

The Role of Governments in Enabling Living Income in Global Agriculture Value Chains Webinar Q&A

Q: Did the West African Cocoa Living Income Differential (LID) mechanism work in reducing the living income gap or not?

A: Tawiah Agyarko-Kwarteng, Cote d'Ivoire-Ghana Cocoa Initiative-In the first year of implementation, yes, the LID mechanism allowed both countries to increase farm gate prices by over 20% in the 2020/21 crop year thus reducing the living income gap. However, with pressure of negative country differentials effectively eroding the LID gains, CDI had to lower farm gate prices slightly in 2021/22 and Ghana maintained the level for farmers but has ended up effectively subsidizing (up to \$400 million/year) to stay on course.

Q: Considering the uneven share of value created, are there initiatives to establish a chocolate industry in Ghana to move away from commodity exports, create jobs in food industry and maintain more value in the country (and challenge established structures)?

A: Tawiah Agyarko-Kwarteng, Cote d'Ivoire-Ghana Cocoa Initiative-Yes, both Cote d'Ivoire and Ghana have been promoting the development of the local chocolate industry, and we see more and more local artisanal chocolatiers coming up, more training and support. There remains a lot to do still obviously. And it's also an issue of promoting local consumption. The per capita consumption of chocolate/cocoa products in Africa is still very low compared to Europe and other parts of the world.

Q: A question for Tawiah, please: Do you think that the CSR efforts of multinational chocolate companies are a help or a hindrance in achieving living incomes? For instance they frequently talk about living incomes simply through the lens of productivity increases in their SR programmes (which in itself can further suppress prices)?

A: Tawiah Agyarko-Kwarteng, Cote d'Ivoire-Ghana Cocoa Initiative-These kind of efforts are important in the work towards achieving living incomes, but you're right, they cannot be through only one lens and we need to be careful. Let's also keep in mind that programs of chocolate companies reach a small percentage of all cocoa farmers (in Ghana it's estimated to be about 10-15%) so we need approaches that have wider impact, that reach all farmers.

Q: Is there any indication of the percentage of farmgate prices compared to FOB prices? Is coffee export tax revenue an important component of Government revenue?

A: Vera Espíndola Rafael, SADER-What we are seeing is that in terms of conventional coffee, FG price is about 60% of FOB. In terms of specialty coffee, we believe it is 70%. For Mexico coffee it is a strategic crop as it is produced by an estimation of 500,000 producers. In 2020, green coffee generated 420 million dollars, ranking 21st.

Q: Are you confident that the promotion of coffee consumption (domestic and foreign) will be enough to absorb the doubling of the output? Will this otherwise not contribute to oversupply in the already saturated global coffee market and thereby depress prices further for the producers limiting their prospects on net income gains?

A: Vera Espíndola Rafael, SADER-The focus of coffee consumption is focused on volume as well as quality. The market would indeed focus on domestic and international market. The consumption on a national level and even regional level has grown organically. We at this moment do not think it will cause a push downwards to prices.

Q: Based on marked differences in know-how, education, political power, economic resources, and impact, among others, is there a weighted responsibility on advocating for sustainability and living income policies between consumer countries and producer countries governments?

A: Marike de Pena, CLAC-As Living Income is a Human Right and a condition to fulfill other Human and Environmental Rights, advocacy is a strong tool to connect producers with consumers and their governments in creating awareness and make a call for meaningful participation of all actors, an inclusive analysis on the root causes behind low income, a shared responsibility in addressing these causes and long-term collaboration to achieve the goals we set. Sustainability and Living Income policies for farmers, workers and countries at risk need to be first and above all based on an inclusive debate, so that country policies (in producer countries) give input to global policies (in consumer countries) and that the latest take into account the realities on the ground, are feasible, have local buy in, and facilitate the needed support and regulations to achieve common goals.