

# LICOP webinar\_Enabling Living Income through Responsible Purchasing Practices\_23rd May 2024

## Summary

Cards

22

Comments

16

Votes

12

Participants

17

Voted

6

## Cards

- **Producer perspective-** What questions do you have on conditions needed for farmers and farmer cooperatives to gain more value and stabilise their incomes. Share any additional inputs.

@ Rikolto, what is your perspective on value-adding in producer countries, such as processing cocoa mass into chocolate? Is this a possibility to improve the returns to cocoa producers as well or will this only benefit a small portion of producers or only other industries?

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Cocoa processing is at the heart of the agricultural policy of the Ivorian Government, which plans to process 100% of its cocoa production by 2030. But it is not the cooperatives that process. This already means that the benefits linked to processing do not go directly to farmers but rather to those who process namely the industries. Farmers can only benefit from this added value if the Government plans to levy taxes to improve farmers' income.

**Of all the farmer needs presented, which do you consider the most important to address immediately?**

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Higher Price

**How can we get more clarity on the synergies / interdependence of government led interventions to increase CIF / farm-gate prices and commitments of private sector to responsible purchasing practices?**

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As I have presented, the Government can't increase the CIF because it is fully dependent on the supply and demand of cocoa in the international market. On the other hand, the Government can increase the Farm Gate Price that buyers should agree to pay to producers. As for responsible purchasing practices by the private sector, for the moment the Government is using multi-actor dialogue platforms to encourage their application.

**Need to differentiate about value chain actors ability to influence procurement practices. %FOB captured by farmers is as important as farmgate price. These are not in the hands of end buyers. Also important to differentiate between upstream investments such as literacy/school attendances and true procurement practices like long term contracts or we are muddling things.**

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I see

Which are the options for coops and farmers today to finance opex and capex?

👍 1 💬 1

Until now, cooperatives use part of the premiums to mainly finance OPEX. As for CAPEX, they are generally supported by certain partners of cooperatives such as NGOs through subsidies or by buyers as part of community actions (construction of schools, buildings, etc.).

From Lizzy Igbine NIWAAFA Nigeria. Farmers will need capacity building. Fair business environment. Support in reducing input costs and prices

👍 0 💬 1

Indeed

How to deal with a "fair price" even every producer has different production costs, specially affected for big differences in productivity like it happens in coffee

👍 0 💬 1

Living income is dynamic. It is different from one country to another, from one area to another, etc. This is why the fair price must be preceded by a good baseline study to highlight these differences in order to establish the price structure in accordance

hh

👍 0 💬 1

hh = Household

Foundations for RPP- What are questions that you have on practices and actionable strategies that can drive living incomes? Share additional inputs.

@ETI, could you share which sectors are currently using this common framework? and what is the uptake by companies?

👍 2 💬 1

ETI is working on responsible purchasing practices (using the Common Framework as a structure and guideline) with the apparel/textile industry, manufacturing industries (which include a diverse group, essentially everything except food and textiles), and the food industry. We are collaborating with a large number of ETI members and Joint Ethical Trade members across all these industries, and these initiatives have been received very well. This positive reception is mainly because the Common Framework provides a common language, is universally applicable, and allows us to work more closely with members on implementation and action. The implementation and actions are more targeted and detailed to the context, geographic location, and specific risks within these industries, the framework helps ensure consistency and clarity across all efforts.

@ETI - do you have an accountability mechanism to assess companies implementation of the framework?

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We are working on accountability mechanisms. There is a framework in development for the apparel industry, but many of these principles will be relevant across sectors. Our recent work has focused on developing practical solutions and supporting companies. However, that is only one part of the picture. While accountability mechanisms are important, purchasing practices are also a crucial part of Human Rights Due Diligence (HRDD), and we are very supportive of the legislation in this area.

**@Melissa: Also interested in knowing if you have tools to assess practices against principles?**

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We are working on RPP with food industry members, and as we do this, we will continue to develop more nuanced guidance and tools. There are some practical tools available on the apparel website focused on risk assessment, etc. You can find them here: <https://www.cfrpp.org/resources>.

The Common Framework is designed to be a common language, and we encourage alignment with it. If others are developing guidance on particular commodities etc., we would encourage uptake of the framework. You can find guidance on this here: <https://www.ethicaltrade.org/what-we-do/eti-initiatives/common-framework-responsible-purchasing-practices>.

**@IDH: Did you base the principles of your work with MARS on the one from the CFRPP Framework of ETI?**

 2  0

**@IDH: how can brands facilitate access to finance for small producers? do they tend to provide guarantees for instance?**

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There can be different options depending on circumstances. Acting as guarantor for a producer accessing loans can be a very effective way for a buyer to build/strengthen relationships with a supplier. There are risks for both parties, however a branded business will often have a much greater turnover than a small producer so the "sums assured" are likely to be comparatively low.

**@IDH could you give examples of the type of KPIs that are being developed? How do they correspond to meeting the producer needs that Rikolto had raised?**

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We have indicators for business model, business performance and impact indicators. Impact indicators that relate to producer needs include: household LI gap, farmer net household income increase, value distribution to farm level (% of FOB price).

**@Alfonse: bridging the living income gap - how is it sustainable in the long-term? isn't the last mile a kind of subsidy?**

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**How can financial institutions assist in promoting more responsible purchasing practices**

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**Do you think the responsibility of paying the LIRP should be shared amongst the supply chain, or borne more by the traders or even end customers?**

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**Have you developed any practical tools that sustainability professionals can use to operationalize the framework with their commercial colleagues? If so could you please point us to those resources? Thanks**



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## ■ Experience in Practice- Share practical examples of your work in a specific sector, region or more generally?

**Can you mention what current incentives for retailers to adopt sustainable procurement are?**



Businesses have human rights due diligence responsibilities and purchasing practices are very important part of that, so in increase the understanding of what it is, the scrutiny on this, they have responsibility to the people in their supply chain and also good responsible purchasing practices can have a lot of mutual benefits, long term relationships can be really beneficial to everyone in the supply chain (ETI)

**The work done between buyers, lenders like Root Capital and coffee cooperatives on price risk management is very promising to enable coops to have the same capacity to hedge as trading companies**



**Are there any examples of practices or guidelines for buyers to report on sustainable procurement commitments and enhance price transparency? i.e reporting on prices / premiums they pay?**



**Should we keep spending a lot of money on LIRPs, LI benchmarks etc.? Or should we first try to get some results and see where it leads us, before fixating on a specific number?**



Results should indeed be the focus! We find in LICOP that the pre competitive calculation of benchmarks in a standardized way is a much more cost effective and robust approach than each company calculating these on their own, and allows companies to focus on investment and impact.