

# TOWARDS A DECENT STANDARD OF LIVING FOR SMALLHOLDER FARMERS

## Measurement and modelling to inform strategies and track progress

15:45 – 17:15 BST /GMT +1(90m)

### LICOP Moderator

Kristin Komives



Noura Hanna  
Rainforest Alliance



Manuel Kiewisch  
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Litul Baruah  
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Michiel Kuit  
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Leila Scott  
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Asley Hartz  
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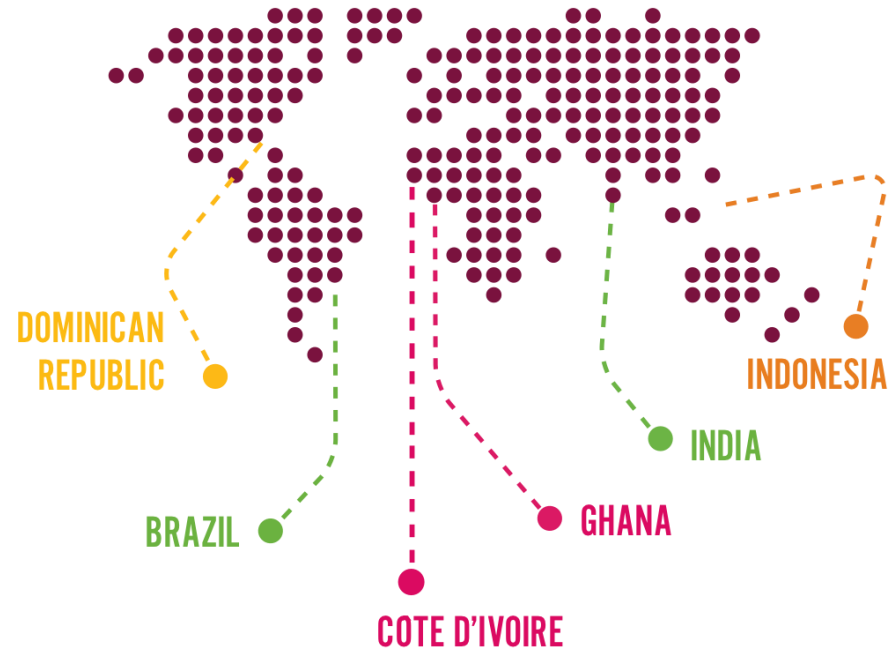
Laksmi Poti  
Laudes Foundation



**Questions for you!**

# Cocoa Life—Scope & Scale

The COVID-19 pandemic is an incredibly serious health challenge that puts the most vulnerable people at risk – a group that includes cocoa farmers registered in our Cocoa Life program and their communities. Thus far we have not seen a health impact on our communities – safety for all is our priority.



Cocoa Life reached  
**142,875**  
cocoa farmers



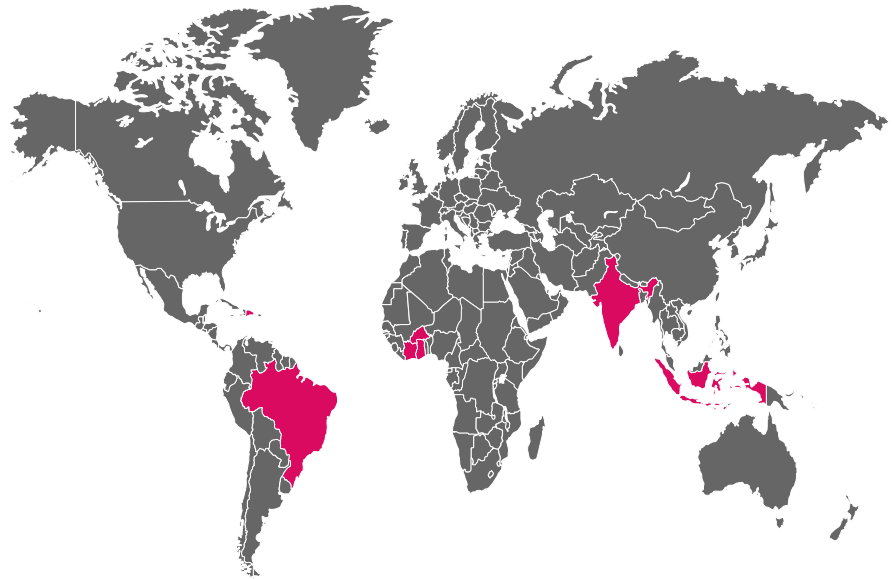
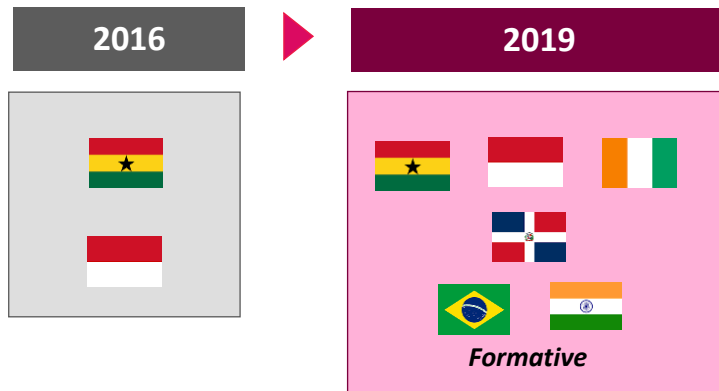
in  
**1,476**  
communities



And  
**63%**  
of Mondelez International's  
chocolate sourced cocoa through  
Cocoa Life  
\*end of 2019

# Ipsos: Global research company in 90+ countries

## Cocoa Life Impact Assessment since 2016



**Quantitative impact:** Yearly surveys with farmers, farmer spouses, and community leaders using a longitudinal panel design, now representative of the Cocoa Life program at the country level.

**Qualitative exploration:** Follow-up research with farmers, farmer spouses, community leaders, cooperatives and societies, youth, and other stakeholders.

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# Laudes ——— —— Foundation

## Our vision

We envision global markets that value all people and respect nature.

## What we do

Laudes Foundation is responding to the dual crises of inequality and climate change by supporting brave, innovative efforts that inspire and challenge industry to harness its power for good.



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## WHO WE ARE

The Rainforest Alliance is an international non-profit organization working at the intersection of business, agriculture and forests.

Our vision is a world where people and nature thrive in harmony.

Rainforest Alliance crops are grown:

- by **2 million+ farmers**
- on **7 million+ hectares of land**
- in **63 countries**

Includes both Rainforest Alliance and UTZ certified farmers. Totals calculated using estimates of how many farmers are certified by both programs.





We work at the intersection of business, agriculture and forests to solve some of the world's most pressing issues.

**LIVELIHOODS****HUMAN RIGHTS**

*The Human Rights Logo  
designed by Predrag Stakić.*

**CLIMATE****FORESTS**

# **Round 1 - Measurement Approach**

We support over 50,000 smallholder farmers across 5 countries in moving towards organic cotton farming

### Farmers

(Organic/in conversion)

50,810

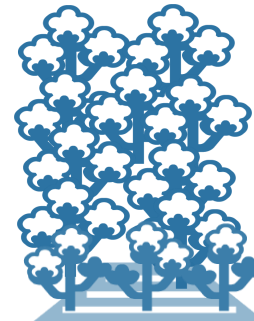


2018-19

### Cotton

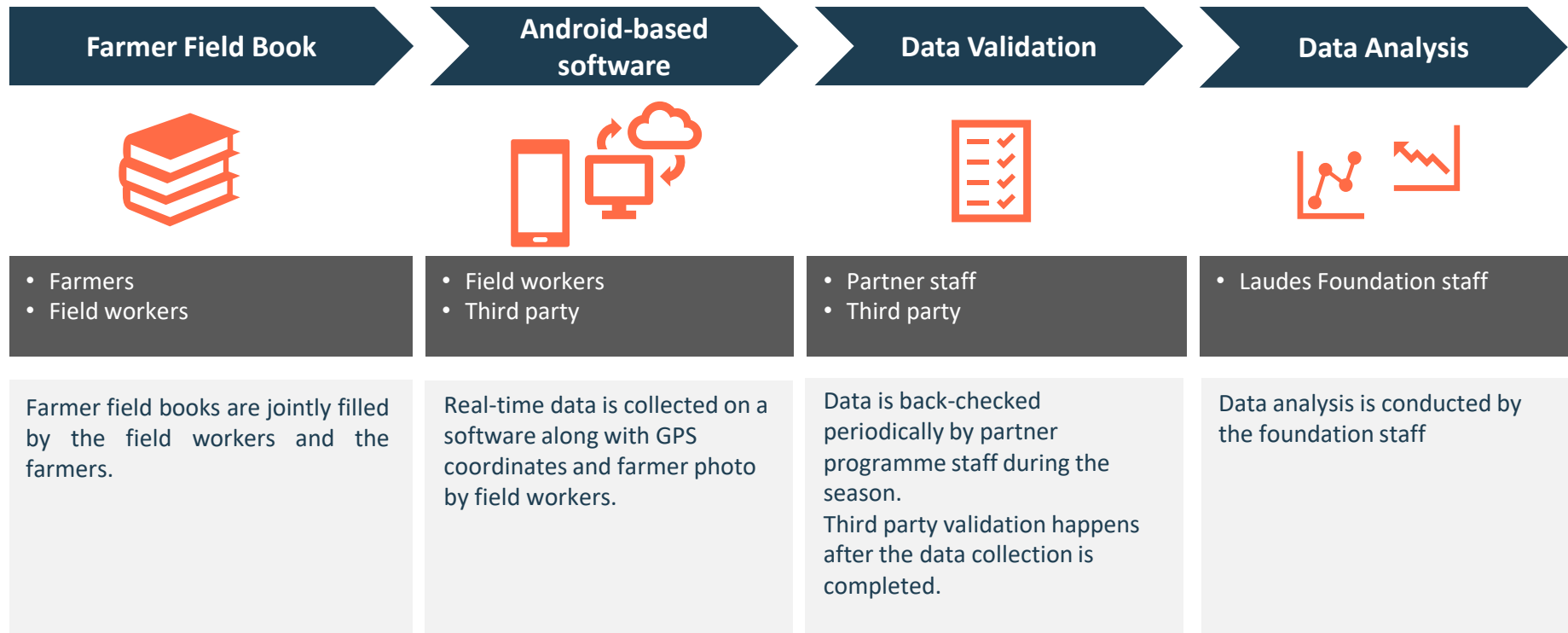
(Hectares)

45,547



2018-19

## We regularly collect data along with our partners to assess the impact of our programme



Data is collected at three points during the cotton season

### Sowing



- Farmer family profile
- Farm profile
- Certification code
- GPS coordinates
- Farmer picture
- Expected area under organic cotton production
- Household assets
- Farm equipment

### Pre-harvest



- Expected yield of organic cotton
- Actual area under organic cotton production

### Post-harvest



- Actual organic cotton production
- Component-wise cost of organic cotton production
- Price of organic cotton
- Net Income from organic cotton based on the above indicators
- Income from other crops, including conventional cotton
- Income from other non-farm sources



# Income Measurement 2019 in a Nutshell



**Aligned with Good Practice Examples**  
KIT survey; LICoP discussions



**Measured at Household Level**  
Use estimates; use avail. documentation



**Moved beyond Gross Income**  
Detail on cost estimations; share-cropping



**Explored Importance of Data Treatment**  
Cleaning; trimming; imputing missing data



**Explored Living Income Strategies**  
Test reference price calc.; adapt strategies



Questions from participants

# What we do



Productivity



Prices / premium



Diversification



Enabling policy environment  
& sector coordination.



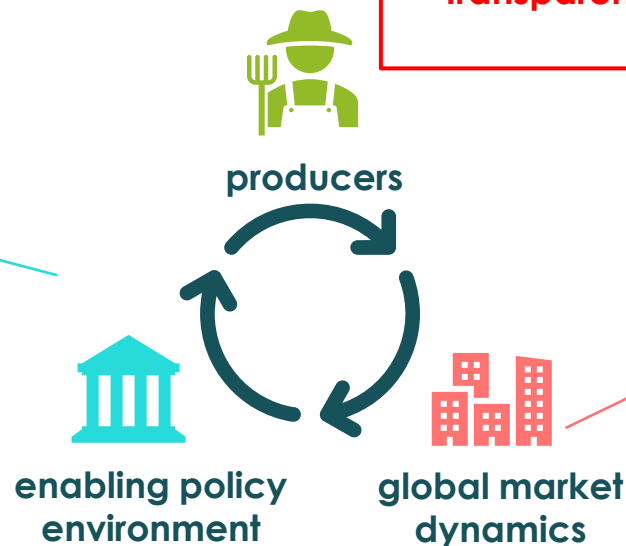
# How does the Rainforest Alliance support a Living Income?

## How to promote informed debate and influence stakeholders?

- LI COP for shared definition of benchmarks and strategies to improve income
- ALIGN tool to disseminate knowledge
- Engagement in sector platform and with policy makers
- Triggering more awareness and commitments (e.g.: Only way is up conference)

## How to improve income at the farm level?

- Drive and recognize improvement in farm performance (e.g: Risk assessment tool; Climate Smart Module etc.)
- Introduce Innovation on farm (e.g.: Farm Grow) and Landscape (e.g.: LandScale)
- **Harness the power of Data for transparency (e.g: Living income Gap)**



## How to offset market dynamics and promote shared responsibility?

- Sustainability differential & Shared investment
- Living income Step up Module
- Defining and monitoring Responsible business practices

# **LIVING INCOME MONITORING TOOL**



## Why we need such a tool?

- RA is in a unique position to **BRING TRANSPARENCY** on the progress of its members – and beyond - in reaching a living income.
- Collecting reliable data information at an individual farm level is **COSTLY** and sometimes **UNRELIABLE**.
- RA decision to develop **an EFFICIENT & RELIABLE** Living income monitoring tool to estimate the gap between LI benchmark and the farmer's net income.
- The tool makes use of large pool of reliable data on **FARM ECONOMICS** collected through commissioned **STUDIES & DATA** recorded during the certification process.
- The first testing of the tool is on cocoa producing households in **COTE D'IVOIRE & GHANA** where the pool of farm economics data is available and the need is most felt.

## What is the aim of the tool?

RA commissioned **AGRILOGIC** to advise on a model to use.

The MAIN OBJECTIVE is to answer the following research question:

*How can cocoa farmers' net household income be reliably estimated?*

Based on the gaps in available data, the focus was put to answer two sub-questions:

- 1. How can we reliable estimate a farmer's cost of production and net income from cocoa?*
- 2. How can we reliably estimate a farmer's share of income from non-cocoa sources?*

# The Living Income Tool

**Aim:** Measure and report in an efficient and reliable way progress on LI of small holder cocoa farmers in Ghana and Côte d'Ivoire

## IDENTIFIED DRIVERS OF:

1. Gross income from cocoa
2. Cost of production of cocoa
3. Income from non-cocoa sources



Net Household  
Income Estimation  
Model

## Monitoring Living Income Tool

Collected data allows:

- Predict the gap to the LI for a group of farmers based on a **small set of easy to obtain variables**.
- Identify households living above and below the LI benchmark and other poverty indices.



## INSIGHTS ARE SHARED WITH PARTNERS

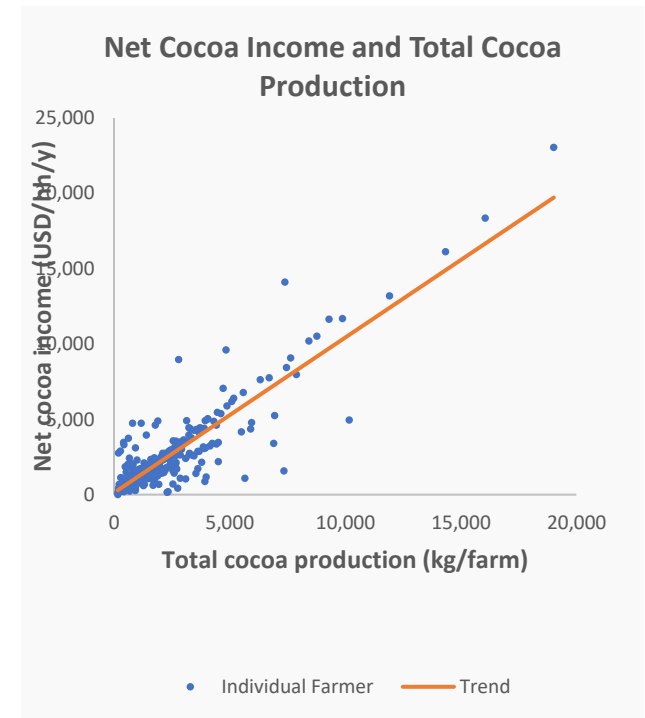
Help partners understand the reality of the living income gap in their supply chains and facilitate the development of strategies to help address it.

# PRODUCTION based Income prediction

Cost brackets exhibit no exclusive characteristics to potential explanatory variables of production cost.

**Total cocoa production can be used to create a model that predict 95% of the variation in profits (net income) from cocoa.**

Farmer Field Books (FFB) studies - aggregating data collected on a biweekly basis from a sample of over 1000 cocoa farmers - are repeated annually to recalibrate the established coefficients of correlation between relevant variables.



# Non-cocoa income estimation

No statistically significant correlations were found between the share of non cocoa income and other income.

Most effective approach is the collection on farmers' average share of cocoa income found for both country (in combination with production based net cocoa income value)

Country	Source	Year	Mean cocoa income share of total net income
Côte d'Ivoire	KIT	2015	67%
	WUR	2012	92%
		2016	93%
Ghana	KIT	2015	62%
	WUR	2012	71%
		2015	87%



# TOOL OVERVIEW - BRINGING TRANSPARENCY

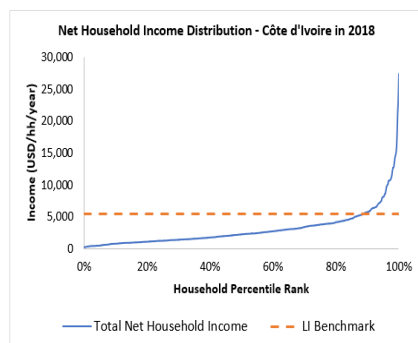
## 1. Overview Page

Please select one country and year that you want to see the situation on Living Income for from the list below:

Select Country Côte d'Ivoire  
Select Year 2018

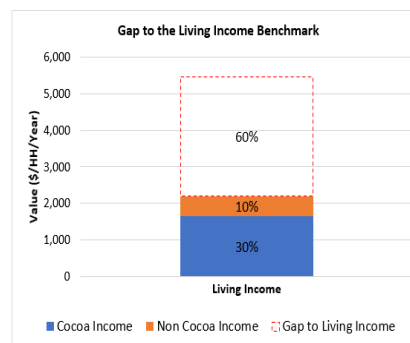
**490** Is the number of farmers for whom data was entered

**89%** Of cocoa producing households lived under the Living Income Benchmark in Côte d'Ivoire in 2018



**60%** Was the average gap to the Living Income in Côte d'Ivoire in 2018 for those farmers that do not earn a Living Income

**3,255** USD is the average additional amount of cash farmers need to earn for all to reach a Living Income



**100%**

Of female headed households were in poverty



**88%**

Of male headed households were in poverty





**Questions from participants**

## **Round 2 – Learning and Implications for Strategy**



**Question for you!**

## Main Insights and Strategic Reflections

- Improving Farming performance is KEY to improving the livelihood and resiliency of producers.
- Land size , Land Tenure, saving from previous seasons and age of producers are among the variable affecting the level of net income significantly.
- For some producers with a small plot and high dependence on a single crop, it is essential to facilitated the creation of alternative source of income.
- More investigation is required both to:
  - ✓ Measure in an efficient and reliable way non-cocoa income
  - ✓ Identify effective interventions to support the creation of alternative income and employment.



# Calls to Action:

**We need to progress standardization of income measurement as a key element of multi-stakeholder targets & learning!**

# Learnings:

## 1. Income Study ≠ income study



**Context Drives Measurement Approach**  
analytics informed by cultural specificity



**Data Treatment Changes Conclusions**  
updates to understand the full picture



# Income Study $\neq$ Income Study



## Experience in Applying KIT Royal Tropical Institute Methods

*While standardizing income measurement is the goal:*

- KIT methods GREAT for farmers WITH most household revenue from cocoa – I.E. West Africa farmers

COCOA LIFE FARMER		AVERAGE % TOTAL HH INCOME FROM COCOA
	Ghana	73%
	Indonesia	44%

- Different data treatment leads to different outcomes in data

### GHANA: AVERAGE TOTAL COCOA EXPENSES PER FARMER (ALL COCOA LAND)

Base Method	Base Cost Items, aligned to KIT Cleaning Methods*	KIT-Adjusted Cost Items**, aligned to KIT Cleaning Methods*
\$1,132	\$970	\$597

+0.12\$ pppd income

+0.24\$ pppd income

\*as far as possible

\*\*KIT calculation excludes sharecropping costs

## Calls to Action:

**We need to progress standardization of income measurement as a key element of multi-stakeholder targets & learning!**

**We need to use our data better to set realistic targets and be transparent about the magnitude of our challenge!**

## Learnings:

### 1. Income Study ≠ income study



**Context Drives Measurement Approach**  
analytics informed by cultural specificity



**Data Treatment Changes Conclusions**  
updates to understand the full picture

### 2. Don't trust the averages



**Income Distributions are Skewed**  
many farming families operate at subsistence



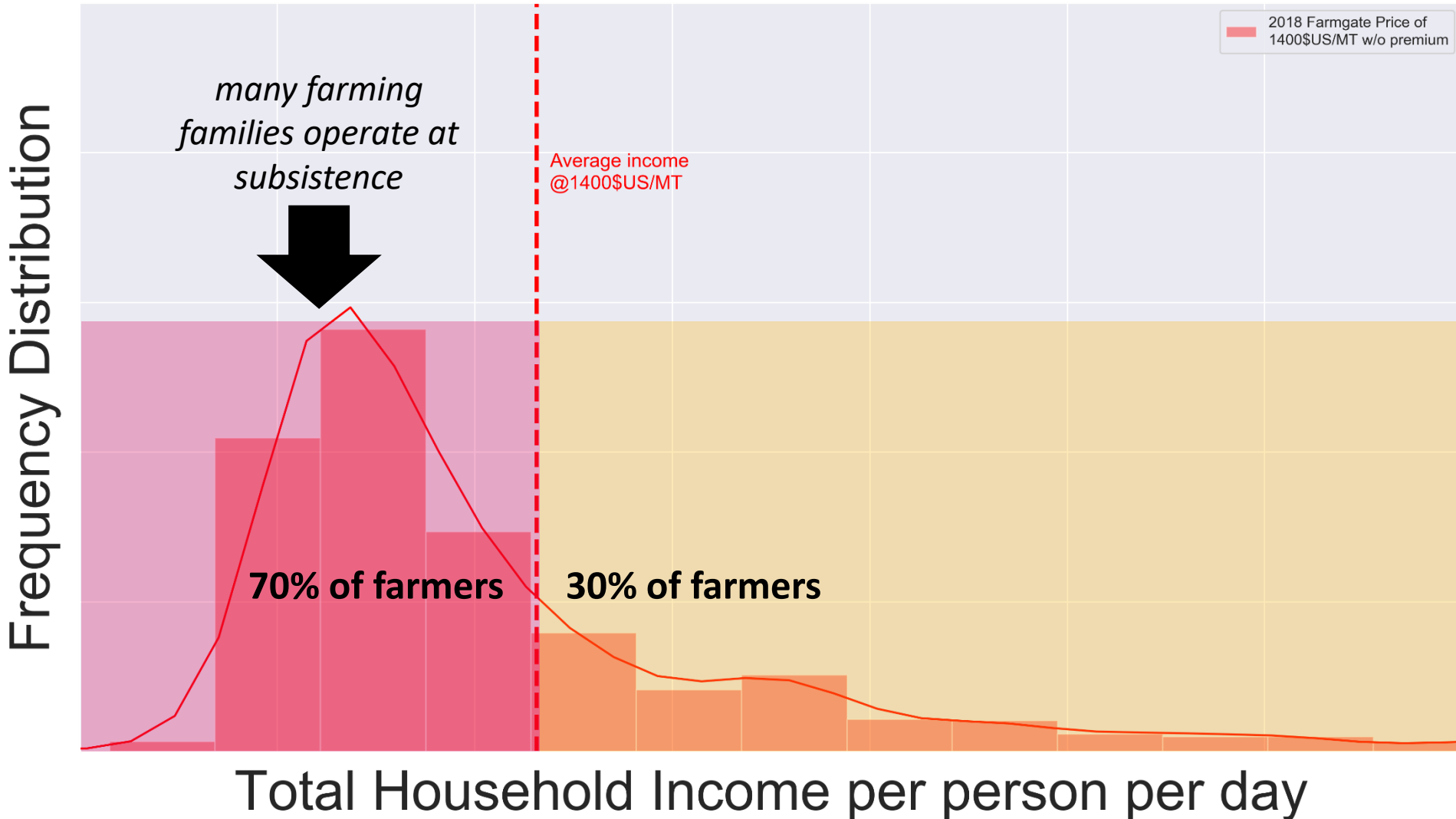
**Measures Informed by Avg will fall short**  
need to face the real challenge

# Don't trust the averages:

70% of farmers don't make the average



→ Strategies based on 'average' information targets a minority  
(data below for farmers in direct supply w/o sustainability program support)



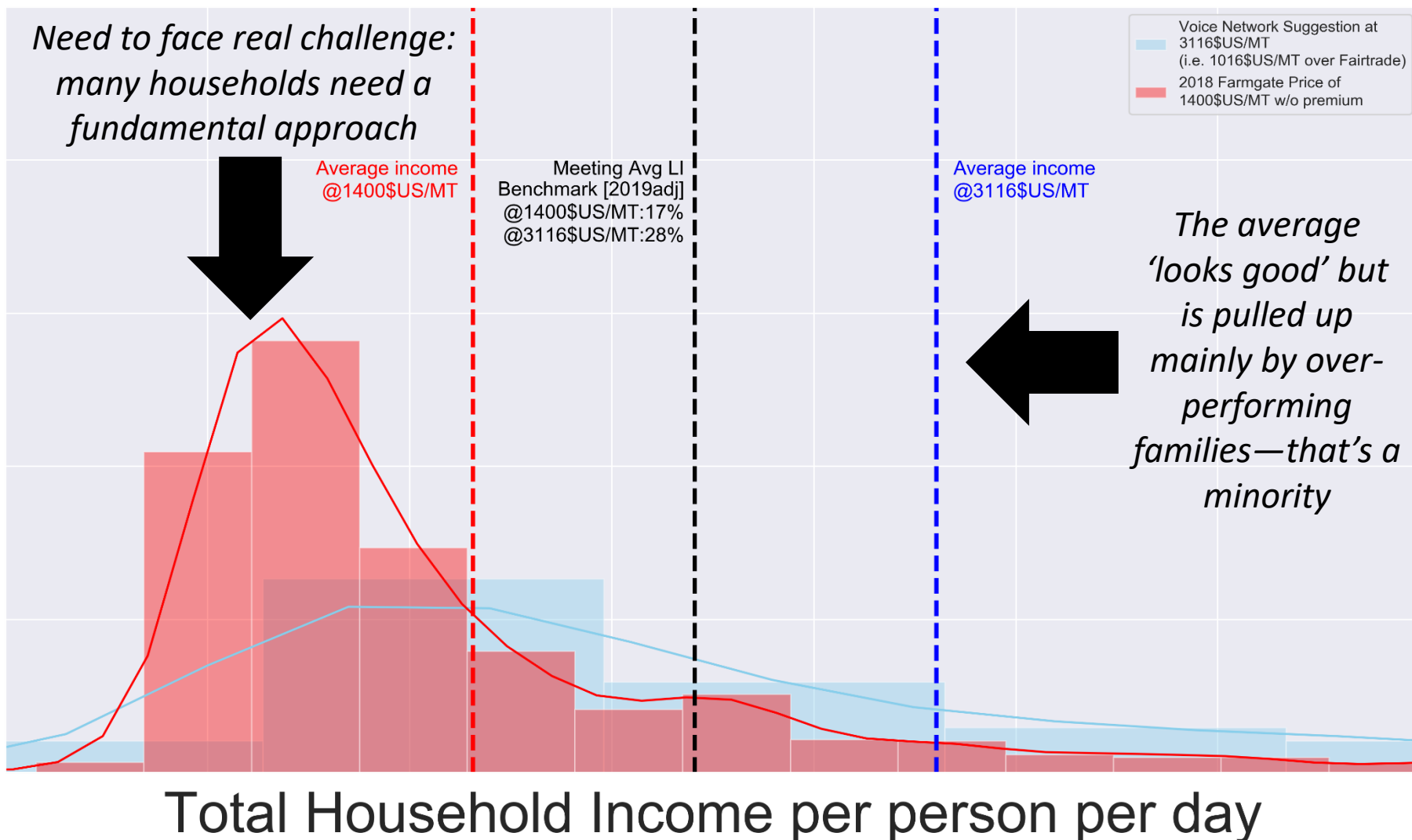
# Don't trust the averages:

extreme premium measures won't live up to expectations with only 28% of farmers reaching Li (+11% vs baseline)—need a clever mix



*(trends can be exacerbated for indirect supply or lessened for selective supply)*

Frequency Distribution





# Questions and discussion



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# Coming Up Next

Registration to open soon!

## **WORKSHOP #2** **27th MAY 2020** **(13-17:30 BST (GMT +1))**

### **Focus: Measurement**

Living Income State of Play:  
Sector Update on cotton, shea,  
palm, rubber

Framework for measuring  
Household Incomes

Living income Benchmarks-  
methodology and examples of  
programmatic approaches

## **WORKSHOP #3** **JUNE 2020**

### **Focus: Strategies to close income gap**

- Financing pathways to living income
- Role of Cooperatives to Drive Change
- Pricing (calculation of living income reference prices & macroeconomics)
- Other -TBC

*\* Webinars – Living income (French)- Planned for June*

# Stay informed!

## Living income

[www.living-income.com](http://www.living-income.com)

Mailing list: <http://eepurl.com/gMKLgT>

Linkedin group:

<https://www.linkedin.com/groups/13784101/>

## Living wage

<https://www.globallivingwage.org/>

**Questions? Email us at:**

[livingincome@isealalliance.org](mailto:livingincome@isealalliance.org)

**TOOLS to support organisations in developing their strategies to closing the income gap.**

**ALIGN** is a guidance tool for agri-food companies aiming to reduce complexity around the topic of living wage and living income.

**Evidensia** is an evidence platform that aims to make it easy for sustainability practitioners to work with evidence on the impacts of supply-chain sustainability approaches.

Supported by the



Implemented by



Tobago hillside © Jerry Rabinowitz, 2002, Rainforest Alliance

# Audience Closing Reflection



What are your key  
takeaway word(s) from  
the discussions today?

Use your phones/ computer



Go to [Slido.com](https://www.slido.com)



Enter the code #92477

# Thank you