Fairtrade Farmer Economic Model

Calculating the income of Fairtrade coffee & cocoa farmers

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Fairtrade vision

A world in which all producers can enjoy secure **sustainable livelihoods**, fulfil their potential and decide on their future ► small farmers and workers should earn sufficient income for a **decent standard of living**:
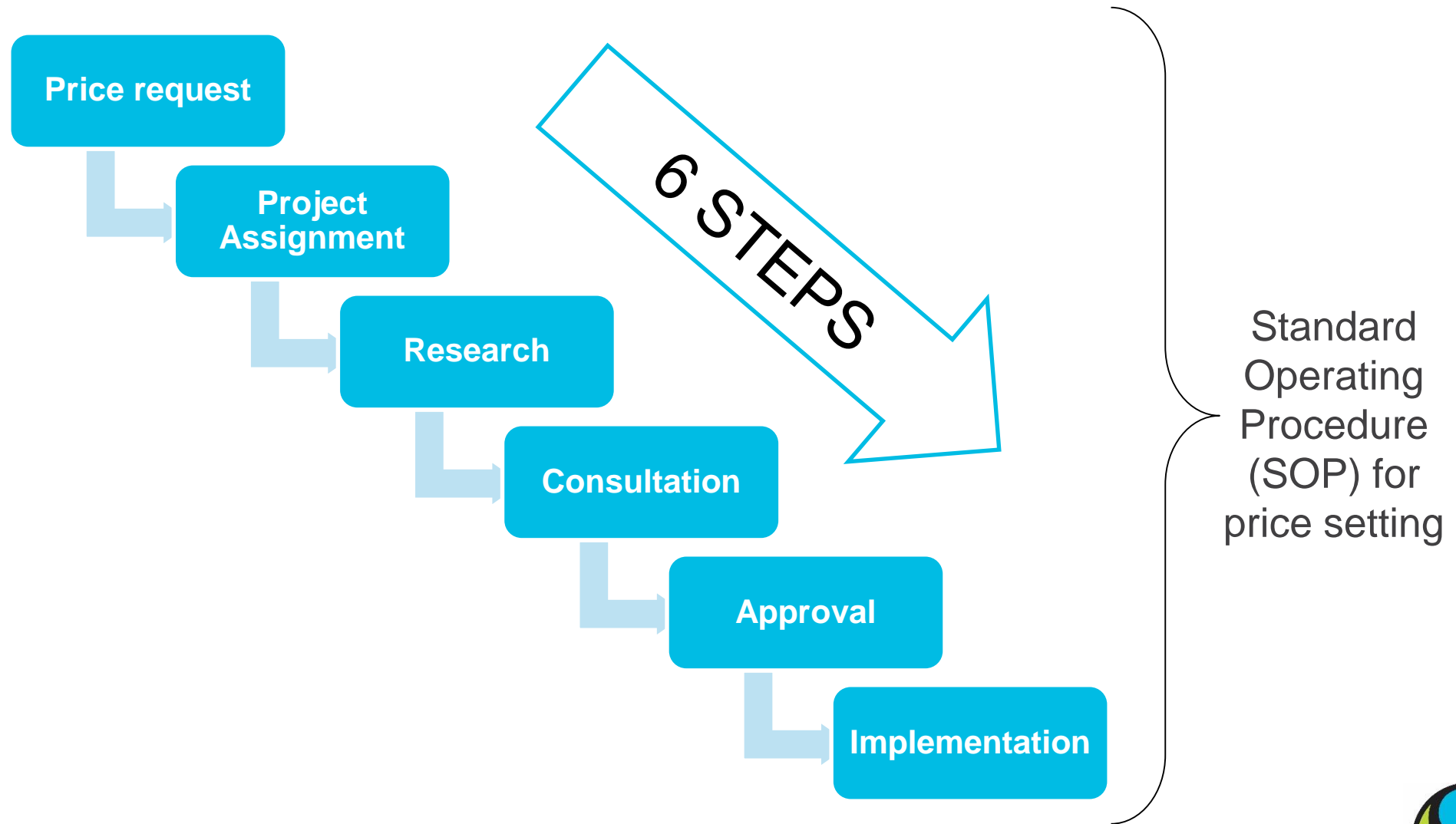
► Living wages strategy for workers

► Living income approach for small farmers under development

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a multidimensional approach to Living Income

1. **Where we are now** ▶ calculating the **actual farmer household income**

2. **What we want to achieve** ▶ setting **LI benchmarks**

3. **How we can get there** ▶ defining **implementation routes**

4. **How we will evaluate and measure impact at farmer level** ▶ monitoring changes in household income

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Steps of price setting process

Price request

Project Assignment

Research

Consultation

Approval

Implementation

6 STEPS

Standard Operating Procedure (SOP) for price setting

Farmers' income work - objectives

▶ Conduct baseline studies of farmer household income

▶ Test different methodologies

▶ Analyze gaps between actual and living income *(benchmark to be determined)*

▶ Understand the impact of Fairtrade Minimum Price and Premium with regards to household income

▶ Provide inputs for Fairtrade Living Income strategy

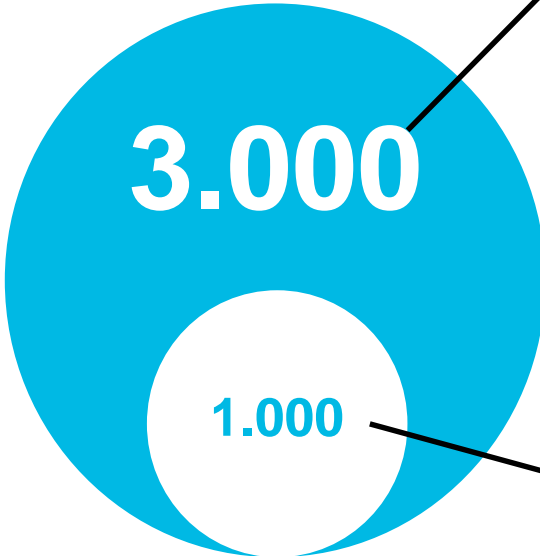FAIRTRADE

Fairtrade Cocoa – Cote d'Ivoire

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- Focus on Cote d'Ivoire

- Related to review of Fairtrade Minimum Price and Premium

- Government price interventions

- Understand the drivers of farmer income

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Fairtrade Cocoa – Cote d'Ivoire

Household income

Cocoa income | Other farm income | Off farm income

Quantity produced | Farm gate price | In kind benefits | Cost of production

Food crops | Farmer costs | SPO costs

Productivity (yield/ha) | Government price | Fixed costs | Health care

SPO | Variable costs | Variable costs

Average age | Drinking water

Fairtrade Mi... | GAP | Labour costs | Volume sold as Fairtrade

Fairtrade ... practi... | Household labour | Hired labour

World market price

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Fairtrade Cocoa – Cote d'Ivoire

March	**Household survey** **4.000 farmers**	Receive Fairtrade prices
April	**SPO Interview** **27 SPOs**	**3.000**
May		**1.000** Don't receive Fairtrade prices
	Primary data collection	
June		
	Data analysis	
July		
	Reporting to SPO's	

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Fairtrade Cocoa – Cote d'Ivoire
Household survey

Off-farm Income Source	Months worked per year	Amount typically brought home after expenses	Rate basis
1			○ Monthly ○ Weekly ○ Daily
2			○ Monthly ○ Weekly ○ Daily
3			○ Monthly ○ Weekly ○ Daily

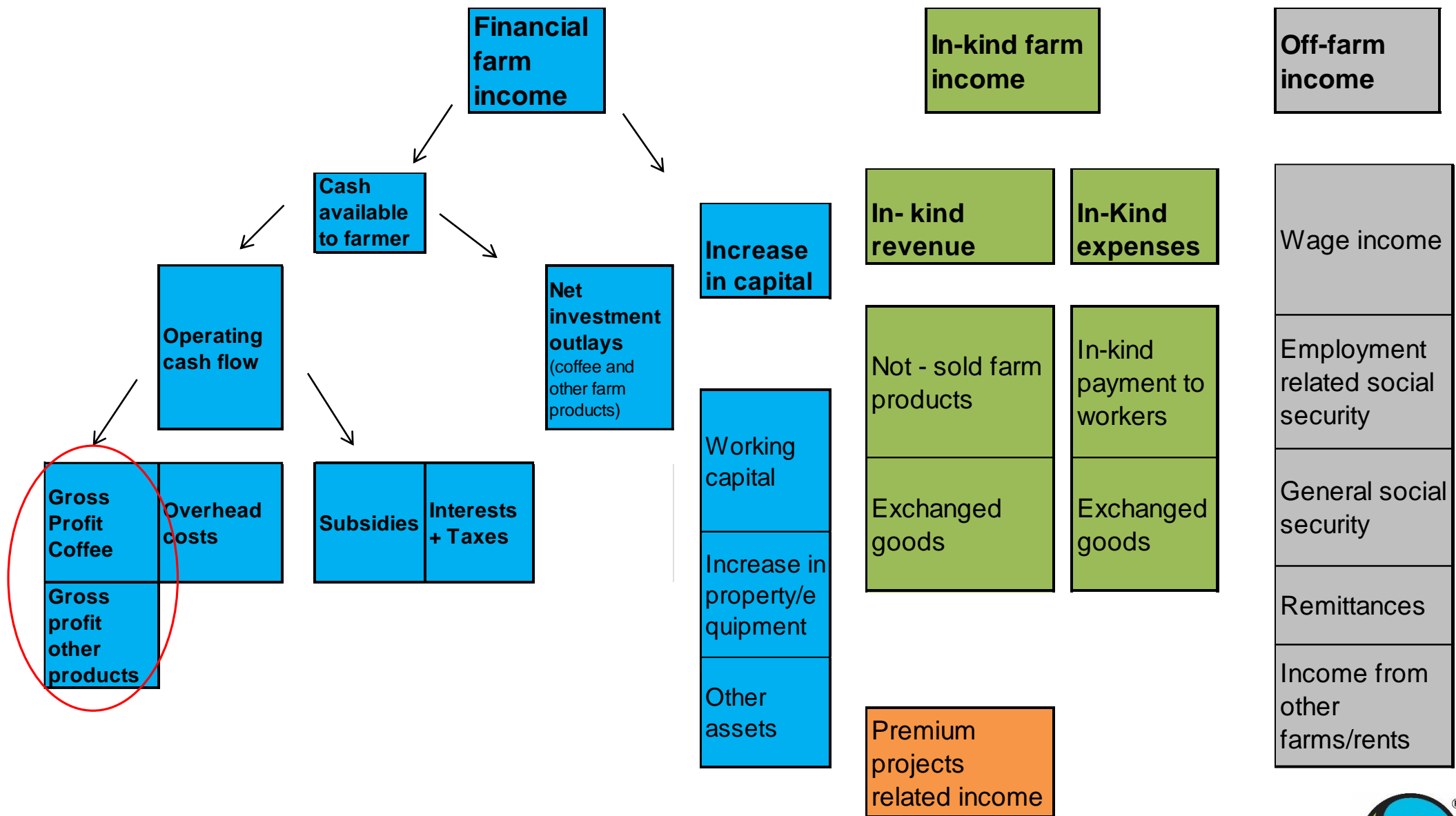| Animal/ animal product	% For sale or trade (not family consumption)	Revenue from sales or trade (actual money received or value of items received in trade)	Cost of production (estimate)
1			
2			
3			

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Coffee

- Project is independent from Price and Premium reviews

- Collect the data on farmers' income and COSP in 7 countries – 11 SPOs (Asia and Africa)

- Understand the components of farmer income and the role of Fairtrade

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Household income

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Financial Farm income

	Gross Profit Coffee		Gross profit other products

Type of coffee	Revenue coffee sales	Costs of production coffee

	Revenue sales other products	Costs of production other prod.

Fresh cherry	Prices (farm gate)	Costs of inputs
Dried cherry		Costs of labour
Coffee parchment		Productivity
		Farm size- number coffee trees
		Quality

	Prices received & volumes sold	Estimated costs

Coffee parchment	Prices (SPO)	Fairtrade sales
Green coffee		Non- Fairtrade sales
		Procesing costs
		Exporter or non - exporter

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Sample questions

Farmer Income questionnaire							Guidance	
Contact detail of farmer:							If this questionnaire was answered collectively - group of farmers - please indicate who participated	
		Unit (kg, Mt)	**Quantity**	**Value per unit**	**Total**	**UNITS TO BE USE**		
Farmer's age:								
Years of experience in coffee production:	sh ed?							
Farmer's education (school level):								
Do you participate in other certification scheme, if yes, which one (s)?		Kg			0			h of old for
Land Tenure:						Indicate how many kg pe and the value (USD)		
Total farm size:		Kg			0			
Size of total cultivated land and the cost:	Size: (and units)	Kg		Cost: (yearly rent - financial and non - financial; taxes)			Indicate the cost of renting the land, and if applicable, include payments done in kind (coffee bags, or other)	eek
Currency (USD, or other):	eived							hour

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Coffee: COSP and farmer income project

- Timeframe (2016)

| Jan. - March: Data collection 54 SPOs | May - June: Data analysed and validated | July - August: report available for internal discussion | Sept. - Oct.: further communication (feedback to SPOs) and strategy setting |

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Expected Results

- Generate and validate methodology

- Provide baseline data on farmer income

- Understand impact of FT prices

- Help identify mechanisms for achieving a living income

- Contribute to the international debate on living income

- Enable capacity building for producer organisations

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