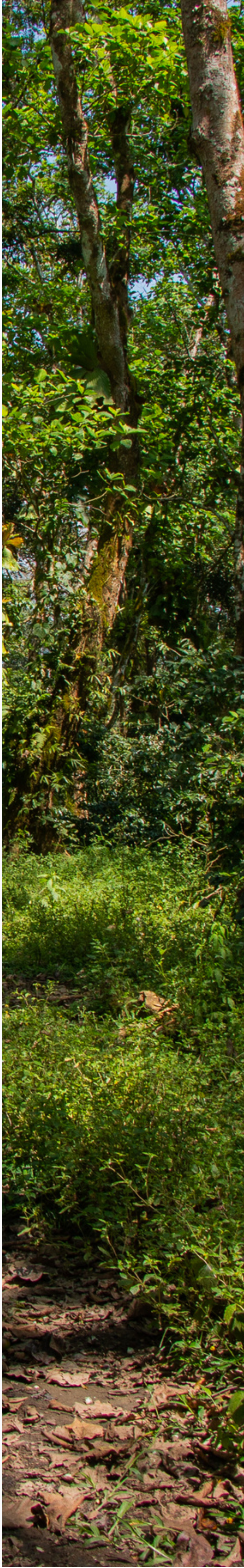
LI RP

For Arabica Coffee from Mizan, Ethiopia

2025



FAIRCHAIN FOUNDATION

ABOUT THE MIZAN REGION

Guraferda, the region that is close to Moyee's Mizan farm, is a woreda, located within the Bench Sheko zone in south west Ethiopia. The area is a perfect example of an Afromontane region that is remarkably intact despite no official protection by the government. This is in part due to the protection of the area by local people who live in harmony with the forest.

Honey is one of the major products from this region and an important driver behind protecting the native and endemic tree species. The locals are familiar with the various uses of every tree and value greatly those trees that produce high quality honey. Ethiopia produces the most amount of honey of all African countries, on the tune of 43,000 tons per year. Much of which is used to produce a local wine known as 'tej'.

Coffee is the other main product of the woreda, where it is grown under the shade of native forests. Guraferda always remained a wild and indigenous region, as its inhabitants live together in harmony with the nature and wildlife. Accordingly, several species of primates are a common site on coffee farms such as the black and white colobus.

5,5 PEOPLE

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 to fix 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).

To 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, the FairChain LIRP is based on full-time farming, using sustainable practices and an optimized business model with no negative social 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 realize 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 that try 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 given.

On the 17th and 18th of November we welcomed 6 farmers, 4 field officers, and 2 local coffee experts to our interactive LIRP calculation session held in Mizan, Ethiopia. By using real-life experiments, practical exercises, interactive dialogues and consensus-based methods, we collected input using the following parameters used to calculate the LIRP:

1. **Sustainable target yield**
2. **Full-time farmer land size**
3. **Farmer's salary**
4. **Production costs**

We use the following formula to calculate the LIRP:

$$\frac{\text{Farmer's salary} + \text{Production costs}}{\text{Target yield} \times \text{Full-time farmer's land size}} = \text{LIVING INCOME REFERENCE PRICE}$$

LIRP ARABICA COFFEE MIZAN

46,38 BIRR *

FOR 1 KG OF ORGANIC BERRIES - FARMGATE PRICE

This reference price is based on a optimized business model, meaning that if 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 **55.88 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.

MAY 2025

1. YIELD

The sustainable target yield is determined according to a model farm, 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.

Target yield

1012
TREES PER ACRE

10
KG BERRIES PER TREE

9612
KG BERRIES PER ACRE

Current yield

Currently, the average yield is **7302** 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.

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.

1,56
ACRE

3. 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:

18.652 BIRR

PER MONTH

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 (1,56 acre).

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

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.

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

133.770
HIRED LABOUR

Included is the current salary for the hired workers.

21.723
TOOLS & EQUIPMENT

24.960
TRANSPORT

31.844
OTHER COSTS

Sources used

Multidimensional poverty analysis: in case of Jimma zone, South West Ethiopia (2020)
Kenya Census Data (2019)
KNOEMA: World Data Atlas: Kericho (2019)

Farmers & local experts

Mauchi Fred
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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?

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