Phil Leis

Rural Livelihoods and Coffee

Overcoming the Coffee Paradox in Indonesia, Papua New Guinea and Vietnam

**Topic and Research Question**

Since the global coffee crisis of the 2000s, the traditional mainstream sector of the market has remained stagnant, while the specialty sector has seen remarkable growth. Despite this, the global market is still somewhat characterised by a ‘coffee paradox’ (Daviron & Ponte, 2005), with a boom in consumption coinciding with farmers remaining in poverty.

The expanding specialty coffee sector in affluent countries has led to a renewed focus on coffee as a cash-crop to aid rural development in growing countries. Increasing numbers of farmers are beginning to focus on quality rather than quantity in order to maximise their income. Southeast Asia is somewhat lagging behind in this respect, but this trend is visible nonetheless. This thesis looks at the potential of specialty coffee to overcome the coffee paradox in the Southeast Asian countries of Indonesia, Papua New Guinea and Vietnam. The research question adopted is: What are the similarities and differences between the recent systems of coffee production and connected rural livelihood strategies in Indonesia, Papua New Guinea and Vietnam?

**State of the Art**

Over the past decade or two, the school of global value chain (GVC) analysis has become a prominent tool, both for research and development policy making. Although originally a highly negative term originating in critical political economy, the term has now become more neutral. In recent years GVC analysis has come under increasing criticism. Critics make the point that the GVC approach does not adequately take into account important local peculiarities, such as different institutional contexts, cultures and different livelihood strategies of the local population. In essence, many decry the fact that GVC analysis has lost its critical edge.

More specifically concerning coffee production, the main topics of relevance for this thesis are those of production systems and certifications.

Although the term ‘production system’ is used in the literature, it is hardly an agreed upon term, and often other words are used to mean the same thing. In any case it refers to how coffee is grown in a specific place. And much literature exists about the biological, social and economic aspects of it.

Regarding coffee certifications there also exists a large body of literature, although much of it is of a general nature, and those case studies with relatively conclusive data are by and large from Latin America or Ethiopia.

Research on coffee production in East Asia, especially in relation to rural livelihoods, is significantly less.

**Methodology and Approach**

The thesis takes a comparative approach, looking at the situation in three Southeast Asian countries where coffee is produced. The aim is to combine the view of the countries’ positions in the global value chain with that of the rural livelihoods on the ground. In order to do this, four main categories were chosen: production systems, certification, livelihood context and institutional context.

Production systems is a fairly broad category. It includes the sub-categories of Climate and Geography, Types of Coffee, Production & Processing and Export & Domestic Consumption.

The certification category provides an overview of the extent of coffee certification in the different countries, as well as the types of certification. The sub-categories are: Voluntary Certification Schemes, Geographical Indications and Relationship Coffee.

Livelihood context looks at the specific livelihood strategies of smallholder coffee farmers. The specific sub-categories are: Subsistence, Cash-cropping & diversification and Culture & Customs.

Institutional context attempts to cover the important aspects of political and institutional variables that impact the livelihoods of coffee farmers. The sub-categories of this section will thus be: State Policies & Infrastructure, Non-state Actors and Farmer Organisations.

**Main Facts**

**Production Systems**

Indonesia and Papua New Guinea have areas perfectly suited to both Arabica and Robusta cultivation, Vietnam more limited.

In terms of absolute production Vietnam dwarfs the other two countries due to its high-yielding intensive coffee cultivation. However, processing quality remains low in Vietnam, and is equally problematic in Papua New Guinea. The picture in Indonesia is very varied itself, with processing practices ranging from very good to rather bad.

Unsurprisingly most of the coffee grown across the countries is destined for export.

**Certification**

Varying degrees of certification. Varied evidence for the benefits of certification, with these benefits often being the result of certification only indirectly.

GIs are expanding only slowly in Southeast Asian coffee. In both Indonesia and Vietnam there is not yet any evidence of significant benefit. In Papua New Guinea there are no GIs at all, and no legal framework for them, suggesting that they are not a priority at this time.

There have been a few direct trade schemes that were initially successful but which did not seem to last for more than a few seasons.

**Livelihood Context**

It is difficult to speak of one Indonesian livelihood context, but the overarching theme is a generally high level of diversification among smallholders. The exact agricultural practices differ almost as much as the cultural ones.

Regarding traditional customs, they are absolutely central in some areas of Indonesia, for example Sulawesi, but less have less of an impact in others. In Papua New Guinea they remain strong, but have been changed by coffee cultivation.

**Institutional Context**

Both Indonesia and Vietnam are considered to have an interventionist approach, and both consider coffee as being of great importance for development, together with other cash crops. Indonesia classifies it as a ‘nationally leading commodity’ and Vietnam a ‘strategic resource’.

In Indonesia, patronage networks and corruption still dominate rural areas. In Vietnam the main problem is bad governance due to overlapping responsibilities of state agencies, with no clear responsibilities. The state in Papua New Guinea is in an even weaker position, and in addition to little support and a lack of extension service provision, the country is plagued by deteriorating infrastructure.

In Indonesia, farmer associations are official state-sanctioned entities, and while they often provide an important link between farmers, value chain actors and local governments they are often unstable and also plagued by patronage and corruption. In Papua New Guinea they also have a long history but have not been very successful. Vietnam’s coffee sector is characterised by a general low level of collective bargaining, especially by farmers.

**Results**

Climatic and geographic limitations a large factor, before even considering social and economic ones.

In line with the global picture, smallholder farmers are the backbone of coffee production in all three countries. But concrete situation differs widely.

The major factor in securing higher prices for coffee is above all its quality.

Different definitions of sustainability – environmental and socioeconomic. Voluntary certifications limited have limited impact overall.

GIs not living up to their promises yet in SE Asian coffee sector. Some argue that they are a mere marketing exercise.

Direct Trade has potential, but questions remain over long-term relationships and possibility to expand significantly.

Scope for increased diversification almost everywhere.

Question of the nature and desirability of development. Limited state provisions, NGOs not enough to fill the void.

Farmer organisations play a key role in improving the outcomes of coffee smallholders. Can help improve practices, know-how and help with collective bargaining.

**References**

All references can be found in the full version of the MA thesis, once it is available online.

**About the Author**

The author holds a BA in Sociology and Political Science (Joint Honours) from the University of Birmingham and is now looking forward to a life outside of academia.

Contact information: philip.leis@protonmail.com

Examination Date: 23 APRIL 2020