The Living Income
Community of Practice

Aligned Inclusive Living Income Narrative and Indicators

Technical Advisory Committee
Living Income Community of Practice

June 2024
www.living-income.com

Supported by the
Federal Ministry for Economic Cooperation and Development
Implemented by
giz Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
iseal
SUSTAINABLE FOOD LAB

TABLE OF CONTENTS AND INTRODUCTION

Foreword

A new living income narrative and concrete metrics are needed to design inclusive living income programs and track progress. This guidance is intended to support companies, NGOs and governments to ensure investment programs and trade both make impact at origin while minimizing companies' legal risk of buying from small farmers in new EU legislation. Without this aligned guidance from experts, there is a risk for a massive departure of buyers importing into the EU from the farmers and countries that most need trade for development.

We hope that this document can be used widely across sectors and actors to further alignment and sharing and to further an inclusive living income movement.

Executive Summary

Inclusive living income narrative: Living income can be an aspirational concept and an ambitious focus. However, it also has the potential risk of excluding those it intends to support when it is focused on reaching the living income benchmark as the only target, rather than also focusing on progress on increasing income toward and above the living income benchmark. Targets/goals that promise that 100% of farmers will reach a living income can incentivize a move away from the most vulnerable, as they are not likely to reach the living income benchmark due to factors beyond the program's control.

Inclusive and aligned indicators: Pulling from existing indicator sets and robust conversations among the LICOP Technical Advisory Committee, this guidance document has three sets of standard indicators and metrics for understanding and illustrating living income and progress toward closing the living income gap for smallholder farmers. It is intended to be used across sectors and actors (companies, NGOs and governments) to provide guidance on reporting in an inclusive manner and to foster better sharing and learning. The Living Income Community of Practice recommends these indicators to be used within and across living income programs in a supply chain, landscape or geographical focus area.

- Key Indicators for Actual Income Measurement: Basic key indicators to understand current farming household income and the gap to a living income. *Examples: Focus Crop Net Income, Total Volume Produced, Revenue from Other Farm Activities.*
- Progress Indicators: Understand and report *progress* on key *income drivers* within and/or across geographic focus areas or supply chains. *Examples: Change in Total Volume Sold, Change in Farm Economic Efficiency, Change in Stable Contracting.*
- High Level Progress Indicators: Understand and report progress on living income within and/or across a living income initiative. *Examples: Farming Households in Living Income Program, Change in Living Income Gap*

Standard Reporting for Comparability Across Studies: With more and more actors conducting studies to understand farming households' ability to earn a living income, and a variety of valid methods for measuring current farming household income and analyzing ability to reach a living income, comparison across studies can be difficult. To support alignment in the sector and study comparability, this document provides:

1. Guidance on best practices for analysis and reporting
2. A study overview template for researchers to complete and publish alongside study results as a simple way to show methodological decisions for easier comparison across studies.

About the Authors

Kealy Sloan
Kealy Sloan is a Program Director for Sustainable Food Lab's Agriculture and Development team. She leads the organization's work on Sustainability Measurement & Learning and focuses on value chain partnerships, farmer livelihoods and living income. Kealy sits on the Technical Advisory Committee of the Living Income Community of Practice and works with several food and beverage companies to design and implement key sustainability metrics to track impact and inform learnings for program improvement and scaling.

Molly Leavens
Molly Leavens is a Program Manager at Sustainable Food Lab, where she partners with multinational food companies, NGOs, and governmental agencies to improve smallholder farmer income, livelihoods, and climate resiliency. She sits on the Technical Advisory Committee of the Living Income Community of Practice.

Stephanie Daniels
Stephanie Daniels is a Senior Program Director at Sustainable Food Lab, where she manages the impact and learning partnerships focused on living income. She is a co-founder and co-facilitator of the Living Income Community of Practice. Her expertise is in responsible sourcing from smallholders in developing countries, with a focus on cocoa.

Acknowledgements

This document was crafted over many months of exchange and dialogue among the LICOP Technical Advisory Committee (TAC). The TAC has been established for experts in the living income movement to debate and decide on methodological recommendations to support aligned approaches to measurement and monitoring within the LICOP. Sincere thanks go to each member of the TAC who has spent valuable time reviewing this document and the draft indicators, as well as participating in multiple meetings to provide critical feedback. Thanks also go to the LICOP Advisory Board members who reviewed this narrative in early 2024 and gave their support and approval.

In addition to the contribution of the TAC as a whole, special thanks to key contributors: Jildemarie Brouwer (AKVO), Jessica Mullan (COSA), Vaibhav Panpaliya (IDH) and Yuca Waarts (Wageningen University & Research).

To learn more about out Advisory Board and Technical Advisory Committee please click here

INCLUSIVE LIVING INCOME NARRATIVE

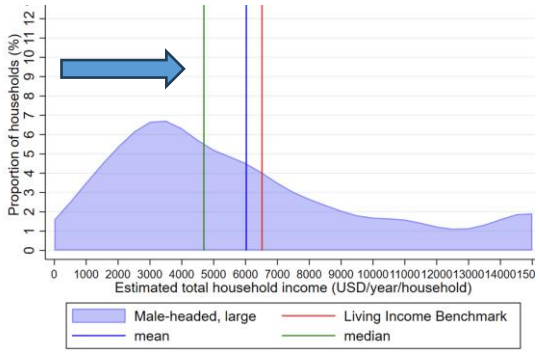
Why a new narrative is needed

- Living income can be an aspirational concept and an ambitious focus. However, it also has the risk of excluding those it intends to support when it is focused on reaching the living income benchmark as the only target, rather than also focusing on progress on increasing income toward and above the living income benchmark.
- Small farmers and those who experience poverty and high levels of vulnerability can be viewed as high risk for companies needing to comply with due diligence regulations such as the EU Deforestation-Free Regulation (EUDR) and the EU Corporate Sustainability Due Diligence Directive (CSDDD).
- In some cases, end buyers are being offered 'living income raw materials' that guarantee the raw material was produced by farmers earning a living income. This incentivizes a shift away from farmers who may never reach a living income due to very small land sizes or other factors outside the influence of industry.
- A new living income narrative and concrete metrics are needed to design inclusive living income programs and track progress to ensure investment in programs and trade both make impact at origin while minimizing companies' legal risk of buying from small farmers in the new legislation. Without this aligned guidance from experts, there is a risk for a massive departure of buyers importing into the EU from the farmers and countries that most need trade for development.

A living income approach means moving the needle not abandoning the most vulnerable.

- The concept of living income should not be used as a rationale to switch sourcing from 'high risk' origins or supply chains to 'lower risk' ones with larger scale farms and relatively wealthier households.
- Living income must be a motivating factor to help companies hang in and see smallholder origins as *high impact* origins where they are able to make progress in closing the gap to a living income.
- Targets/goals that promise that 100% of farmers will reach a living income incentivize a move away from the most vulnerable, as they are not likely to reach the living income benchmark due to factors beyond the program's control.

Inclusive metrics highlight the shift in income by the "typical" (median) farmer to emphasize progress.



Source: Tyzler et al. KIT. 2018. Analysis of the income gap of cocoa production households in Cote d'Ivoire. Available living-income.com

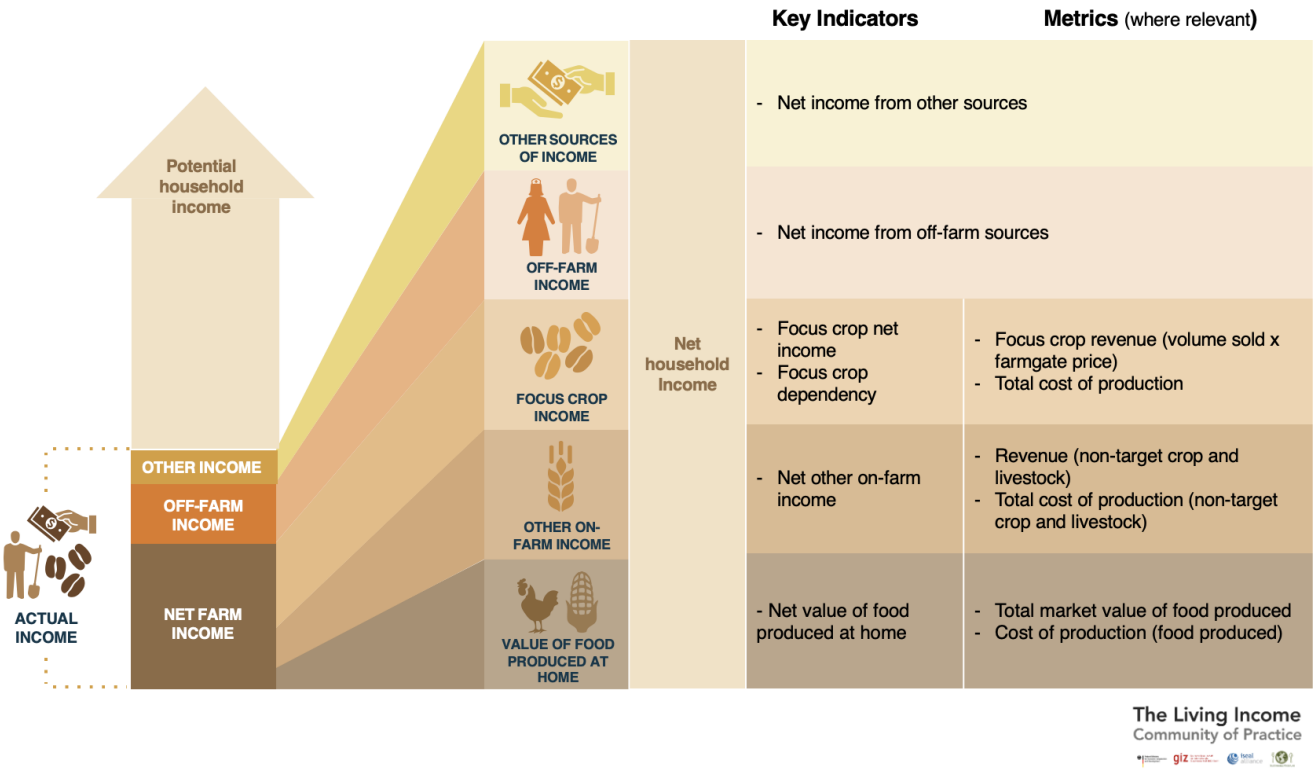
- Living income targets/goals should be framed around improving key drivers of income (e.g., volume produced, efficiency, price) and inclusive outcome indicators, such as the **share of the living income benchmark achieved by the median farmer.**
- **Inclusive indicators** allow companies to show progress while not excluding the most vulnerable.

INCLUSIVE INDICATORS AND REPORTING

This guidance has three sets of standard indicators and metrics for understanding and illustrating living income and progress toward closing the living income gap for smallholder farmers.[1] It is intended to be used across sectors and actors (companies, NGOs and governments) to foster better sharing and learning and to emphasize the inclusive nature of living income. LICOP recommends these indicators to be used within and across living income programs in a supply chain, landscape or geographical focus area.

- **Key Indicators for Actual Income Measurement:** Basic key indicators to understand current income and the gap to a living income.
- **Progress Indicators:** Understand and report progress on key income drivers *within and / or across* geographic focus areas or supply chains.
- **High Level Progress Indicators:** Understand and report progress on living income *within* and/or *across* a living income initiative.

Key Indicators for Actual Income Measurement



[1] Existing indicator sets reviewed before drafting this aligned indicator set include: Farmer Income Lab, International Coffee Organization, ISCO (national initiatives for sustainable cocoa), Delta Framework, World Benchmarking Alliance, and Global Reporting Initiative.

Key Indicators for Actual Income Measurement

Below you will find the basic indicators to measure current farming household income for comparison to a living income benchmark. For any indicator that is starred with an asterisk, please see additional notes on page 8. **All indicators are annual (per year).**

Indicator		Definition	**Metrics and/or calculation** (where comprised of other metrics). All monetary values should be in USD and local currency.
Focus Crop Net Income		Total revenue from focus crop sales minus total costs for focus crop production.	Revenue from Focus Crop - Cost of Production for Focus Crop
Sub-indicators Focus Crop Net Income	***Focus Crop Revenue ****	Total amount received from the sale of focus crop	Total Volume Sold x Price Received at Farmgate + Premium Received
	Cost of Production for Focus Crop*	Cost of Production for focus crop *Should include all significant cash costs (i.e., rent of land, hired labor, crop protection, fertilizer, planting material, or other significant costs: fee to coop, processing fees, transportation, machine rental, insurance, technical assistance, irrigation. This may also include in-kind costs, such as food and housing for labor, where relevant).*	Total $ of cost to produce focus crop
Sub-indicators Focus Crop Revenue	***Total Volume Produced***	Total volume of focus crop harvested	Quantity (kg or standard international unit for crop)
	Total Volume Sold*	Total volume of focus crop sold	Quantity (kg or standard international unit for crop)
	Land in Focus Crop	# land area units used to grow focus crop	Land area unit (ha, acre, or standard international unit for crop)
	Price Received at Farmgate*	Price received by household per quantity of crop	$ per quantity
	Premium Received	Total premium received by household (at time of sale and/or in secondary payment, depending on how premium is delivered)	$ per quantity and/or total
Household Labor Days		Number of unpaid labor days spent by the household on focus crop	# days per household
Net Other On-farm Income		Net income from other farm activities (USD and local per household) *Includes other crops, livestock, livestock products and by-products*	Revenue from other farm activities - total cost of production from other farm activities
Sub-indicators Net Other On-farm Income	***Revenue from Other Farm Activities****	Total amount received from the sale of other crops or livestock.	Total $ - asked for main crops and animal products
	Cost of Production for Other Farm Activities	Total cost of producing other crops and livestock	Total $
Value of Food Produced at Home*		Value of crops and livestock products that are produced for home consumption. Calculated as if crops and livestock products were sold (projected revenue from sale - costs)	Market value of crops and livestock produced and consumed – total costs of crops and livestock produced and consumed in $
Off-farm Income*		Income from all off-farm activities	Total revenue from all off-farm activities – total costs in $
Other Sources of Income*		Net income from any other sources *Includes public and private transfers (pensions and welfare payments, etc.) / transactions (e.g., from land rentals or sharecropping), gifts and remittances.*	Total $
Net Household Income		Combined revenue from all sources, include value of food produced at home, minus all costs	Combined revenue from all sources, include value of food produced at home, minus all costs
Focus Crop Dependency		Income from focus crop sales as a proportion of total household income	% of household income coming from focus crop

*Notes on Key Indicators for Actual Income Measurement

- **Timeframe:** For comparison to the Living Income benchmark, all indicators should be assessed "per year".
- **Methods:** Data to inform these indicators can be collected or obtained from a variety of sources using a variety of methods.[2]
- **Focus Crop:** Focus crop is the crop of interest for the particular study, it does not have to be the crop that earns the most income for the farming household.
- **Cost of Production**: for more information on cost of production data collection methods and components, see DIASCA Farmer Income & Costs of Production Indicator and Methods Guidance.[3]
- **Cost of Production – family labor:** While the value of unpaid labor provides a fuller picture of the return on labor (and therefore investment) in the farm, we do not include this as part of the living income calculation, as the return on labor is represented as the net income (i.e., time spent producing the focus crop is paid for when that crop is sold). Analysis on *Return to Household Labor* (see Progress Indicators) outside of the living income calculation determines if that payment is adequate to support the household's time.
- **Household Labor Days:** While household labor days are not included in the cash cost of production (see above) they can be used to better understand farm labor efficiency.
- **Revenue from Focus Crop:** If a farming household is in a land sharing arrangement (such as crop share), *Revenue from Focus Crop* should only include that which is kept by the household. This will be a key input to Focus Crop Net Income.
- **Price Received at Farmgate:** This may differ across buyers, time of sale, and quality (data should be collected accordingly).
- **Total Volume Sold**: If *Total Volume Sold* is unknown, use *Total Volume Produced* less any crop losses.
- **Revenue from Other Farm Activities:** As with Income from Focus Crop, this indicator should be adjusted for land sharing arrangements.
- **Value of Food Produced at Home:** The inclusion of value of food produced at home is used to ensure accurate comparison with the Living Income Benchmark (which includes the cost of an adequate diet). This indicator can be difficult and time consuming to collect. In some places, the value of food produced can be quite high and may significantly offset the cost of food in the benchmark. In other places, this may not be the case. Researchers should make an informed decision as to whether to include this indicator and label accordingly in the LICOP Study Template (see page 17). Secondary data, where relevant, may be a good option here.
- **Off-farm Income:** Costs associated with *Off-farm Income* can be difficult to collect (and may be minor). If this is not collected, the indicator should be labelled as *Off-farm Revenue*.
- **Other Sources of Income:** Remittances and gifts should only be included if they are a consistent (stable and predictable) part of a farming household's income. If including remittances and gifts, it is suggested that this is illustrated separately from net household income (in separate graphs or tables, that illustrate income with and without remittances and gifts) as many believe these income sources do not accurately reflect inputs to sustainable livelihoods.
- **Focus Crop Dependency:** Triangulate with *Net Focus Crop Income* / *Total Net Household Income.*

[2] For more guidance on methods, please see the LICOP FAQ: https://www.living-income.com/fileadmin/living_income/Publications/Actual_Income_and_Gap_Measurement/FAQ_-_LI_CoP_income_measurement_guidance_series_v6.pdf and IDH Income Measurement Tool. IDH, 2024. Link forthcoming.

3 Farmer Income & Costs of Production Indicator and Methods Guidance. DIASCA Actual Income and Cost of Production workgroup, 2024. Link forthcoming.

Progress Indicators

Progress towards closing the living income gap can be slow as net household income is comprised of several different income drivers (over which program implementors have varying degrees of control). The main income drivers correspond to the value of the indicator for the full household (i.e., total land size in focus crop, size, total volume and total cost of production) and are the best indication of the ability of a farming household to make a living income. These indicators are found in the section above 'Key Indicators for Actual Income Measurement' and should be tracked over time to understand progress in key program areas.

IDH Income Driver Framework (2023). Volume here refers to volume per land area unit (or yield).

We suggest also measuring and reporting on indicators of efficiency for the main income drivers. By reporting on the indicator per land area unit or unit of raw material produced/sold, we are better able to track progress over time, compare across different groups of farming households, and understand how farming households are improving within the confines of their given land size (and within the income drivers over which the implementing organization have more control).[4,5]

See the full list of suggested indicators and calculations below. As these indicators are meant to show progress, they are all written to **illustrate the *change* in the value of the indicator** from the baseline to the current year. This is designed to better reflect the contribution of a program on the given indicator. For those implementing and measuring the results of a program, relevant indicators based on the specific program interventions should be chosen from this list (i.e., measure the change that the program is trying to affect).

As a note, medians are used, when possible, to illustrate the "typical" farming household and to avoid the skew that is often caused by a relatively small number of households with large land size, production and income. Distribution graphs of key indicators are also useful to show change over years.

[4] Land size not included in progress indicators as it is largely outside of the implementing organization's influence.

[5] Program implementors will also want to track participation or output metrics to understand how many farmers are receiving services – output indicators are not covered in this guidance but may cover key activities and enablers such as training attendance, access to finance, etc.

Progress Indicators

Below you will find inclusive progress indicators that help to illustrate changes for farming households over time toward a living income. Metrics to inform these indicators stem from the Key Indicators for Actual Income Measurement, or in the case of Trading Practices, comes from company records.

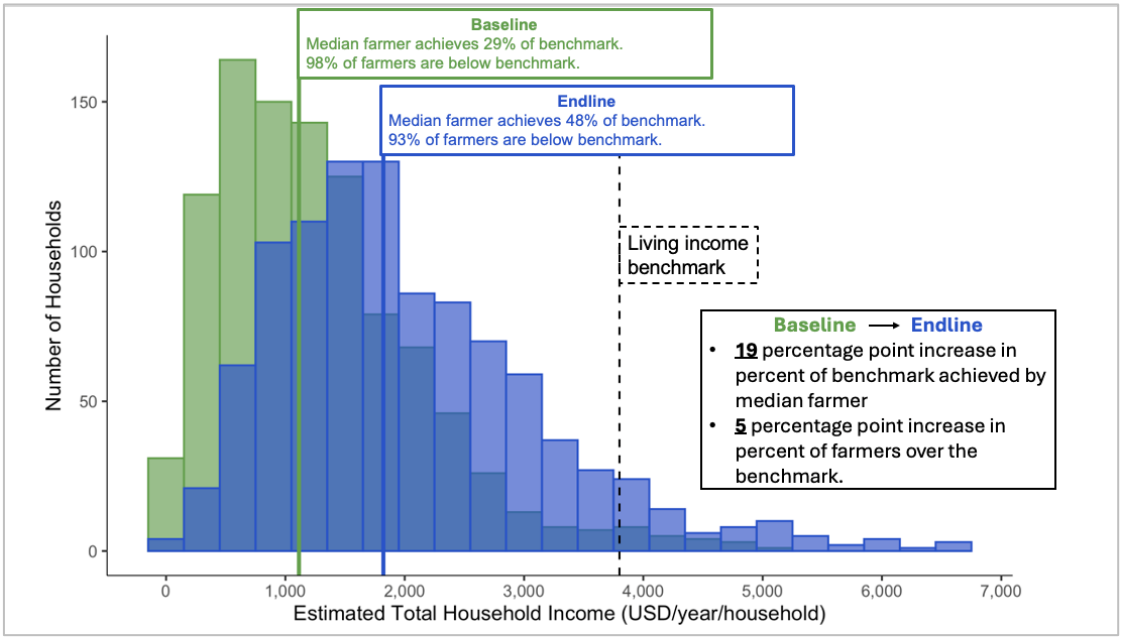
	Indicator	Definition	**Metrics or calculation** (where comprised of other metrics) All indicators should use median unless otherwise indicated and be calculated in local currency (can be converted to another currency to show results). When calculating the median for each indicator, you should first find the value for each farm/household and then the median among those calculated values.
	Production		
Focus Crop	**Change in Total Volume Sold**	Percentage change in volume sold per household	***Change in Total Volume Sold*** *= median (Total Volume Sold in current year – Total Volume Sold in baseline year) / Total Volume Sold in baseline year x 100*
Focus Crop	**Change in Yield**	Percentage change in yield	***Baseline Yield*** *= median baseline (Total Volume / Land in Focus Crop)* ***Current Yield*** *= median current (Total Volume / Land in Focus Crop)* ***Change in Yield*** *= (Current Yield – Baseline Yield) / Baseline Yield x 100*
Focus Crop	**Change in Yield Gap**	Percentage change in gap to established research or target yield (if applicable)	***Baseline Yield Gap*** *= Research Yield - median Baseline Yield* ***Current Yield Gap*** *= Research yield – median Current Yield* ***Change in Yield Gap*** *= (Current yield gap - Baseline yield gap) / Baseline yield gap x 100*
	Farming Efficiency		
Focus Crop	**Change in Farm Economic Efficiency**	Percentage change in farm economic efficiency. Reflects how much cash investment is needed to produce one unit of raw material. This can be an indicator of farming efficiency, including input efficiency.	***Adjusted* Baseline Farm Economic Efficiency*** *= Inflation adjusted median (Baseline Cost of Production for Focus Crop / baseline Total Volume Produced)* ***Current Farm Economic Efficiency*** *= median (Cost of Production for Focus Crop / current Total Volume Produced)* ***Change in Farm Economic Efficiency*** *= (Current Farm Economic Efficiency – Adjusted Baseline Farm Economic Efficiency) / Baseline Farm Economic Efficiency x 100* **Baseline price should be adjusted for inflation to current year using consumer price index.*
Focus Crop	**Change in Farm Labor Efficiency**	Percentage change in farm labor efficiency. This reflects how much labor is needed to produce one unit of raw material. Total labor days includes both hired and household labor for farming the focus crop. This can be an indicator of farming practice efficiency.	***Baseline Farm Labor Efficiency*** *= median (Baseline Household Labor Days / baseline Total Volume Produced)* ***Current Farm Labor Efficiency*** *= median (Current Household Labor Days / current Total Volume Produced)* ***Change in Farm Labor Efficiency*** *= (Current Farm Labor Efficiency - Baseline farm Labor Efficiency) / Baseline Farm Labor Efficiency x 100*
Focus Crop	**Change in Return to Household Labor**	Percentage change in the amount of income earned by the household per household labor day. This reflects the financial return of growing the focus crop for the time that the household spends managing the focus crop. This can be compared to several benchmarks, such as a national minimum wage or the living wage.	***Baseline Return to Household Labor =*** *baseline median (Focus Crop Income / Household Labor Days spent on Focus crop production and sales activities)* ***Current Return to Household Labor =*** *current median (Focus Crop Income / Household Labor Days spent on Focus crop production and sales activities)* ***Change in Return to Household Labor =*** *(Current Return to Household Labor - Baseline Return to Household Labor) / Baseline Return to Household Labor x 100*

	Change in Revenue to Cost Ratio	Percentage change in revenue to cost ratio. The revenue to cost ratio illustrates how much revenue from the sale of the raw material is earned from one unit of investment. This reflects the return on investment for the household, including their ability to produce the crop at optimized investment levels, the trading practices of the company buying the focus crop (price and premium) and the effectiveness of harvest / post-harvest practices.	***Baseline Revenue to Cost Ratio*** *= Baseline median (Focus Crop Income / Cost of Production for Focus Crop)* ***Current Revenue to Cost Ratio*** *= Current median (Focus Crop Income / Cost of Production for Focus Crop)* ***Change in Revenue to Cost Ratio*** *= (Current Revenue to Cost Ratio - Baseline Revenue to Cost Ratio) / Baseline Revenue to Cost Ratio x 100*
	Change in Focus Crop Net Income per Land Area Unit (LAU)	Percentage change in net income from the focus crop derived from a single land area unit (adjusted for inflation). This allow for an inflation-adjusted understanding of how net income per land area unit is changing over time.	***Adjusted* Baseline Focus Crop Net Income per LAU =*** *baseline median (inflation adjusted Focus Crop Net Income / Land in Focus Crop)* ***Current Focus Crop Net Income per LAU =*** *Current median (Focus Crop Net Income / Land in Focus Crop)* ***Change in Focus Crop Net Income per LAU*** *= (Current Focus Crop Net Income per LAU - Adjusted Baseline Focus Crop Net Income per LAU) / Adjusted Baseline focus crop net income per LAU x 100* **Baseline focus crop net income should be adjusted for inflation to current year using consumer price index.*
	Trading Practices		
	Change in Percent of Volume that is Purchased with a Premium	Change in the percent of volume purchased with a premium (percentage points from baseline to current). For the study of a sourcing area, this is an indication of how farmers are being supported financially for adopting suggested practices. For a study linked with a company, this is an indication of how its trading practices are support adoption of suggested practices. *Volume is used here instead of farming households as we understand that farming households may only sell a portion of their focus crop with a premium.*	**Baseline Percent of Volume Purchased with a Premium** = % baseline total volume (in sourcing area) purchased with a premium (note type of premium and % of volume covered if more than one premium used) **Current Percent of Volume Purchased with a Premium** = % current total volume (in sourcing area) purchased with a premium (note type of premium and % of volume covered if more than one premium used) **Change in Percent of Volume Purchased with a Premium** = (Current Percent of Volume Purchased with a Premium - Baseline Percent of Volume Purchased with a Premium) / Baseline Percent of Volume Purchased with a Premium x 100 **The type of premium should be noted along with the percent of volume it is applied to.** Premiums may include certification premiums (such as Fairtrade or Rainforest Alliance), premiums that cover cost of sustainable production or a Living Income Reference Price.
	Change in Stable Contracting	Percentage points difference in the percent of households who have a standard contract in place with the buyer that includes price agreement**. Stable contracting for farming households can help to boost confidence in farm investment and help households to plan into the future. *As contracting differs quite a bit from one raw material to another, it is best practice to note the terms of the contract when reporting this indicator, including its duration.*	***Baseline Stable Contracting**** *= % of farmers who have a stable contracting agreement at baseline* ***Current Stable Contracting**** *= % of farmers who have a stable contracting agreement in current year* ***Stable Contracting*** *= Current Stable Contracting - Baseline Stable Contracting* * Record the number of farmers for baseline and current. Calculation will represent stable contracting as the change in percent. ** Can be represented by contracts with a farmer organization or enterprise representing individual farmers Note: Companies should note if stable contracting is a result of company policy
Non-Focus Crop	**Income Diversification**		
	Change in Net Other On-farm Income	Change in net income from other on-farm sources (adjusted for inflation). This helps to understand how non-focus crop farm income is changing and should be used where programs involve a diversification component.	**Adjusted* Baseline Net Other On-farm Income** = Baseline inflation adjusted median net other on-farm income **Current Net Other On-farm Income** = Median net other on-farm income **Change in Net Other On-farm Income** = (Current Net Other On-farm Income - Adjusted Baseline Net Other On-farm Income) / Adjusted Baseline Net Other On-farm Income x 100 *Baseline price should be adjusted for inflation to current year using consumer price index

	Change in Off-farm Income	Change in net income from other off-farm sources (adjusted for inflation). This helps to understand how off-farm income is changing.	**Adjusted Baseline net other off-farm income** = Baseline inflation adjusted median net other off-farm income * **Current net other on-farm income** = Current median net other off-farm income **Change in net other on-farm income** = (Current net other off-farm income - Adjusted baseline net other off-farm income) / Adjusted baseline net other off-farm income x 100 *Baseline price should be adjusted for inflation to current year using consumer price index

High Level Reporting Indicators

These indicators are used to illustrate results *across* supply chains or a sourcing area and are designed to be used in public reporting. These are meant to show how 'the needle is moving' to measure and narrow the living income gap. The example graph below displays a skew that is common in income data, where few farmers have higher incomes due to larger land sizes or higher production. Due to this skew, the income of a "typical" farmer can increase substantially alongside only a small increase in the total percent of farmers above the living income benchmark. In the example graph below, the median (typical) farmer progressed from earning about 30% of the living income benchmark to earning close to half of the benchmark, while the percent of farmers earning a living income rose only by five percentage points.



Example produced by Sustainable Food Lab, 2024

Below indicators include those to be used by all actors (governments, NGOs, companies, etc.), with two that are specific to companies. *The purpose of the company-specific indicators is to help to understand progress in narrowing the living income gap AND to understand if the company is trading in a way that would allow farmers to reach a living income (by adjusting to use the average price paid by the company and to understand income if farmers had a viable land size).*[6]

Notes on High Level Progress Indicators

- For all indicators, actors will need to define their focus area – this could be a supply chain, landscape, sourcing shed, region or country. Actors should report total and disaggregated results by crop / geography as relevant.
- For the below indicators, a living income program is defined as a program where: 1) a baseline living income gap has been measured and challenges have been assessed, 2) a mix of interventions are used to address challenges to multiple income drivers, 3) the goal of the program is explicitly to narrow the living income gap, 4) the program is accompanied by a monitoring and learning agenda.

[6] Defined by Fairtrade International as the land size that would fully absorb the available household labor. (https://www.fairtrade.net/issue/living-income-reference-prices)

High Level Reporting Indicators

These indicators can be used to report coverage and results for all actors after definition of a "focus area". A focus area could be a supply chain, landscape, sourcing shed, region or country. Actors should report total and disaggregated by crop / geography as relevant.

Indicator	Definition	**Metrics or calculation** (where comprised of other metrics)
Measurement & Monitoring		
Living Income Measurement	Portion of the focus area farming households where the gap to a living income is measured	**Living Income Measurement** = # farming households in focus area with living income measurement / total # of farming households in focus area
Living Income Program Coverage		
Farming Households in Living Income Program	% of farming households within focus area reached by a living income program	**Farming Households in Living Income Program** = # of farmers in living income program in focus area / total # of farming households in focus area
Volume from Living Income Program	% of volume in the focus area produced by farming households in living income program	**Volume from Living Income Program** = Volume of focus crop sourced in focus area from farming households in living income program / volume of focus crop sourced in focus area
% Gap Closed		
Change in Living Income Gap	Change in % of living income benchmark earned by median farming households (percentage points difference from baseline to endline)	**Change in Living Income Gap** = % of living income benchmark earned by median farming household in current year - % of living income benchmark earned by median farming household in baseline year

High Level Reporting Indicators – Company Specific

In addition to the indicators that are laid out above, companies may calculate and consider reporting on the below two indicators that illustrate the role of the company's trading practices in narrowing the living income gap. This helps to tell the story of how the company is trading and whether the enabling conditions exist for earning a living income, outside of the factors that are largely outside of industry control (farmgate price paid by other buyers and land size). NOTE, these are modelled scenarios to better understand the role of the company in narrowing the gap. These indicators do not represent the reality of farming households.

Indicator	Definition	Metrics or calculation (where comprised of other metrics)
Change in Living Income Gap (with company trading practices)	Change in % of living income benchmark earned by median farming households (percentage points difference from baseline to endline) if farmers sold 100% of company quality production at price paid by company (does not actually have to be sold to company) *As farming households often sell to more than one buyer, this indicator allows companies to understand households' ability to earn a living income if all buyers paid the same price as they do.*	**Change in Living Income Gap (with company trading practices)** = % of living income benchmark earned by median farming household in current year - % of living income benchmark earned by median farming household in baseline year **(WHERE price received at farmgate for focus crop used to calculate Net Income from Focus Crop is average price paid by company in focus area)**
Company Trading Practices Enable Living Income	% of farming households whose Net Income from Focus Crop ≥ Living Income Benchmark if 1) price received at farmgate for focus crop is modelled as average farmgate price paid by company in focus area, 2) land in focus crop is adjusted to viable land size (see definition in footnote 6), and 3) non-focus crop income (Net Other On-Farm Income, Off-farm Income, and Other sources of Income) stay the same *This indicator allows companies to understand households' ability to earn a living income if all buyers paid the same price as they do, as above, and if farm size is viable. This helps to illustrate the effectiveness of company trading practices and support services (for efficiency) by creating a scenario where land size is held constant at a viable size.*	**Company Trading Practices Enable Living Income =** # of households in focus area with modeled household income ≥ Living Income Benchmark / # of households in focus area **Modeled household income** = ((total volume sold/land in focus crop) x average farmgate price paid by company in focus area x viable land size) – (cost of production per LAU x viable land size) + premium received* + (Net Other On-Farm Income, Off-farm Income, and Other sources of Income)** **Premium should be adjusted to reflect the additional volume sold (as appropriate for the mechanics of the premium)* ***Net Other On-Farm Income, Off-farm Income, and Other sources of Income not adjusted to land size*

STANDARD REPORTING FOR COMPARABILITY ACROSS STUDIES

The Living Income Community of Practice is dedicated to collectively building pathways to living income through common tools and global exchange. With more and more actors conducting studies to understand farming households' ability to earn a living income, and a variety of valid methods for measuring current farming household income and analyzing ability to reach a living income, comparison across studies can be difficult. To support alignment in the sector and study comparability, we provide 1) guidance on best practices for analysis and reporting, and 2) a study overview template for researchers to complete and publish alongside study results as a simple way to show methodological decisions for easier comparison across studies.

Best practices for analysis and reporting to foster comparability

Use the below as general guidance for analysis and reporting on living income.

Use median: Where possible, income results should be reported using the MEDIAN (instead of the MEAN), and/or a distribution graph.
Income data is often skewed with a few farming households having larger land sizes or producing more. Using the median gives a better idea of the "typical" farming household and a distribution graph will visually show the whole range.
Land and household size definition: Define and document land-size parameters of the study (i.e., 0-7 ha is considered a "smallholder farmer") and median/average household size.
Even studies that follow the same methodology and are conducted in the same place can vary widely if farmland and household sizes are not comparable. Both variables can have a large effect on if/how a household will reach the living income benchmark.
Cost of production: Note actual cost of production versus sustainable cost of production.
Whether the study uses actual cost of production (what is spent by farmers) or sustainable cost of production (the cost of implementing suggested practices and paying a living wage to hired labor) makes a large difference in study results and in key findings.
Living income benchmark adjustment: Ensure that the living income benchmark is appropriate for the location and adjusted for household size and inflation.
This is critical to ensure that the benchmark is comparable with current income. Adjustment calculations should be noted in the study template below.
Initial calculations should be done in local currency: All analysis should be done in local currency and then converted to other currency (USD, Euro, etc.) as a reference.
This keeps the local context as the focal point (how does income in the local currency compare to the cost of a basic but decent standard living in the local currency) and removes the often complicating factor of exchange rates. Conversion to other currencies remains as a reference for better comprehension to the global audience.
Note study population: Note the population that the study represents (general population, focus population of a particular program, etc.).
This helps the reader to better understand the context of the results.

LICOP Study Template for Alignment

Use the template below to note study parameters and major methodological decisions for better understanding of results and easier comparison across studies. *For the Living Income Benchmark and Living Income Analysis Information sections, please see Major Choice Points Table A and Table B below.*

LICOP Study Template for Alignment	Fill in boxes below with study information
Study Parameter	
Name of study	
Geographic area	
Study population description (i.e., part of program, general sourcing area, etc.)	
Study Period (period of time covered by the study)	
Data collection period	
Sampling method (e.g., cluster sampling, stratified sampling, etc.)	
Number of farming households in the sample and total population	
Range of land sizes (total farm)	
Range of land sizes (focus crop)	
Household size (median & average). If # adults and # children known, please note here.	
Living Income Benchmark (LIB) Information (use TABLE A below)	
LIB study name and reference Link	
LIB year conducted	
Original LIB living income value (local currency per household per year)	
LIB value adjusted for study household size and inflation (local currency per household per year)	
Method used for household size adjustment *(see table A)*	
Inflation rate used	
If converted to other currency (USD, Euro, etc.) list currency and exchange rate used	
Benchmark application (single adjustment for all households or benchmark adjusted to each household) *(see table A)*	
Living Income Analysis Information (use TABLE B below)	
Cost of Production for Focus Crop: is actual cost of production or sustainable cost of production used?	
Cost of Production for Focus Crop *(see table B)*	
Total Volume Sold *(see table B)*	
Price Received at Farmgate *(see table B)*	
Premium Received by Household *(see table B)*	
Land in Focus Crop *(see table B)*	
Net Other on- and off Farm Income *(see table B)*	
Value of Food Produced at Home *(see table B)*	

Major Choice Points Table A. These should be clearly noted using the LICOP Study Template for Alignment In the upcoming FAQ update, the TAC will provide input into recommendations on the above choice points			
		Choice Points	
		A	B
Living Income Benchmark	**Household size adjustment**	Proportionally / linearly, using the total number of household members	Equivalency Scale (Oxford OECD, modified OECD, and the Square Root)[7]
	Benchmark application	Single adjusted benchmark used for all farming households	Benchmark is adjusted to each individual household

Major Choice points - Table B. These choices points around data collection should be clearly noted using the LICOP Study Template for Alignment Section 2 of the LICOP Income Measurement FAQ offers guidance on methods and how to consider the rigor needed for data collection					
Income type	**Indicator**	**Choice points**			
		A	B	C	D
Focus Crop Income	**Cost of Production for Focus Crop**	Secondary data For guidance on use of secondary data, see the LICOP paper Estimating Farmer Household Income	One estimate of cost of production (for region or country) used across farming households	Farmer self-reported cost of production (survey)	Farmer self-reported cost of production (record keeping)
	Price Received at Farmgate / Premium Received by Household		Company sales receipts (if applicable, calculated with estimation of % sold on secondary market with estimate of price for on secondary market)	Farmer self-reported (survey)	Triangulation between sale receipts and self-reported prices (i.e., choice points B&C)
	Total Volume Sold		Company sales receipts (+ an estimate of volume sold to other buyers)	Farmer self-reported (survey)	Triangulation between sale receipts and self-reported volumes (i.e., choice points B&C)
	Land in Focus Crop		Farmer self-reported (survey)	Polygon / GPS mapped	

[7] For more information about these Equivalency Scales: https://www.oecd.org/economy/growth/OECD-Note-EquivalenceScales.pdf

Net Other On- and Off-Farm Income *(if collected together)*	**Net Other On- and Off-Farm Income *(collected together)***		Projected from self-reported: percentage of total income from focus crop (survey or FGD)	Self-reported, estimated total value (percent and value)	
If other on- and off-farm income are not collected together, treat them separately using the columns to right	**Net Other On-farm Income**		Self-reported percentage of total net farm income (can be asked as % net farm income from focus crop and then calculated)	Self-reported, estimated total value (percent and value)	Self-reported (detailed collection of revenue and costs)
	Net Off-farm Income		Self-reported percentage of total net household income	Self-reported, estimated total value (percent and value)	Self-reported (detailed collection of revenue and costs, if relevant)
Value of Food Produced at Home	**Value of Food Produced at Home**		Focus group discussion results, extrapolated to the whole sample	Self-reported (detailed collection of production volume and market price)	