

2020 LIVING INCOME WORKSHOP

*Design and implementation of a
Living Income Programme:
From evidence to action*

**7 April 2020 |
13:00-17:30 BST (GMT +1)**

**The Living Income
Community of Practice**

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**For further information visit:
www.living-income.com**



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Housekeeping Rules

INTRODUCE YOURSELF

- When you join, edit your name and add your organization in brackets - e.g [Sheila \(ISEAL\)](#)
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HOW CAN I ASK A QUESTIONS/COMMENT?

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(there will be a follow workshop report that aims to address as many questions as possible)

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HEARD SOMETHING NOTEWORTHY? Share in on twitter or LinkedIn using the hashtag #LICOP2020event

TECHNICAL DIFFICULTIES ? Reach out to anja@isealalliance.org or rita@isealalliance.org

Agenda

TIME (BST/GMT +1)	Duration	Session
13:05 – 13:45	45m	Session 1 Introduction to Core Concepts and Living Income - State of Play
13:45- 14:00	15m	BREAK
14:00 – 15:30	90m	Session 2 Strategies to Close the Income Gap
15:30- 15:45	15m	BREAK
15:45 – 17:15	90m	Session 3 Measurement and modelling to inform strategies and track progress
17:15-17:30	15m	Wrap Up and Future Virtual Workshop Topics

CoP Implementing Partners



Friederike Martin
Advisor Sust. Ag.
Value Chains
and Standards
GIZ



Stephanie Daniels
Senior Program
Director
Sustainable Food Lab



Kristin Komives
Director,
Impacts
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Kaitlin Sampson
Programs and
Communications
Associate
Sustainable Food Lab


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Audience Introduction (Poll Question)

A photograph of a man in a dark suit and a woman in a dark jacket sitting at a table. The man is looking down at something on the table, and the woman is smiling and looking at him. A speech bubble is overlaid on the image.

1) What type of organisation do you represent?

A photograph of a woman in a colorful patterned dress standing and speaking into a microphone. She is facing a group of people seated at tables. A speech bubble is overlaid on the image.

2) How many Living income community of practice events have you attended?

Ms. Eunice Arhin, MOFA
Ghana LI Benchmark workshop

TOWARDS A DECENT STANDARD OF LIVING FOR SMALLHOLDER FARMERS

Living Income - State of Play

13:00 – 13:45 BST/GMT +1 (45m)

LICOP Moderator

Friederike Martin



Friederike Martin
GIZ



Beate Weiskopf
GIZ/GISCO



Randi Wagener
GIZ



Judith Fraats
IDH



Eberhard Krain
GIZ



Antonie Fountain
VOICE Network



Ashlee Tuttleman
IDH



Claudius Bredehoeft
GIZ

Living Income Concept

What is the Living Income Concept?

Income is about households affording a decent standard of living

What does it mean to be able to afford a decent standard of living?

The net annual income of a household, which comes from a variety of sources, is sufficient to cover the cost of a decent standard of living for a typical household in a particular place.

What does decency mean in this context?

Elements of a decent standard of living include access to food, water, housing, education, healthcare, transport, clothing, and other essential needs including provision for unexpected events.

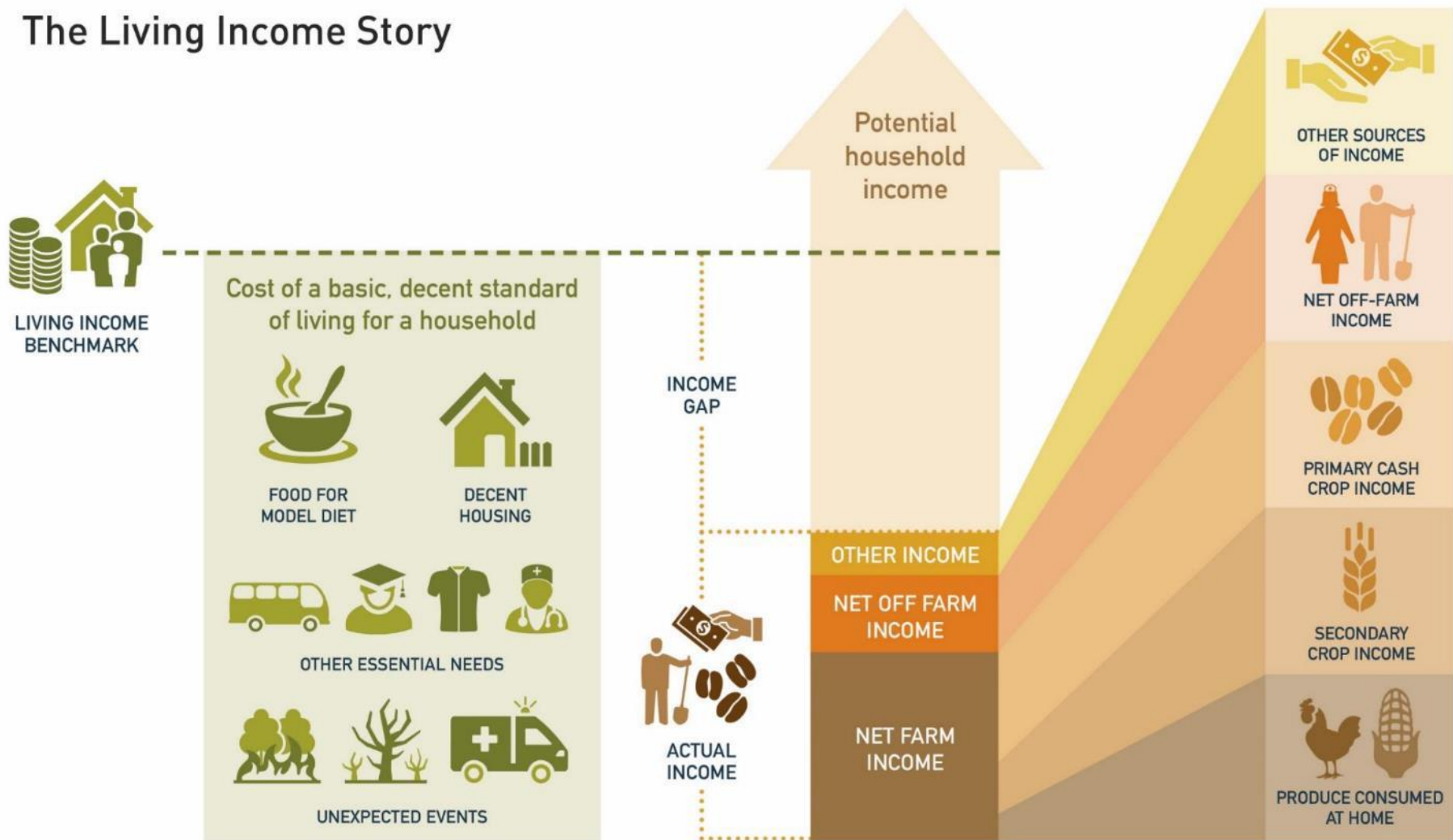
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The Living Income Story



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TOWARDS A DECENT STANDARD OF LIVING FOR SMALLHOLDER FARMERS

Sector Updates



Hear something
noteworthy?
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Living Income in the Cocoa Sector

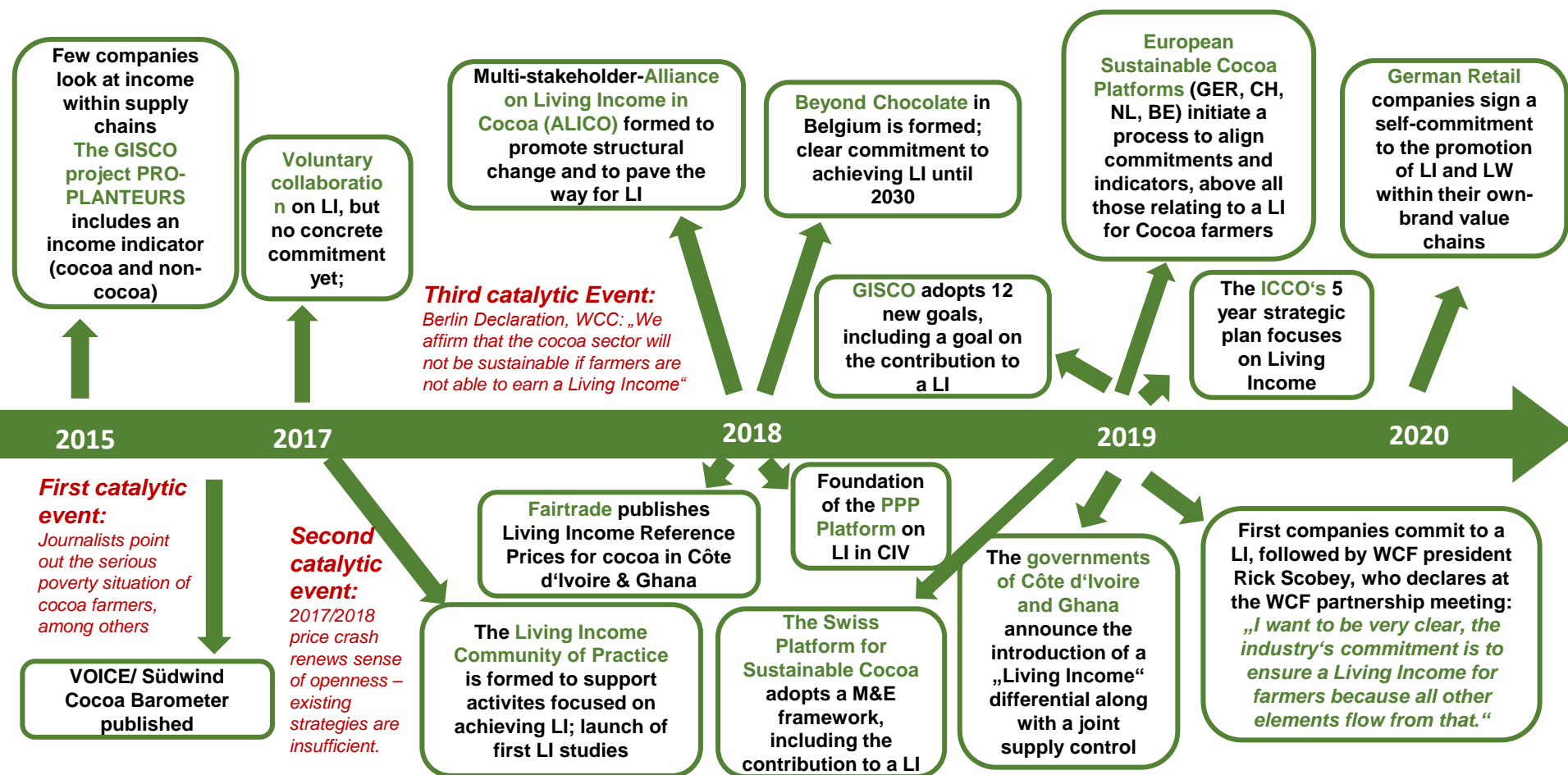
Beate Weiskopf

Executive Secretary of the
German Initiative on Sustainable Cocoa (GISCO)





Milestones on the way to a Living Income in the Cocoa Sector





Ongoing Challenges: Real Alignment between the European Platforms for Sustainable Cocoa:

1. Joint understanding on Living Income and how to close the gap

- Holistic approach needed that combines different interventions / instruments

2. Joint methodology for data collection on net incomes of agricultural households + Joint Income Study

- Cocoa and non-cocoa income
- Agricultural and non-agricultural income
- ...

3. Joint indicators for monitoring of achievements

- Total net household income (cocoa, non-cocoa)
- Price paid to the farmer
- Contribution to close the income gap

- **Achieve a Living Income for Cocoa farmers**
- **Gather and create reliable Baseline Data on the income situation of Cocoa farmers**
- **Reduce the reporting burden for companies and projects**



Challenge 2: Income of farmers towards a Living Income

Required information:

- Net household income (cocoa + other sources)
- Number of households / household composition
- Price for cocoa (Farm-Gate Price + differentials)
- Productivity of cocoa and other crops
- Other income sources of the household
- Living Income benchmarks

Concept & Methodology: Living Income
Community of Practice – both for Living Income benchmark and actual net household income

Impact Level – data gathered via joint impact studies

Total net household income – gender differentiated on household level
% of net household income coming from cocoa
% of net household income coming from other sources

Performance level – member monitoring data

USD/ton mean price differential or as % of total price paid (farm-gate). (cash, in kind, other*)

**need to be assessed separately*

Living Income



- **STARTING POINT, NOT A FINISH LINE**
- **LIRP: not just about price, but a holistic calculation tool**
- **Current LIRPs are too low**
 - **Unrealistic productivity increase**
 - **Availability and affordability of inputs & labour**
 - **Farm Size overestimated**
- **Price is the best fertiliser**

recommendations



- **FT LIRP is minimum. No need to wait.**
- **Every company and standard should develop and publish a LIRP**
- **LIRP based on the current reality of average cocoa farmers**
- **Premiums should not be considered as a part of LIRP**
- **All parties should publish data on cost of production/labour**
- **(Ivorian government cease ban on rejuvenation)**

TOWARDS A DECENT STANDARD OF LIVING FOR SMALLHOLDER FARMERS

Sector Update Coffee



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Living Income in the coffee sector

Randi Wagner

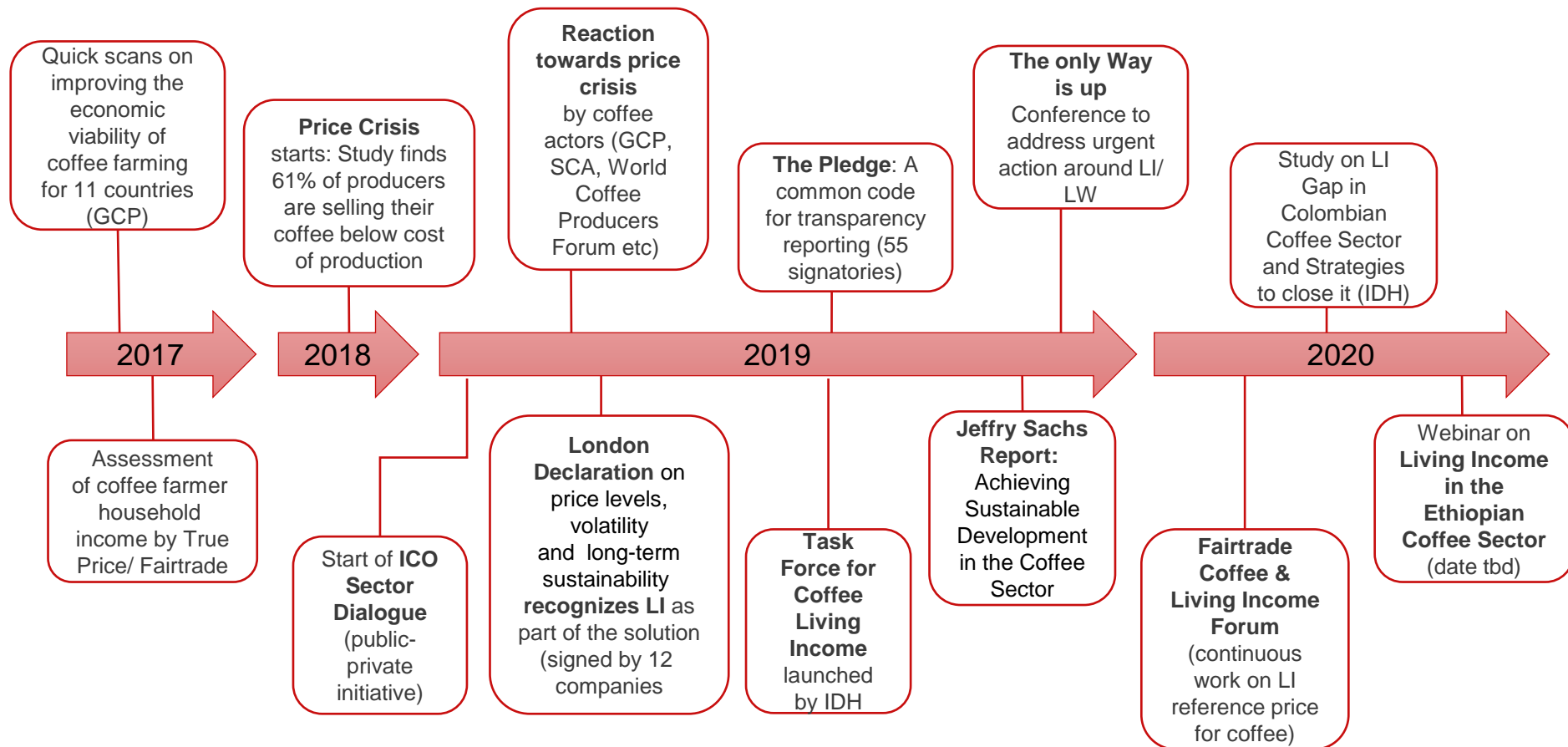
Programm Sustainable Agricultural Supply Chains and Standards

GIZ

©GIZ/Silas Koch

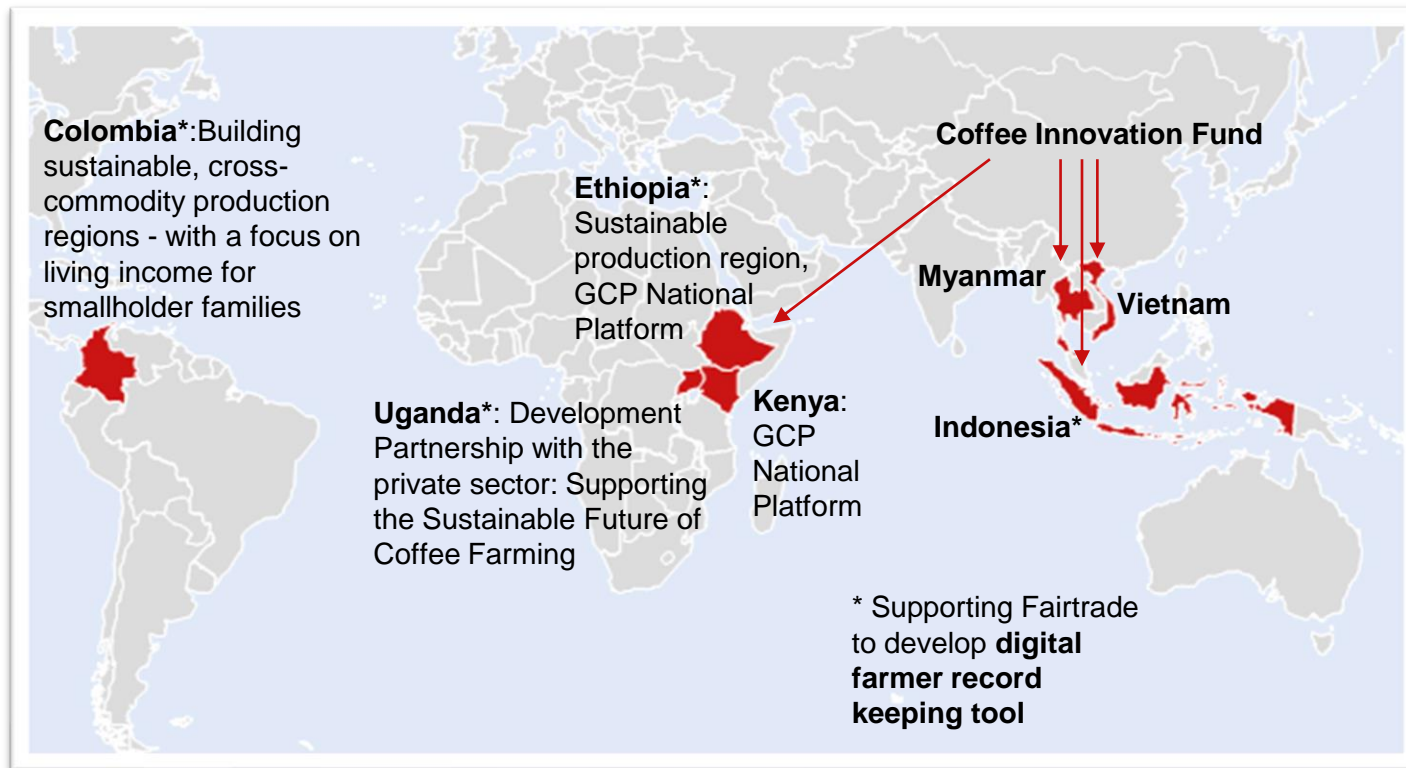


Developments in the Coffee Sector





Working towards closing the Living Income Gap



Targeting:

- Smallholders
- Governments
- Companies
- Consumers

Using:

- Landscape approach
- Digitalisation
- Dialogues with relevant stakeholders

Doing:

- Trainings to increase quality/ productivity
- Creating market linkages
- Advising governments

Legal disclaimer: This geographical map is for informational purposes only and does not constitute recognition of international boundaries or regions; GIZ makes no claims concerning the validity, accuracy or completeness of the maps nor assumes any liability resulting from the use of the information therein.



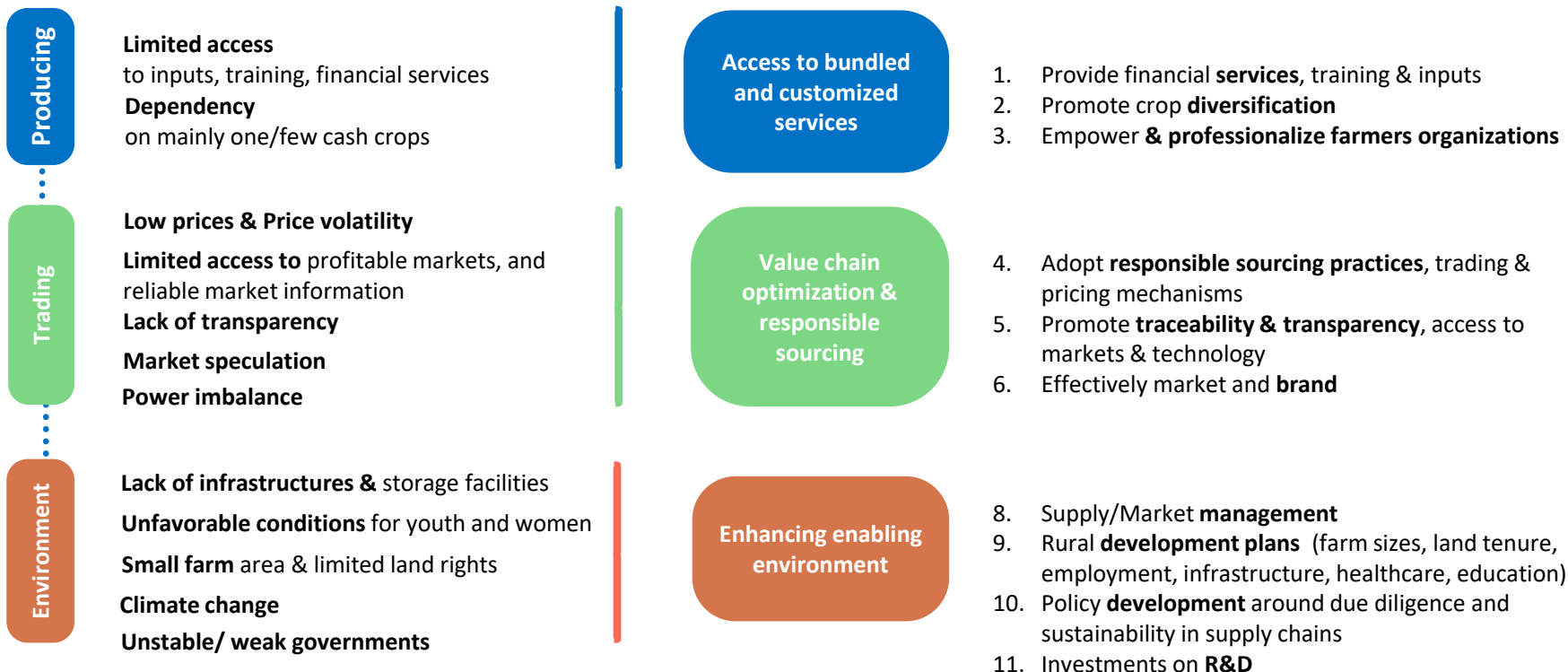
LIVING INCOME IN COFFEE

Presented by
Ashlee Tuttleman
Coffee Program Manager - Africa



CONCEPTUAL FRAMEWORK FOR CLOSING THE LIVING INCOME GAP

CHALLENGES



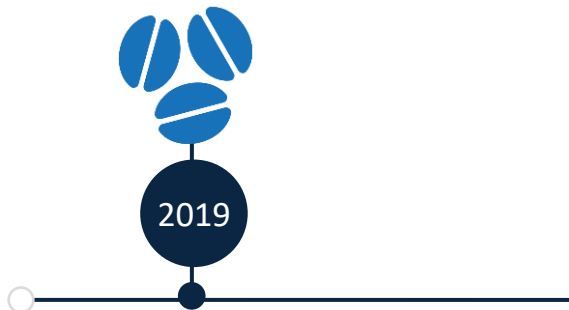


SECTOR CONVENING

TASKFORCE FOR LIVING INCOME COFFEE (TCLI)

How are LI gaps different based on sourcing archetypes?

What are the effective sourcing practices to help close the living income gap?



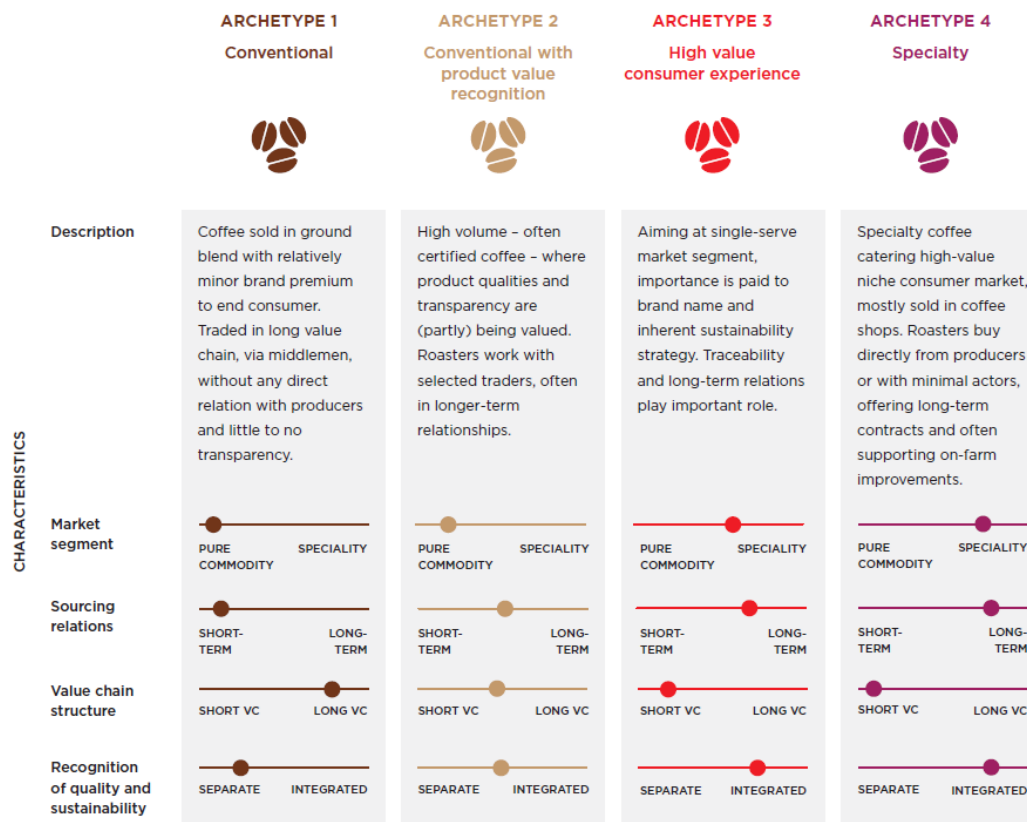
ANALYSIS LINKS 4 SOURCING ARCHETYPES TO LIVING INCOME IN COLOMBIA

Executive Summary:

<https://www.idhsustainabletrade.com/uploaded/2020/02/Coffee-TCLI-2020-final.pdf>

Full Report:

<https://www.idhsustainabletrade.com/uploaded/2020/02/strategy-handbook.pdf>



COLOMBIAN PRODUCERS FACE SIGNIFICANT LIVING INCOME GAPS

Beyond quantifying gaps/archetype, the report compiles actions different sourcing archetypes can take to close the gap, noting that gap closure requires a combination of interventions.



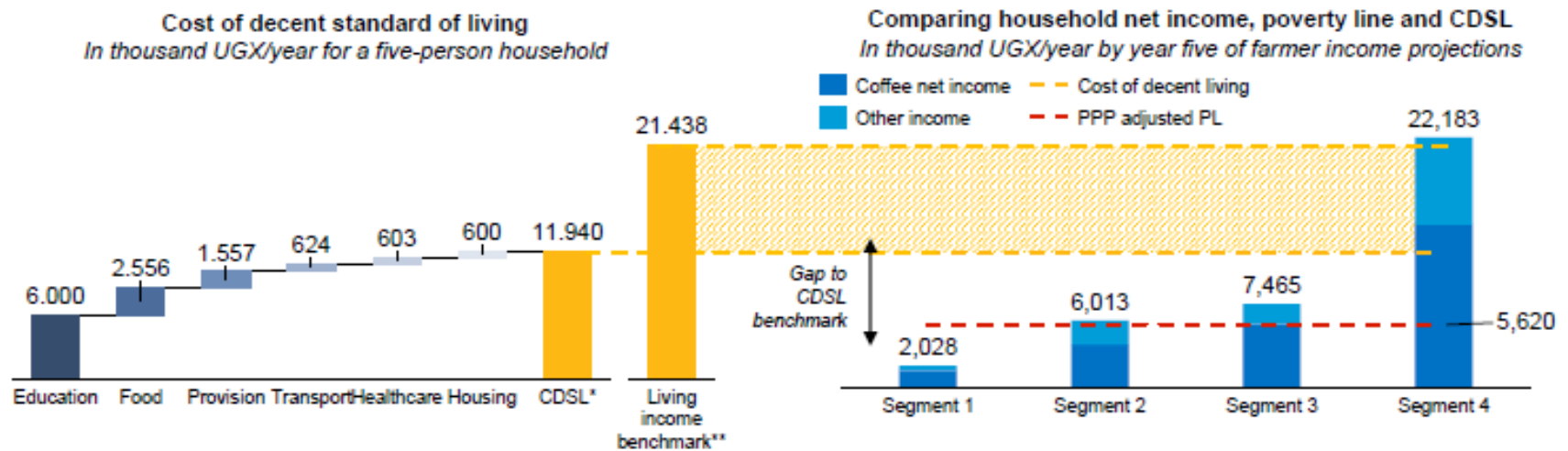


CO-FUNDING CHANGES IN BUSINESS PRACTICE & TOOLS FOR INTERVENTION ANALYSIS

SERVICE DELIVERY MODEL (SDM) ANALYSIS –LIVING INCOME PROTOTYPE

Living income gap by smallholder farmer segment

Anonymized Uganda example



*Cost of decent standard of living (CDSL) based on exporter field team estimates.

** Living income benchmark from Fairtrade International reference price on vanilla in overlapping areas for coffee production.

SDM ANALYSIS – LIVING INCOME PROTOTYPE

Single variable analysis for gap closure

Key farm-level levers

- Land size
- Diversification
- Price
- Productivity

Key income drivers (as is)

Farm size (acre)	0.84	0.71	2.98	2.71
Yield (kg/acre)	509	1,127	498	1,063
Farm-gate price	6,480 UGX/kg parchment			

Required change in one of below variables to get to CDSL (low) or Living Income benchmark** (high)

OR: Income from other sources (ugx)	9,913 – 19,400	5,927 – 15,415	4,474 – 13,962	0
OR: Farm-gate price (ugx/kg parchment)	29,505 – 51,571	13,927 – 25,817	9,515 – 15,921	0
OR: Additional yield (kg/acre)	1,525 – 2,985	912 – 2,372	688 – 2,148	0

Price calculations included:

- 1) FOB GBE
- 2) farm-gate cherry
- 3) farm-gate parchment

2020 AND BEYOND: TOWARDS CLOSING THE LIVING INCOME GAP IN COFFEE

Taking action on
TCLI report
recommendations in
Colombia

Exploration of new
innovations, i.e.
climate finance
mechanisms

Co-fund private
sector-led mixed
interventions to
close the gap

Potential
replication of TCLI
report in East
Africa

**For collaboration and/or further information, please contact Ashlee Tuttleman at
Tuttleman@idhtrade.org**

TOWARDS A DECENT STANDARD OF LIVING FOR SMALLHOLDER FARMERS

Sector Update Tea



Hear something
noteworthy?
Post it!

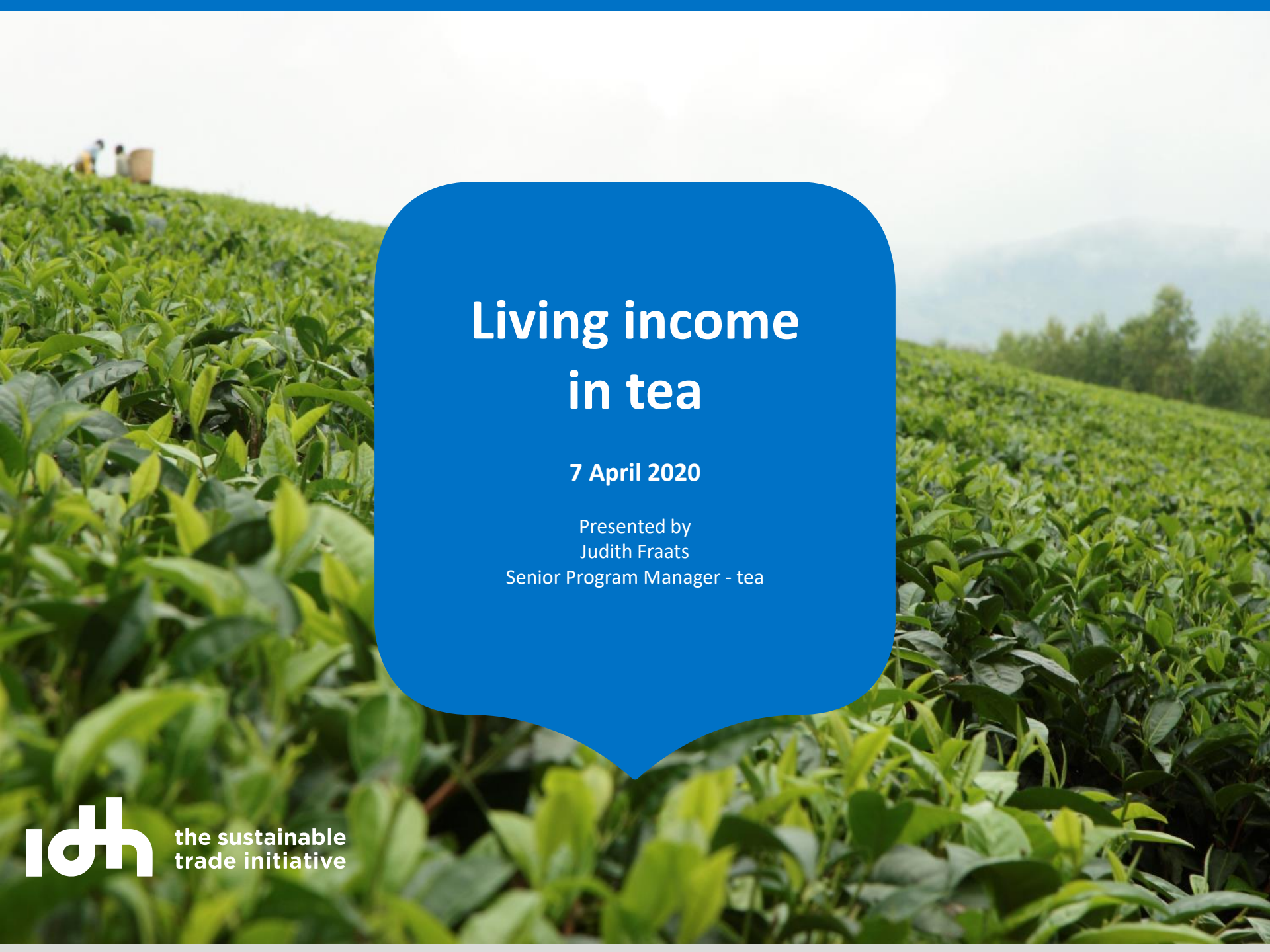


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A lush green tea plantation on a hillside under a cloudy sky. In the distance, a few people can be seen working in the fields.

Living income in tea

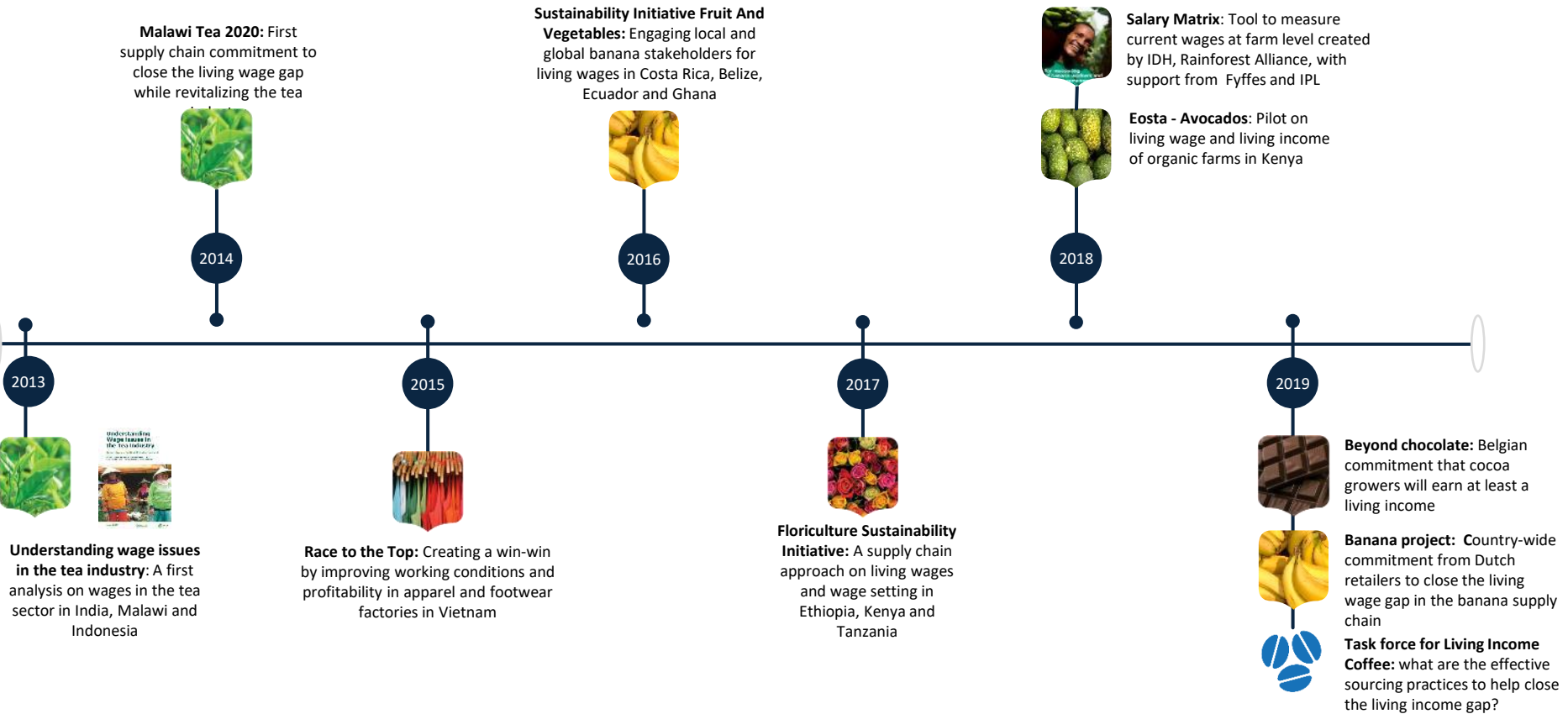
7 April 2020

Presented by
Judith Fraats
Senior Program Manager - tea



the sustainable
trade initiative

IDH & LIVING WAGE / INCOME – OUR JOURNEY SO FAR



LESSONS OF LIVING WAGE IN TEA

Malawi Tea 2020: First supply chain commitment to close the living wage gap while revitalizing the tea industry



2014



Malawi Tea 2020

- Malawi Tea 2020 was the first supply chain commitment with the objective to work towards a competitive industry with living wages for tea workers and living incomes for smallholder farmers.
- **Since the October 2014 baseline, the living wage gap has now been closed by 29%, which means that current take-home pay is at 66% of a living wage.**

Key lessons learned from Malawi Tea 2020:

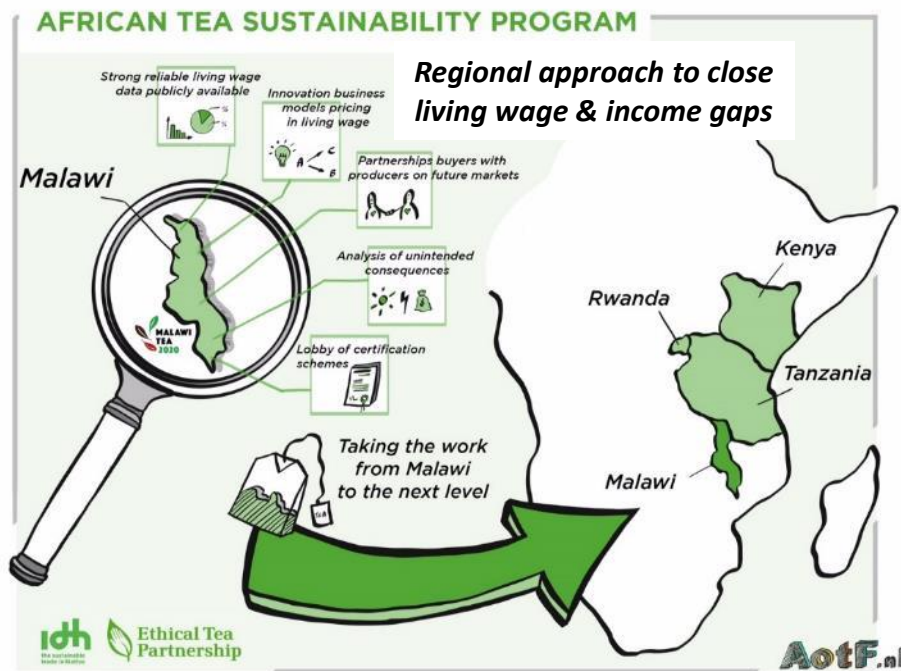
- Focusing on a single origin could harm competitiveness and limit individual supply chain progress
- Strong and reliable data is crucial:
 - Benchmark data available
 - Guidance tools, such as **Salary Matrix** and guidance tool on living income (in process)
- Develop innovative service delivery & business models to implement strategies to overcome living wage and income gaps
- Innovation on distribution of additional value generated, e.g. **Sustainable Procurement Kit**



Salary Matrix: <https://www.idhsustainabletrade.com/matrix-living-wage-gap/>
Sustainable Procurement Kit: <https://www.idhsustainabletrade.com/sustainable-procurement-kit/>



WAY FORWARD ON LIVING INCOME IN TEA



- Regional approach to close living wages and living income gaps in East-Africa, with a focus on Tanzania, Malawi, Kenya and Rwanda, in partnership with the ETP
- Tanzania EU program, focusing on improving income & nutrition for 22,000 farmers in the Southern Highlands in Tanzania
- Prototyping an agri-entrepreneur model in Assam, India working towards living income for tea smallholders

Global & local
(sector)
convening

Co-funding
change in
business
practices &
tools

Innovation &
learning

THANK YOU

For collaboration and/or further
information, please contact Judith Fraats
fraats@idhtrade.org



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Living Income in the Tea Sector from a GIZ Perspective

Living Income, Virtual Interactive Workshop #1

Living Income Community of Practice

Dr. Eberhard Krain and Claudius Bredehöft

**What have been the triggers to initiate the living income discussion?
Why the tea sector?**

The trigger/s: studies on low wages of tea workers

- ETP-Oxfam Study in 2013: “Understanding Wage Issues in the tea industry”
 - Comparing Malawi, India and Indonesia, worst case in Malawi
- European Conference on Living Wages in Berlin in Nov
 - Proposing a project on Living Wage and Living Income in tea

Motivation to work on LI in the tea sector

- There are 100-thousands of tea workers and tea smallholder farmers
 - **Ideal to learn from each other (LW ⇔ LI)**

The Malawi „Laboratory“, what was done and achieved? – in brief –

Multi-stakeholder Platform: Malawi Tea 2020

- Partners: TAML, tea companies, IDH, ETP and GIZ
 - Coordinating the sector
 - Implementing activities in 5 pillars



Achievements in Living Income

- Ankers methodology on LW can be used to determine a LI
- Methods were developed to determine actual income and compare it with a living income
- Capacity building measures (GAP and FBS-Training) **improved yields of 1,800 smallholder farmers by ~ 30% and incomes by ~ 15 %**
 - However, a ***proportional* LI-actual income gap of about 30-40% (from initially 50%)** remains

The Malawi „Laboratory“: influences beyond tea

- Findings from Malawi inspired **Fairtrade** to develop their **Living Income Reference Price Methodology** (in cocoa and vanilla)
- Living income studies financed by GIZ undertaken in the **cocoa sector** used experiences from the tea sector
- **GIZ** developed a **Living Income (and other benchmarks) Reference Pricing Tool** (still as a draft and necessitating further field testing)

Challenges and Opportunities

Challenges

- The world tea market is more diverse (China, India as big producers and consumers less willing to pay a LI mark-up) than e.g. in cocoa, thus it is more difficult to work towards a “level playing field”

Opportunities

- Pressure on companies to act (due diligence with respect to human rights / supply chain regulations)
- There are some tea buying companies highly committed to work towards a living income
- With companies joining the leverage will increase

Lessons Learned and Way Forward

- **Multi-Stakeholder initiatives** are highly important and **GIZ** will continue to support them (possibly with further projects in the tea sector) in collaboration with **ETP, IDH** and others to create synergies
- LI shall not be looked at in isolation, **human rights** and **sustainability** aspects need to be considered and incorporated holistically
- **Income diversification** and **strengthening farmer resilience** in the face of **climate change, price fluctuations** and **corona pandemic** are important, too
- ETP and GIZ are in a **follow-up PPP in Rwanda and Malawi (2019-2022)** working on
 - Farmers and tea workers incomes and opportunities to close the gap between actual income and living income
 - Building capacity in GAP
 - Training farmers in entrepreneurship skills
 - Supporting village savings and loan groups and income diversification
 - Strengthening sector coordination and multi-stakeholder partnerships

Contact

Thank you!



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TOWARDS A DECENT STANDARD OF LIVING FOR SMALLHOLDER FARMERS

Questions?



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 SUSTAINABLE FOOD LAB

BREAK #1 (15mins)

13:45-14:00 BST (GMT+1)



Remaining Minutes

15:00

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