2020 LIVING INCOME WORKSHOP #3

Strategies to Support a Living Income

23rd June 2020
13:00-16:30 BST (GMT +1)

The Living Income Community of Practice

Supported by the

Federal Ministry for Economic Cooperation and Development

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

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Housekeeping Rules

HOW CAN I ASK A QUESTIONS/COMMENT?
You will be kept muted throughout main session so,

1. Raise your virtual hand (organizers shall unmute you) OR
2. Pop the question in the slido Q&A box

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

WHAT HAPPENS IF THE NETWORK FAILS?

- Try to reconnect. If after 5mins it does not work, please refer to your emails for any updates from the organizer.

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

TECHNICAL DIFFICULTIES ? Reach out to anja@isealalliance.org

Keeping it interactive - Slido

1. Use your phones/ computer

2. Go to www.slido.com

3. Enter the code #45269

4. Enter your questions & upvote questions

Thank you

What We Have Covered

WORKSHOP 1

INTRODUCTION TO LI AND KEY CONCEPTS

https://www.living-income.com/living-income-april-event-2020

- ✓ LI State of Play: Cocoa, Coffee, Tea
- ✓ Strategies to Close the Income Gap
- ✓ Measurement and modelling to inform strategies and track progress

WORKSHOP 2

MEASURING A LIVING INCOME

https://www.living-income.com/living-income-may-event-2020

- ✓ LI State of Play: Rubber, palm Oil
- ✓ Frameworks for measuring household incomes.
- ✓ Integrated Approach to Living Income: benchmarks, actual incomes, modelling, and implementation to close income gaps

WORKSHOP 3

Strategies to Close the Income Gap

Strategies to Improve Income

PRODUCTIVITY & COST OF PRODUCTION

- Professional producer orgs
- Farm service delivery
  - Inputs
  - Access to finance
  - Technical services
  - Market access
  - Risk mitigation tools
- Income diversification

PRICE & TRADING PRACTICES

BUYING

- Supplier management
- Pricing and transparency
- Certifications and premiums
- Minimum pricing

MARKETING

- Public reporting
- Consumer engagement
- New product development

Farm and Value Chain Strategies

LANDSCAPE & COMMUNITY DEVELOPMENT

- Watershed / forest protection
- Community based income projects
- Social protection
- Land tenure
- Women's economic empowerment

SECTOR STRATEGIES

- Sector price mechanisms
- Supply management
- Rural economic development policy
- Due Diligence legislation

Community, Landscape, Sector Strategies

Agenda

TIME (BST/GMT +1)	Duration	Session
13:00 – 13:45	**45m**	**Session 1** Living Income Reference Price: What is it and how do you calculate it?
13:45 – 15:00	**75m**	**Session 2** Role of Cooperatives to Drive Change: Farmer perspectives on income improvement programs
15:00- 15:15	*15m*	*BREAK*
15:15 – 16:30	**75m**	**Session 3** Levers for impactful income diversification: Learning from opportunities and challenges in cash crop production
16:30		**End**

Anti Trust Statement

As participants in this group, we need to be mindful of constraints of antitrust laws. During both the formal and informal parts of this meeting, participants shall not enter into discussions, agreements or concerted action that my have as their object or effect the restriction of competition. This prohibition covers the exchange of competitively sensitive information including, but not limited to, information concerning individual prices, production, sales, capacities, costs, rates, coverages, market practices, claims settlement practices, company level investments, or any other competitive aspect of an individual company's operation.

Each participant is obliged to speak up immediately for the purpose of preventing any discussion falling outside these bounds.

Thank you!

Living Income Reference Price: What is it and how do you calculate it?

LICOP Moderator

Tim Loos,
Advisor for Sustainable Supply Chains and Standards,
GIZ

Carla Veldhuyzen van Zanten
Fairtrade International

Friedel Hutz-Adams
SÜDWIND e.V.

Calculating a living income reference price – underlying logic

Living income definition

The **net annual income** required for a household in a particular place to **afford a decent standard of living** for all members of that household

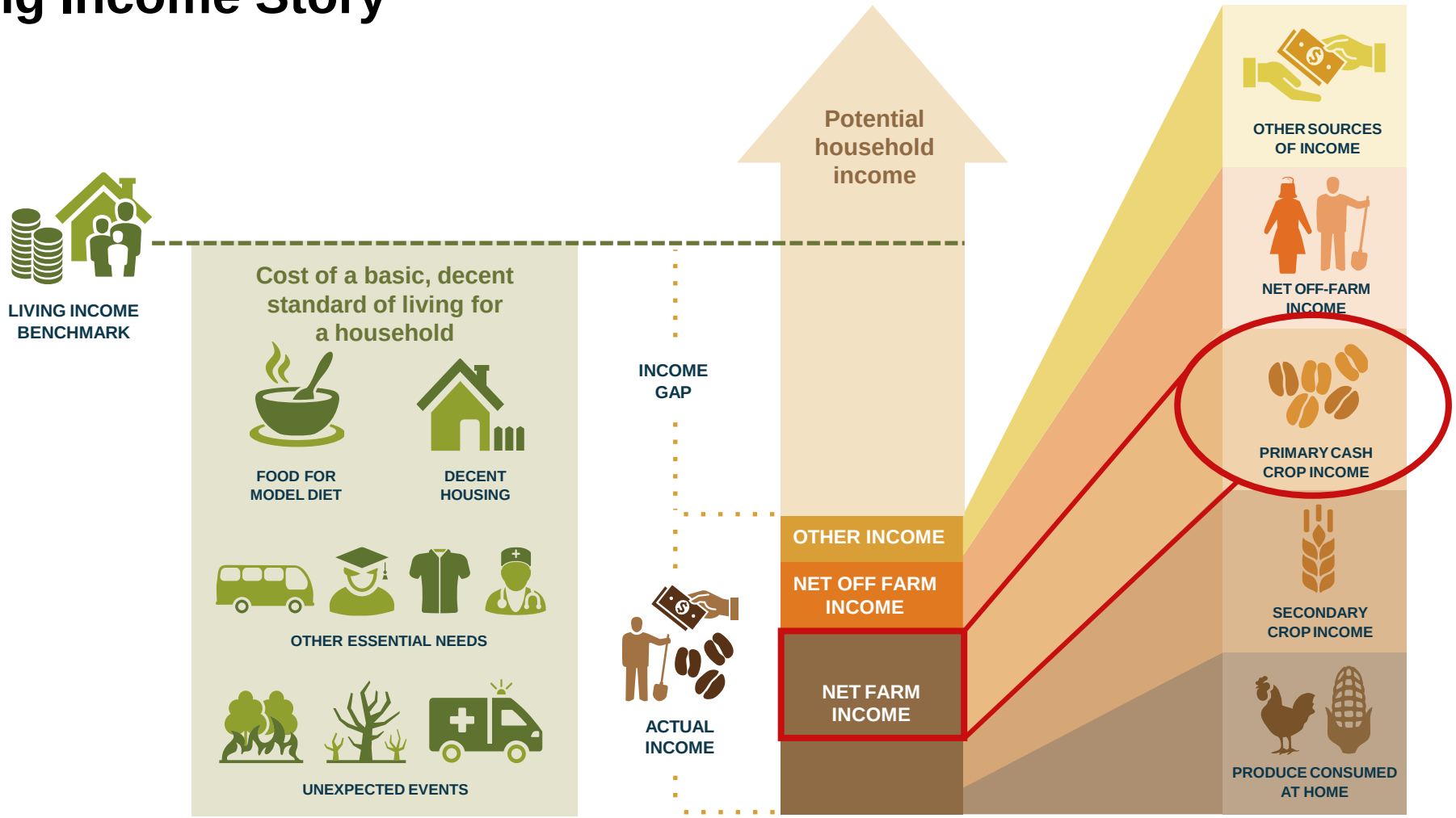
Net income = Benchmark

Crop revenue – Costs = Benchmark

Price * Yield – Costs = Benchmark

$$LI\ Reference\ Price = \frac{LI\ Benchmark + Costs}{Yield}$$

The Living Income Story



For more information and to join the community visit: www.living-income.com

Contact: livingincome@isealalliance.org

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One method – three approaches (i)

Approach 1

- Principle: If a crop contributes a certain share to the total household income, that crop should generate the corresponding share of a living income
- Example: A farmer earns 60% of his or her income from cocoa, therefore, 60% of a living income has to be generated through cocoa

➢ adjusting by using the income share

$$LI\ Reference\ Price = \frac{\boldsymbol{income\ share} * LI\ Benchmark + Costs}{Yield}$$

One method – three approaches (ii)

Approach 2

- Principle: If a crop demands a certain share of household labor, that crop should generate the corresponding share of a living income.
- Example: A farmer invests 60% of his or her available labor in cocoa, therefore, 60% of a living income has to be generated through cocoa

➢ adjusting by using the labor share

$$LI\ Reference\ Price = \frac{\frac{\boldsymbol{deployed\ household\ labor}}{\boldsymbol{available\ household\ labor}} * LI\ Benchmark + Costs}{Yield}$$

One method – three approaches (iii)

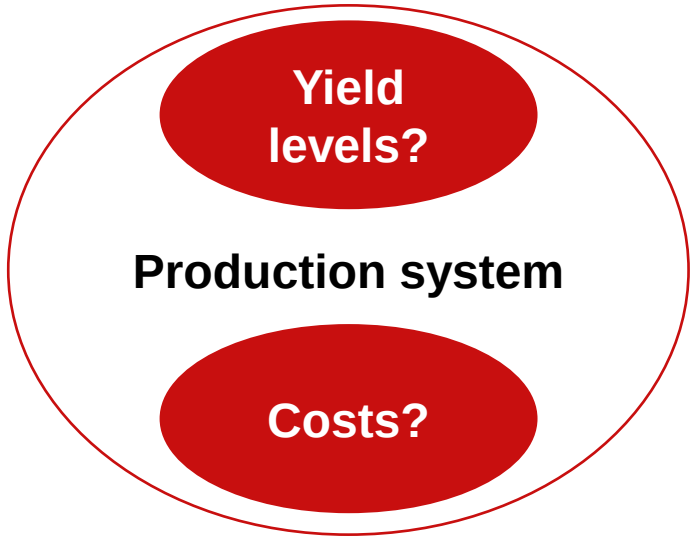
Approach 3

- Principle: If a household can fully employ his or her workforce on a crop with adequate productivity, the crop should generate a living income
- Example: A farmer invests all household labor on cocoa production, therefore, a living income has to be generated through cocoa

➢ adjusting by using the fully employed land area

$$LI\ Reference\ Price = \frac{LI\ Benchmark + Costs}{Yield\ * \boldsymbol{fully\ employed\ land\ area}}$$

How does this play out in practice?



Feeding the model

- Prevailing production system
- „Best prevailing“ production systems
- Model production systems (GAP)

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05.05.2020

State of research: big gaps in the data

Institut SÜDWIND
Friedel Hütz-Adams

Data – Which Data?

Farm size

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Farm size used for cocoa				
	Studies	KIT	Barometer: GPS/polygon	Barometer: range
Côte d'Ivôire	4,47	4,17	3,40	2,80 - 4,00
Ghana	3,33	3,65	2,30	1,23-4,00

Data – Which Data?

Yield

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Yield per hectare in kilogram				
	Studies	KIT	Barometer GPS/polygon	Barometer: range
Côte d'Ivôire	418	362	546	403-760
Ghana	509	420	500	375-682

Data – Which Data?

Labour input

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Labour days per hectare				
	ICI	KIT	Barometer: present AP	Barometer: GAP
Côte d'Ivôire	122	32	32-107	46-211
Ghana	120	53		

Data Côte d'Ivoire

Labour days?!

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Plantations with

- very low productivity afford an input of 126 labour days per hectare per year
- low productivity afford 148 days
- good productivity afford 177 days
- low productivity and 50% of the trees in re-plantation status afford 213 days
- low productivity and 100% of the trees in re-plantation status afford 233 days

.

Data – Which Data?

Costs

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Costs per hectare				
	?	?	?	?
Côte d'Ivôire	?	?	?	?
Ghana	?	?	?	?

Thanks for your attention!

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Why also Price?

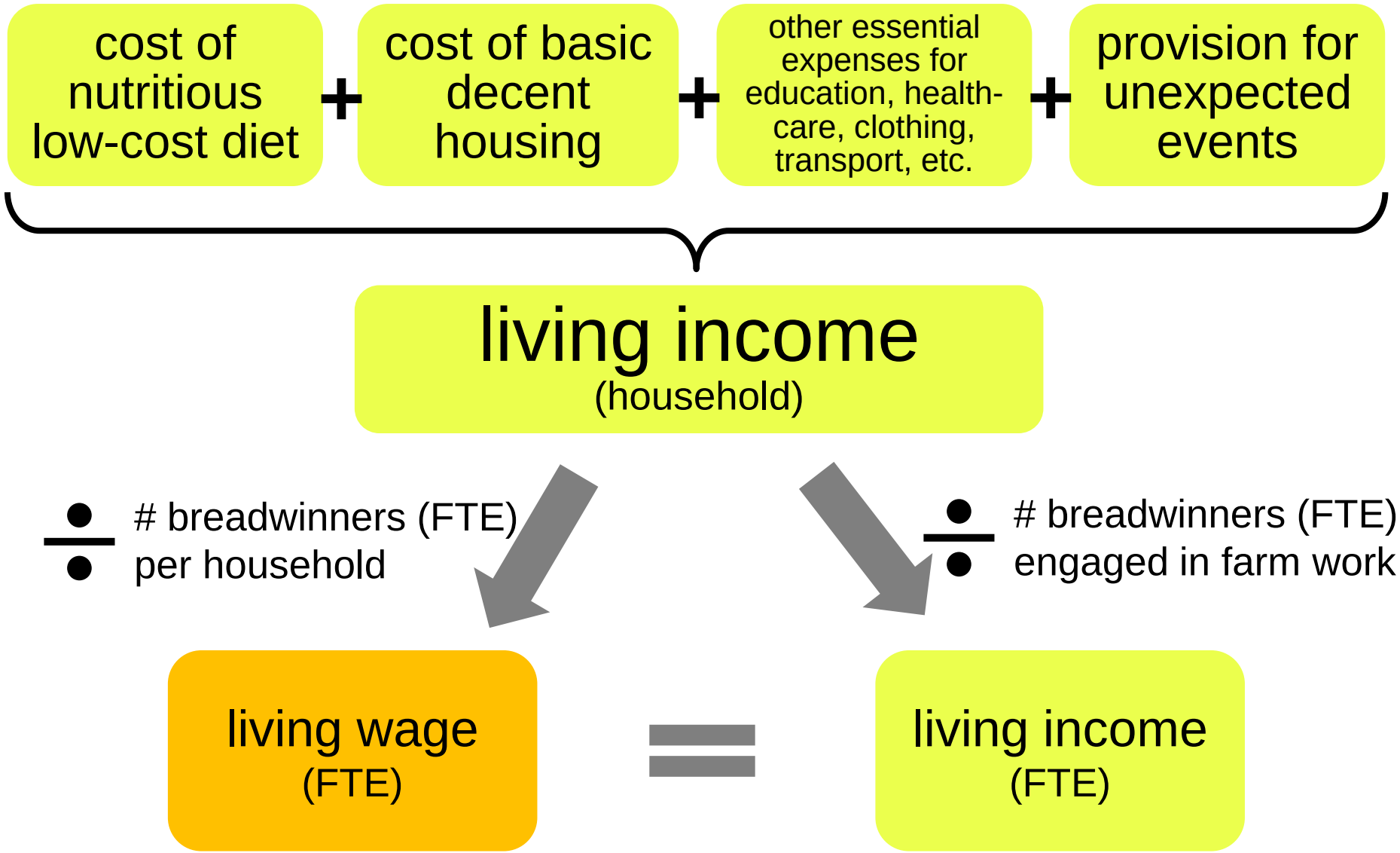
Carla Veldhuyzen van Zanten | Senior Advisor Sustainable Livelihoods

FAIRTRADE

guiding principle 1

FAIRTRADE

the living income concept



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guiding principle 2

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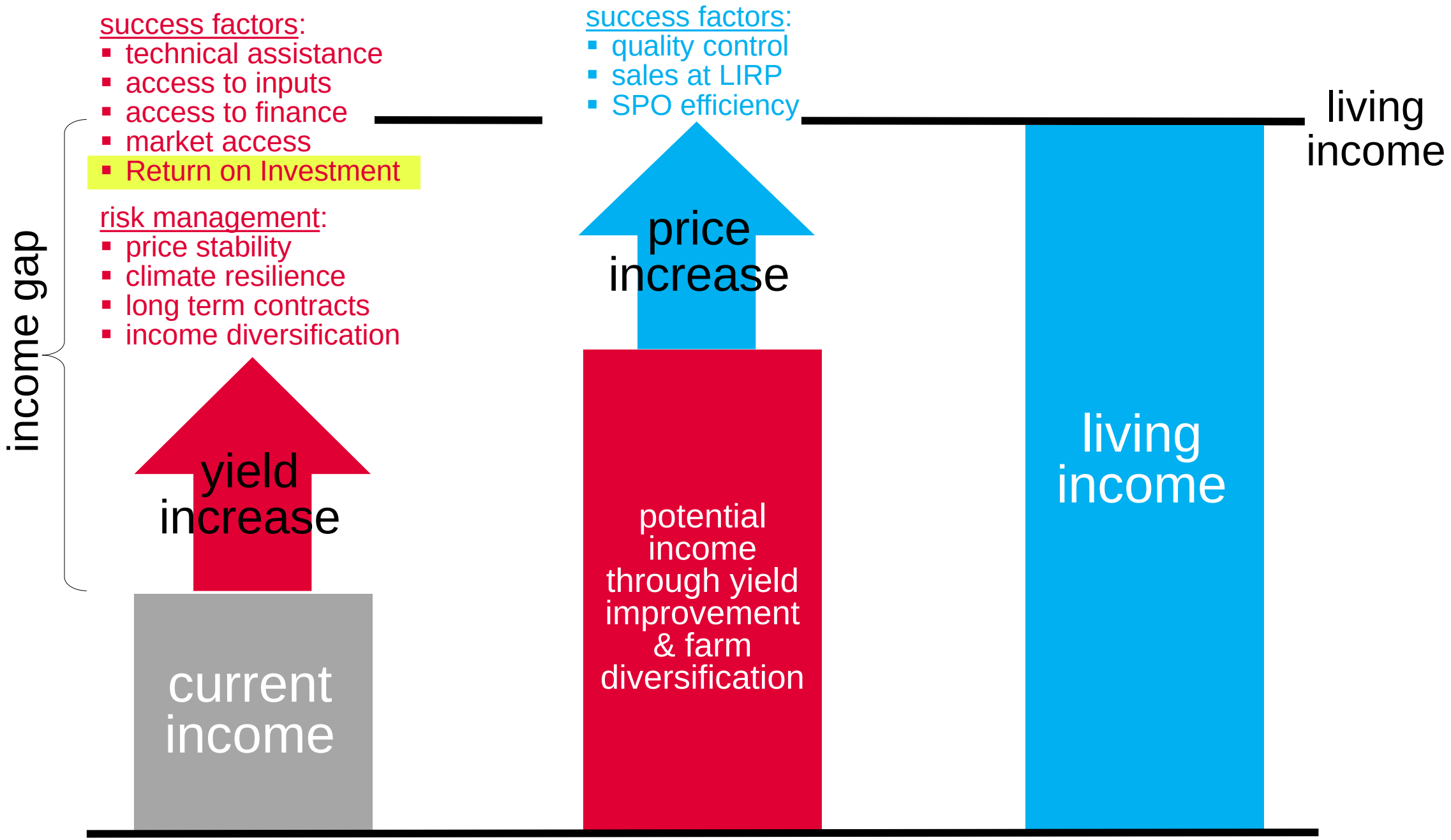
gap analysis



FAIRTRADE

guiding principle 3

FAIRTRADE

guiding principle 4

buyers are primarily responsible for paying a **price** that allows productive, full-time farmers to earn a living income

FAIRTRADE

Thank you for your attention!

for further information, please contact:

Carla Veldhuyzen c.veldhuyzen@fairtrade.net

FAIRTRADE

Take home message

- Price aspect is essential for any strategy, but not sufficient as a single measure
- Current calculations may not be realistic due to availability and quality of data. But with the current data, we achieve a certain approximation which shows the need for higher prices
- Any price increase will lead to farmers having more in his/her pocket!

Questions and discussion