



**ISEAL Webinar**

**10.11.2015**

# **The long way to a living income**

**(Based on: Cocoa Barometer 2015)**

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## **Aim of the debate**

### **A simple definition: Cocoa created a living income**

**Text from a song in the 1950s (Ghana)**

**If you want to send your children to school, it is cocoa**

**If you want to build your house, it is cocoa**

**If you want to marry, it is cocoa**

**If you want to buy cloths, it is cocoa**

**If you want to buy a lorry, it is cocoa**

**Whatever you want to do in this world**

**It is cocoa money that you do it**

# Aim of the debate

**Do we need this debate in the cocoa sector?**

**YES!**

We need it to

- Define a sustainable income to have a benchmark for projects :
  - Do they support farmers to reach a better livelihood and a decent income?
  - Is the income sufficient to invest in a better cocoa production?
  - Do they generate enough income to attract young people?

# Definition

**Living Income:** Income (*in cash and kind*) sufficient to afford a decent standard of living for the **income earner and his family**. Applies to entrepreneurs, and/or self-employed people, such as small-holder farmers.

**Decent standard of living** include food, water, housing, education, health care, transport, clothing, and other essential needs including provision for unexpected events.

**Ongoing Work:** GIZ/ISEAL/SustainableFoodlab / SA 8000  
UTZ Certified / Fairtrade / Rainforest Alliance-SAN .....

# Definition

## Living **Income** Calculation:

### **Income = selling products**

- Volume and price of a range of agricultural products
- Available work force (labor units) and **labor costs**
- Available land and natural conditions: e.g. rain, soil fertility
- Socio-economic conditions: farmer's knowledge and skills
- infrastructure, access to inputs (**costs!**) and financial services

### **Consumption**

- Number of household members (consumption units) (**– food production for own consumption**)

### **Levers**

- Price = farmer is “price-taker”
- Possible: increase volume and quality; strong cooperatives = economies of scale
- Switch from one commodity to another and/or diversification

# Calculation

## Figures are often:

- Not available
  - Existing databases not open to the public
  - Data diffused in many different paper/websites/presentations
  - Datasets not very reliable and not always comparable

## Figures are often

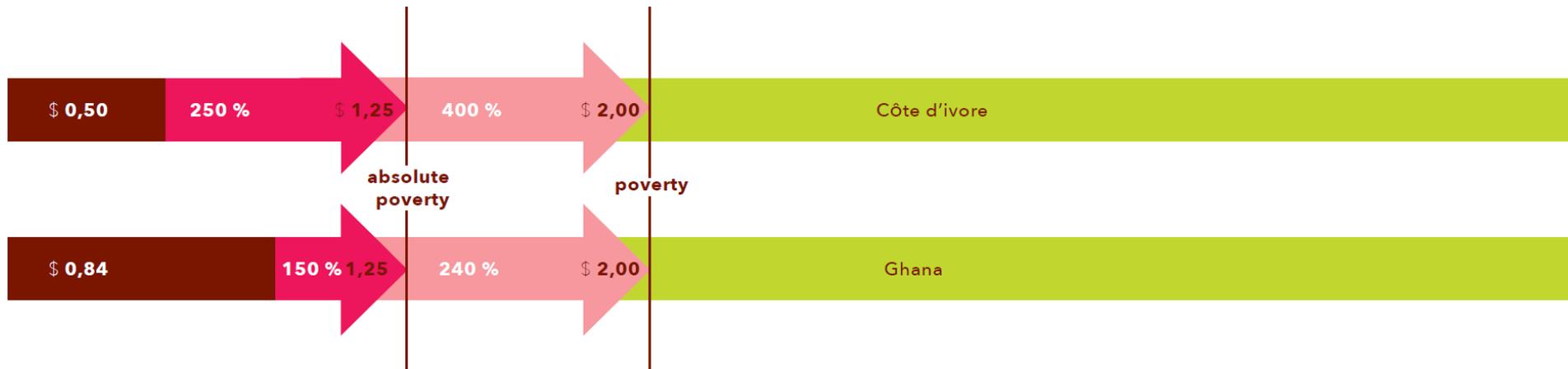
- We collected the available core data
  - Studies concentrate on Ghana and Ivory Coast
  - Nearly no data on production costs available
  - Consumption data are not available



# Calculation

## Cocoa Barometer 2015:

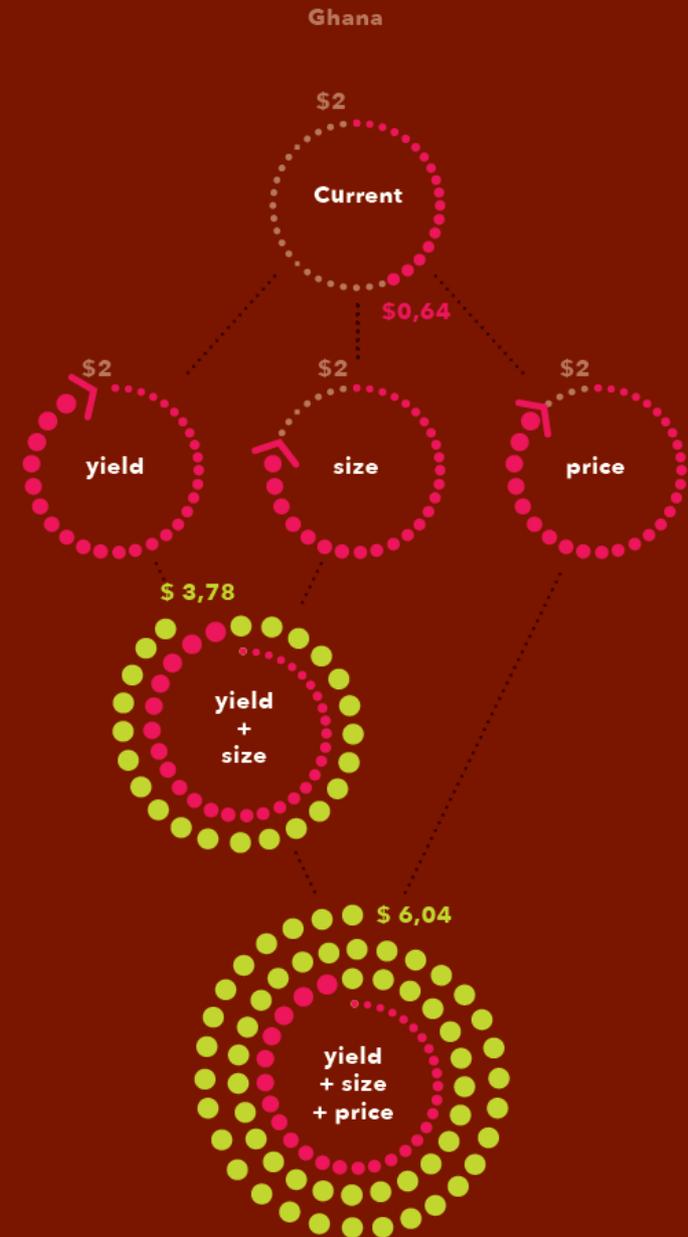
- Available database shows low **income per household member**
  - To escape the Poverty Lines defined by the World Bank a much higher income per household member is needed
- Source of the data and the calculation see:  
<http://www.cocoabarometer.org>
- More research and data collection is needed!



# Conclusions

## Cocoa Barometer 2015 - Ghana:

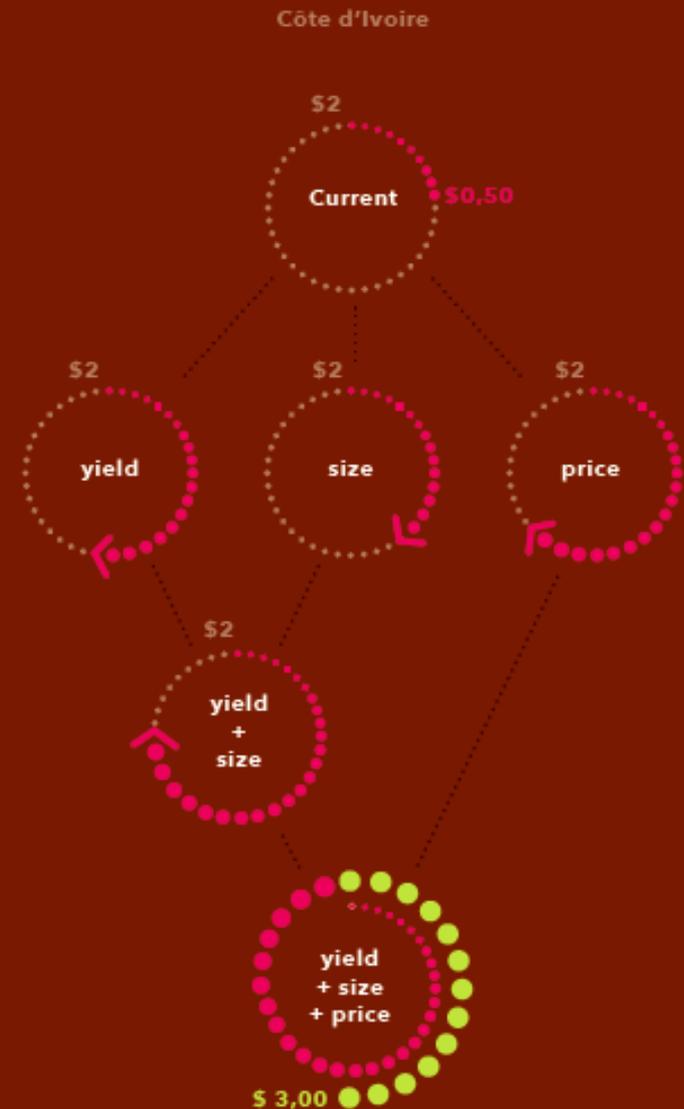
- Holistic approach necessary:
  - Higher farm gate price
  - Bigger Farms
  - Higher yields
- Diversification could be a game changer
- Source of the data and the calculation see:  
<http://www.cocoabarometer.org>
- More research and data collection is needed!



# Conclusions

## Cocoa Barometer 2015 – Côte d'Ivoire:

- Holistic approach necessary:
  - Higher farm gate price
  - Bigger Farms
  - Higher yields
- Diversification could be a game changer
- Source of the data and the calculation see:  
<http://www.cocoabarometer.org>
- More research and data collection is needed!



# Conclusions

## Juggling figures:

- Bigger Farms - higher yields – higher income?:
  - Low farm gate prices and escalating costs could even lead to losses
- Diversified production needs markets!

Farmer Revenue

Of which Cocoa %	Yield: per ha, kg	Farm size (ha)	Total Yield (t per farm)	gross income, \$2000 per ton	Input costs per ton	Input costs per farm	Net Income from cocoa	Income cocoa and others
100%	400	2,5	1	\$2.000	\$500	\$500	\$1.500	\$1.500
100%	400	5	2	\$4.000	\$500	\$1.000	\$3.000	\$3.000
100%	1000	2,5	2,5	\$5.000	\$500	\$1.250	\$3.750	\$3.750
100%	1000	5	5	\$10.000	\$500	\$2.500	\$7.500	\$7.500
100%	1000	2,5	2,5	\$5.000	\$1.000	\$2.500	\$2.500	\$2.500
100%	1000	5	5	\$10.000	\$1.000	\$5.000	\$5.000	\$5.000
50%	500	2,5	1,25	\$2.500	\$750	\$938	\$1.562	\$3.124
50%	500	5	2,5	\$5.000	\$750	\$1.875	\$3.125	\$6.250

gross income, \$1000 per ton	Input costs per farm	Net Income from cocoa	Income cocoa and others
\$1.000	\$500	\$1.000	\$1.000
\$2.000	\$1.000	\$1.000	\$1.000
\$2.500	\$1.250	\$1.250	\$1.250
\$5.000	\$2.500	\$2.500	\$2.500
\$2.500	\$2.500	\$0	\$0
\$5.000	\$5.000	\$0	\$0
\$1.250	\$938	\$312	\$1.874
\$2.500	\$1.875	\$625	\$3.750

# Conclusions

## Open Question:

**Is there a way forward towards a decent income and sustainable farming?**

## What do we have to do:

- **Define a vision**
- **Work on a strategy**
  - **Set priorities**
- **Choose a team to do the work**



### Contacts

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**Thank you!**

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