee. With this pricing, SPP Global seeks to get closer to guaranteeing the costs of sustainable coffee production. This is also a way for this label to set itself apart from other fair trade alternatives that, even if they also raised their price floors, are still far from how much it actually costs for producing families to grow and harvest coffee, all while maintaining and renewing their coffee plantations.

Although the increase in the minimum sustainable price is very positive, it is important to bear in mind that small producers' organizations and their allied buyers compete under unequal conditions with large traders, intermediaries, hoarders and retailers who benefit from constant changes in international prices: large companies and intermediaries have the financial capacity to make "predatory purchases" directly from farmers when demand is high, so they keep all the coffee for themselves leaving cooperatives empty-handed.

This makes it difficult for cooperatives to collect coffee, fund the production processes involved in coffee transformation and sell their products. At the other end of the chain, speaking of points of sale, certified organic, fair trade and small producer coffee has to compete with monopolies and large coffee or retail company brands that can lower their prices but, thanks to compensatory strategies, still maintain their profit margins.

It is essential that end consumers understand how the SPP Global certified coffee is different from others and the huge benefits it brings to both producers and consumers. For starters, coffee flavor and quality: cooperatives are made up of united producer families who are highly skilled and comprehensively trained to produce organic and high-quality coffee. This results in excellent cupping quality and certainty that no toxic chemicals were used in its production. To back up these claims, we only need to take a look at how many of these coffees have been first-place winners at international competitions such as "Cup of Excellence".

Secondly, the SPP label is also a guarantee that producers do benefit from set prices, thus promoting social justice, the development of peasant families, and environmental protection. Moreover, unlike large-scale agriculture, SPP coffee-producing families advocate and work to protect and preserve our planet: not only do they seek to avoid soil degradation and deforestation, but they also contribute to soil restoration and reforestation by planting shade trees and via carbon sequestration.

This enhances community development, active engagement of historically marginalized populations such as women and young people, all while caring for the healthy development of children by preventing child labor, but making sure they get to know production processes in a suitable way. To achieve all that, small producer families need the support of conscious buyers and consumers who are willing to pay truly fair prices.

With this goal in mind, SPP Global is building alliances and working on several fronts involving national government agencies in different regions, international networks and international cooperation bodies, as well as committed companies that are helping this organization to reach more consumers interested in fostering positive change worldwide by consuming better products. SPP continues to move forward with the firm belief that an alliance between producers and consumers can be formed thanks to a cup of coffee, so that both can build a better world together.

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