

# Living income workshop - An update and next steps

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SUSTAINABLE FOOD LAB



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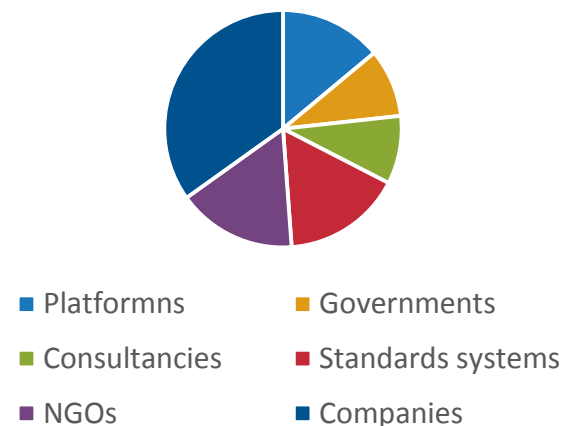
Deutsche Gesellschaft  
für Internationale  
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# Living income workshop

## Goals

- Share experiences and identify opportunities and challenges for different actors in applying the living income concept in their work
- Explore with concrete examples the use of living income benchmarks, farm economics models and survey data to inform work with farming households
- Develop concrete ideas on where and how this community of practice could be useful in taking forward work in this area

Participants



A close-up photograph of a coffee branch with several clusters of green, unripe coffee cherries. The cherries are small, round, and have a slightly textured surface. The background is a soft-focus green, suggesting more foliage.

# Key messages

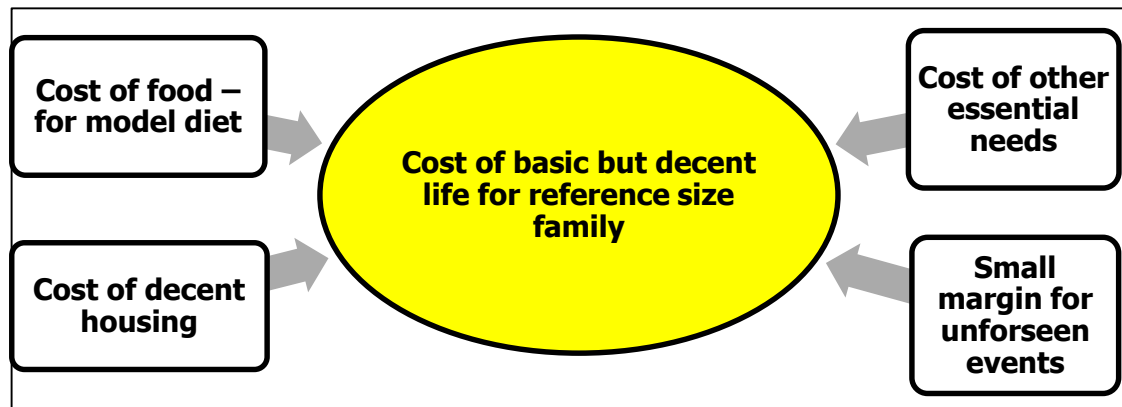
**Calculating household income, understanding the income gap and testing farm economic models**

# A living income benchmark

## *The Anker's methodology: living income as part of the calculation of living wage*

- › Rigorous
- › Combines local data collection with use of national statistical data
- › Concept of 'basic but decent' standard of living, based on international and national norms
- › 20 + benchmarks in different areas

### 1. Components of a basic but decent life for a family



# Complex but feasible

We all agree on the degree of complexity

- › Actual incomes—gathering data, calculating incomes, transparency in reporting; and,
- › Understanding solutions to closing the gap between current incomes and the living

there is enough information available to **have a sense of the potential gap** between actual incomes and a reference benchmark such as a poverty line or a living income benchmark.



# Kenya case

- › Data from a baseline impact evaluation
- › Small coffee farmers - typical farmer 0.5 to 1.5 ha land
  - For those the Av. Land dedicated to coffee is 0.26 ha
  - Revenue from coffee around 13% of household income – BUT cash from coffee at important timing
- › Scenarios showed that those strategies will only get farmers closer to the Kenyan poverty line, but still below living income

## Scenarios

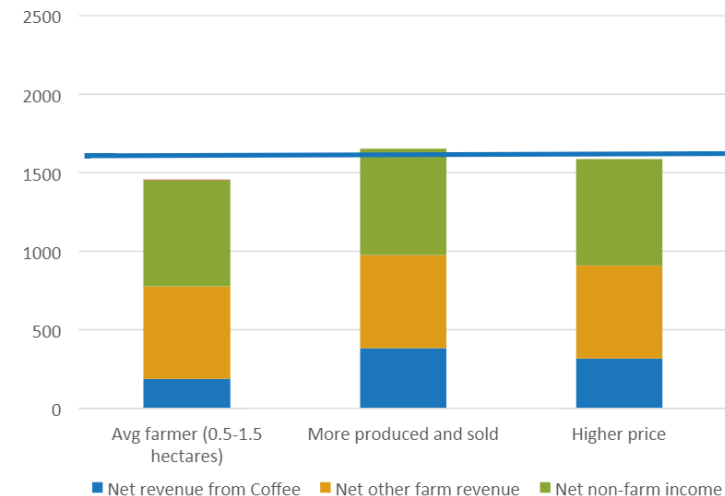
- 1) doubled the quantity sold
- 2) higher price

*Living income – Lake Navasha: \$340 / month for household of 5*

*Kenya rural benchmark will fall in between*

*Kenyan poverty line for this average family (approximately)*

Annual incomes scenarios for small coffee farmers near Mount Elgon, Kenya (in US\$)

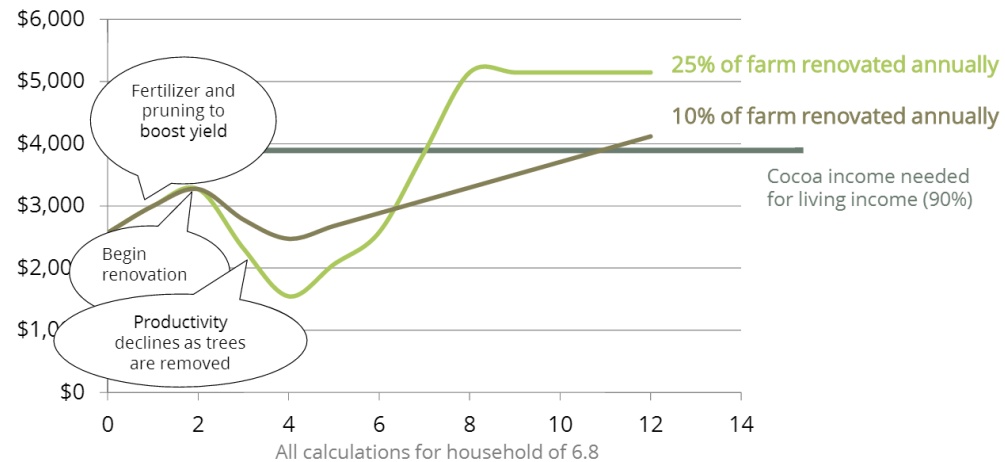


# Cote d'Ivoire case

- › Data from a number of studies (reports) , prior to project baseline
  - Dependency on cocoa is 90%
- › Cocoa farmers 3.5 ha of land in cocoa
- › At 10%, farmers reach a living income in 12 years.
- › At a rate of 25% annually, farmers reach living income in 8 years.

Scenario:

- 1) an initial (2 year) investment in increased productivity through fertilizer and pruning AND
- 2) Renovation plan – option a) 10% renovation rate and option b) 25%



25% renovation scenario hits living income mark at Year 8

10% renovation scenario hits living income mark at Year 12

# Uses of farm economic modelling and living income

## Fairtrade International

- Gap analysis with Living Income benchmarks
- Understand the impact of Fairtrade Prices
- Provide inputs for FT's work on Living Income

## Tony Choclonely

- Determine the premium they can pay on top of farm gate prices to help close the gap between actual and living income

## Ben & Jerry's

- Understand how the Producer Development Initiative might design and invest in a productivity program in cocoa to bring producers to a living income



# Actual income & testing farm economic models

- › Transparency in how we measure and report on current farmer incomes
- › Choices in terms of how to present the data
- › Towards generally accepted indicators, metrics, and models for getting to actual incomes
- › Modelling with various levels of rigor depending on time and budget available
  - Guidance on how to define realistic scenarios or how to take shocks or market price fluctuations into consideration.

# Closing the gap

- › Solutions must be systemic.  
There's no “silver bullet”
- › Thorny questions
  - Are there farmers that will never achieve a living income? Why? What is the role of a corporation in that context? And the role of a government? What types of interventions work best for certain types of groups?
- › Ultimately farmers should decide how/whether to invest in agriculture.





# Exploring roles and opportunities for different actors



# Companies

- › What can be done when the “target crop” is only a small percentage of the household income?
- › And what should be done when we see that a farming household will never achieve a living income given land/household constraints?
- › Should companies be involved in setting living income targets? Alone or with others?
- › How can companies partner with other sectors to address producer incomes?
- › How can we best understand what type of intervention is appropriate for specific crops/regions?
- › Can we gather and share baseline data in a pre-competitive way to better understand actual incomes? What is best practice for using existing data?



# Governments

- › Need to be part of the discussions
- › Linked to other sectors such as infrastructure, education etc.
- › Public sector can play a key role in providing basic services and infrastructure and creating an enabling environment (including rules and regulations) for producers.
- › Sector wide strategies to help those who “will never reach a living income”
- › Growing interest and commitment of governments in consumer countries – lobby?



# Implementers and producers

- › Producers do have a role and need to be brought into the discussions on living income.
- › producers should be able to collect and make use of their own data.
- › Role of implementing partners in supporting that goal.





# Standards systems

- › Facilitating the inclusion of producers in the conversations of living income.
- › Advocating for actions that will help improve farmer incomes.
- › Finding solutions for specific barriers to improving farmer income.
- › Pulling research together
- › Promoting BMP that can lead to better farming conditions



Colombian Coffee Growers Federation 4C  
Unit © 4C Association, David Bonilla (2)



**Next steps for those interested in  
using the concept of living income**



# Proposed activities

1. Development of a **generic farm economic model accompanied by metrics and guidance for measuring and reporting on actual farm and household income.**
2. **A series of white papers to discuss thorny issues** such as, "What should be done for the farmers who, given their farm size or other constraints, will likely never achieve a living income from the focus crop?".
3. **Impact evaluation(s) of a company initiative to address living income at origin** could provide the community lessons on what works, why, and to what impact in a specific context.
4. **Guidance for how to use/adapt the living wage methodology** developed by the Ankers in the context of living income.



**Let's hear from you! Your time to vote**



# Stay informed!

## Living income

<http://www.isealalliance.org/LivingIncome>

<http://www.sustainablefoodlab.org/performance-measurement/tools-resources/living-income/>

## Living wage

<http://www.isealalliance.org/our-work/improving-effectiveness/global-living-wage-coalition>

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## Questions? Email us at:

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**And remember to add your upcoming, ongoing and finalised studies to the Sustainability Impacts Learning Platform**

<http://www.sustainabilityimpactslearningplatform.org>



# Thank you!

Time for discussion

