

LI RP



For Arabica Coffee
from Limmu,
Ethiopia 2025



ABOUT THE LIMMU REGION

Limmu is situated in the Western Highlands of Oromia, Ethiopia. The region is known for its abundant rainfall and green forests, but above all, it is famous for its delicious coffee. Under the shadow of the large forests, you will find the coffee bushes stacked with red berries. Coffee plants are one of the indigenous species in the ecosystem. Therefore, coffee farms don't look like organized farms, but as a diverse forest.

Despite the abundance of coffee, the Limmu region is one of the poorer regions of Ethiopia. This mostly has to do with the poor infrastructure and the lack of opportunities.



6 PERSONS

MAKE AN AVERAGE
HOUSEHOLD

0,5 HA

AVERAGE FARM SIZE

67 %

OF POPULATION
LIVES IN POVERTY

WHAT THE LIRP?

The FairChain Way Of Thinking

Fact: the global trading system for agricultural products is broken. One of the ways of fixing it, is to pay our producers a price that affords them a decent and worthy life. We call this price a Living Income Reference Price (LIRP).

For FairChain, the LIRP is the true price that should be paid for a product so that the farmer and her or his hired laborers earn enough to afford their fundamental human rights: a decent house, good education, healthy food, medical care, and all other costs that are needed for a good life. Furthermore, a FairChain LIRP is based on full-time farming, using sustainable practices and an optimised business model with no negative externalities.

The route towards this business model is a shared responsibility between the farmer, the buyer, and (local) government. This also means that without efforts to realise such a business model, a living income is not guaranteed. We choose to be radically honest. We therefore encourage companies to come up with strategies and programs to support farming communities to achieve the optimized business model.



Meet the founding farmers

The FairChain-LIRP method has been carefully developed, designed and tested together with a team of local experts: the farmers themselves! A big thank you to: Kusolo George, Watalunga Justine, Weboya Lawrence, and Mauchi Fred.

From Starters Valley KE on behalf of the FairChain Foundation, Jurrian Veldhuizen and Manon Peek have been actively involved in facilitating the process.

HOW WE CALCULATE THE LIRP

The FairChain Method

We do not believe in the traditional methodology that uses complex ways or endless surveys of trying to know every detail of a farmer's work and life. We believe that we should include the farmers in both the questions we ask and the answers we give.

On the 25th and 26th of June we welcomed 6 farmers, 4 field officers, and 2 local coffee experts to our interactive LIRP calculation session held in Limmu, Ethiopia. By using real-life experiments, practical exercises, interactive dialogues and consensus-based methods, we were able to gain input using the following parameters used to calculate the LIRP:

1. Sustainable target yield
2. Full-time farmer land size
3. Income from other crops
4. Production costs
5. Farmer's salary



We use the following formula to calculate the LIRP:

$$\begin{array}{c}
 \begin{array}{ccc}
 \text{Farmer's salary} & + & \text{Production costs} \\
 \hline
 \end{array}
 - \text{Income from other crops} \\
 \hline
 \begin{array}{ccc}
 \text{Target yield} & \times & \text{Full-time farmer's land size}
 \end{array}
 \end{array}
 = \text{LIVING INCOME REFERENCE PRICE}$$



LIRP ARABICA COFFEE LIMMU

48,62 BIRR*

FOR 1 KG OF ORGANIC BERRIES - FARMGATE PRICE

This reference price is based on a optimized business model, meaning that when this price is paid to coffee farmers NOW, most farmers do not receive a living income. The price for 1 kg of coffee to guarentee a living income for most farmers with current farming practices is **82,75 birr** for 1 KG of organic berries. We therefore encourage companies to come up with strategies and programs to support farming communities to achieve the optimized business model.



1. YIELD

The sustainable target yield is determined according to a model farm that is created by farmers and local experts together.

They determined how many coffee trees fit on 1 acre and how many berries grow on 1 tree on average when adopting sustainable and best farming practices.

Current yield

Currently, the average yield is **2569** KG of berries per acre per year. Why the big gap between the current and target yield? When farmers have access to the right farm inputs and employ good organic practices, their productivity levels can increase a lot.

Target yield

1307

TREES PER ACRE

7,5

KG BERRIES PER TREE

9822

KG BERRIES PER ACRE

2. FULL-TIME FARMER'S LAND SIZE

Based on the target yield, this is the average size of land that one full-time farmer can manage.

The full time farmer's land size is based on a hypothetical situation in which the farmer manages all land by themselves, except during harvest time. In reality, we know that most farmers share their work between family, friends, neighbours and hired labourers.

1,32

ACRE



3. INCOME FROM OTHER CROPS

Coffee grows best when it is carefully intercropped. Our method takes into account the generated income from a maximum of 2 other cash crops. Under the condition that these cash crops co-exist well with coffee (in other words: they have a neutral or positive effect on the coffee yield).

According to the farmers and experts, who have the local expertise of farming with the same soil and weather conditions, farmers in the Limmu region use shading trees as a cash crop, by selling the timber when the trees are mature. In this way, farmers earn an extra income from timber while coffee farming.

For a model coffee farm, the farmers and experts believe this should be the target income from other crops:

16.899 BIRR
FROM TIMBER PER ACRE PER YEAR

4. PRODUCTION COSTS

The production costs are for organic coffee farming and based on the farmer employing best practices.

The costs shown on the right are the production costs for a full time farmer's land size (2.1 acre).

"Hired labour" refers to the workers that are being hired during harvest time to help with picking and carrying.

Fertilisation costs include costs for applying organic manure.

Transportation costs that are needed to sustain the farm include: transportation of berries to the coop during harvest, personal transport, transport of tools and equipment, and transport of farm inputs.

Pest management costs include all the efforts that are needed to manage the pests that can affect the coffee.

The other costs include inputs (seeds & trees), pest management, tools & equipment, administration & communication, and unforeseen.

46.675
HIRED LABOUR

Included is a living income salary for the hired workers.

30.990
FERTILISATION

15.559
TRANSPORT

10.320
PEST MANAGEMENT

31.808
OTHER COSTS



5. FARMER'S SALARY

WHO guidelines, dietary requirements, generalized market prices, we do not believe that we should determine what a farmer needs. The farmer knows best. The salary of a farmer is therefore determined by the farmers themselves, taking into account their needs of a decent house, good education for their children, a preferred diet, the necessary healthcare, the right savings, and all other costs that go hand in hand with a worthy life. During our session the farmers and experts came to a consensus of the following living income benchmark:

25.500 BIRR

PER MONTH

Sources used

Fairtrade: Coffee farmers Kenya enthusiastic about Fairtrade
Climate Academy (2021).
Kenya Census Data (2019)
KNOEMA: World Data Atlas: Kericho (2019)

Farmers & local experts

Mauchi Fred
Kusolo George
Justine Watalunga
Weboya Lawrence
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Was anything unclear?

Do you have feedback?

Want to know your LIRP?

**Or have a chat over a (TRUE-priced)
cup of coffee?**

info@fairchain.org



A collaboration between:

