

Living Income Community of Practice

Topic specific 2024 webinar series

The Living Income
Community of Practice

Enabling Living Income through Responsible Purchasing Practices

Thursday, May 23, 2024

14:00-15:30 UTC+1 (UK time)

Today's Facilitators



Sheila Senathirajah
Senior Manager, Innovations
ISEAL



Stephanie Daniels
Senior Program Director
Sustainable Food Lab

Supported by the



Federal Ministry
for Economic Cooperation
and Development

Implemented by

giz Deutsche Gesellschaft
für Internationale
Zusammenarbeit (GIZ) GmbH



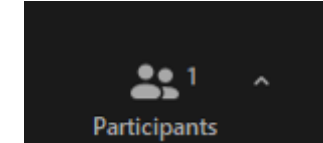
Session Guidelines

RECORDING

- This session is being recorded and this will be shared with all participants on the Living Income webpage within 2 weeks.

INTRODUCE YOURSELF

- Edit your name and add your organisation in brackets; e.g., [Carla \(ISEAL\)](#)
- To do this, simply click on the “Participant button”
- Next, in the Participant list, next to your name click on “Rename”



ISEAL (Host, me)

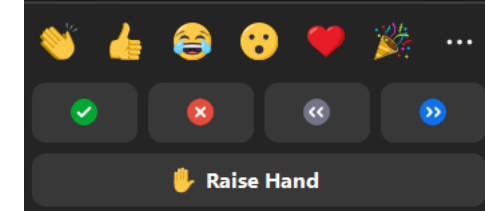
Unmute



Rename

HOW CAN I ASK A QUESTION/COMMENT?

- **Raise your virtual hand** (look for this at the bottom of the Participant list) and organisers will call on you and you can unmute yourself
- Or pop the question in the **chat box**
- Please keep yourself muted when not speaking



TECHNICAL DIFFICULTIES?

Reach out to [Carla Rodriguez](#) in the chat box or to livingincome@isealalliance.org

Supported by the



Implemented by



The Living Income Community of Practice

Living Income Community of Practice is open to any entity committed to learning on the topic of Living Income and improving livelihoods of smallholder farmers

www.living-income.com



About today's webinar

Across various sectors and regions, smallholder farmers face significant challenges in achieving a decent standard of living. Today, we will explore how responsible purchasing practices can be a critical driver in reducing income disparities and empowering producers.

By implementing these practices, companies can enhance transparency, foster ethical trading dynamics, and catalyze positive change throughout the supply chain. Our discussions will focus on actionable strategies to promote sustainability and fairness, enabling living incomes for smallholder producers.

In this webinar, we aim to obtain a better understanding of:

1.Responsible Practices and Strategies: Identifying actionable strategies that drive living incomes for smallholder producers while promoting sustainability and fairness in global supply chains.

2.Meeting Producer Needs: Ensuring these practices effectively meet the needs of producers and their organizations, contributing to more resilient communities.

3.Measuring Success: How best to measure the success of responsible purchasing practices in enabling living incomes for smallholder farmers.

Agenda

- **Getting the Producer's Perspective** (10 m)
 - [Rikolto](#): Prioritising Producer needs
- **Foundations for Responsible Purchasing Practices (RPP)** (30 m)
 - [ETI - Ethical Trading Initiative](#): What are common principles for RPP
 - [IDH – The Sustainable Trade Initiative](#): How companies adapt their strategies?
 - [VOICE Network](#): What are good purchasing practice in the cocoa sector and how they can balance out the risks faced by producers?
 - Questions for the panel (20 m)
- **Sharing experience in Practice** (10 m)
 - [German Retailers Working Group](#): Evidence of what has worked in practice
- **Closing remarks** (10 m)

Easy Retro

We want to learn as a community, use the Easy Retro board to leave your comments on these following questions



LICOP webinar_Enabling Living Income through Responsible Purchasing Practices

★ Prime Directive Anonymous

Create a Free board

Search

Sort by order ▾



Share

Settings

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.



Type something...



Save

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



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



Enabling Living Income through Responsible Purchasing Practices



Alphonse Amani,
Cocoa Programme
coordinator in Ivory
Coast, Rikolto



Melissa Karadana,
Purchasing Practices
Programme Lead, Ethical
Trading Initiative



Mark Birch,
Program Director of
Sustainable Procurement,
IDH



Nina Kuppetz,
Advisor for Sustainable
Agricultural Supply Chains
and Standards, GIZ

WEBINAR

Understanding producer perspective

Organised by **The Living Income**
Community of Practice



Alphonse Amani
Cocoa & Coffee Programme Manager
in Côte d'Ivoire at Rikolto

23 May | 14.00 UTC+1 (London)



IVORIAN COCOA PRICE STRUCTURE

Price scale per Ton

Items	Value in F CFA	Value in Euro	% of CIF Price
CIF Price	2 325 685	3 545.48	100.00%
FOB Price	2 249 625	3 429.53	96.72%
Loco-Store Price	1 645 160	2 508.03	70.73%
Factory Entry Price	1 580 000	2 408.69	67.93%
Co-op Management Cost	80 000	121.96	03.43%
Farm Gate Price	1 500 000	2 286.74	64.49%

- The Farm Gate Price is the official cocoa purchasing price on the ground that goes directly to the + 1 million farmers with + 3,220,000 hectares. This Farm Gate Price represents a little more than **64% of the CIF Price** and about **113.23% of the LIRP** which is more than closed in this context.

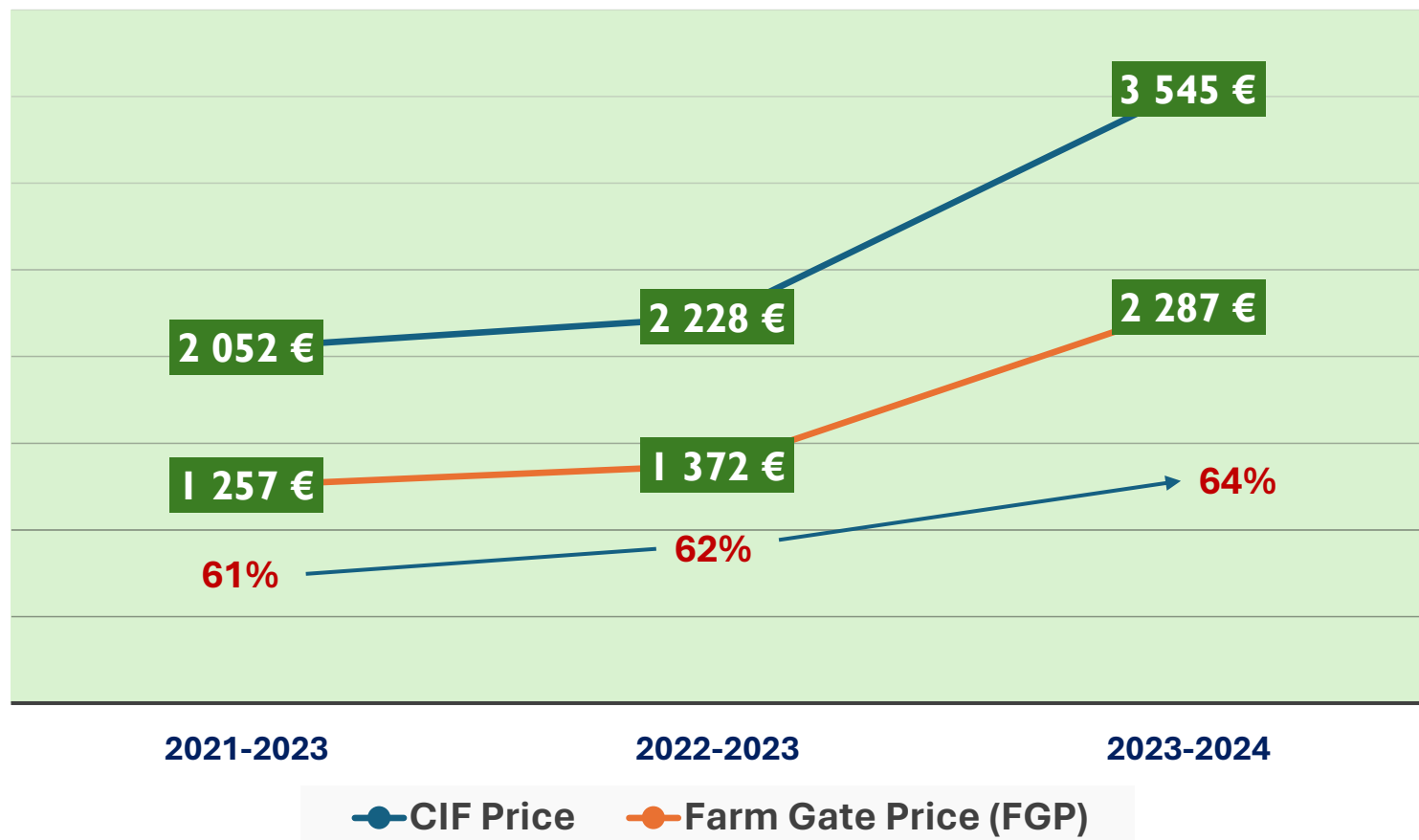
- > In this current bidding system, the Government sells **70% of the volume of cocoa** at a pre-set price based on the CIF price on which at least **60% of the Farm Gate Price** depends
- > This system is only relevant in a context of drop in prices
- > But is not advantageous in a context of price increase on the international market

- This is the pre-set official share that the Government gives to the co-op to bear the management costs



IVORIAN COCOA PRICE STRUCTURE

Correlation between CIF and Farm Gate Price



Government has 3 options to improve Farm Gate Price

- **Increasing the rate :**
Government could increase the % applied to the CIF from 60% to 80%
- **Reduction in the volume of advance sales :**
Government could reduce the % of volume sold in advance from 70% to 50% in the context of price increase
- **Commitments :**
Government must apply its commitment to pay at least 60% of the CIF price regardless of the context. This was not the case during this year's mid crop in a clear context of price increase on the international market



DIRECT ACTORS OF COCOA VALUE CHAIN



Farmers

- produce cocoa beans and sell to cooperative and others

Co-ops

- support cocoa farmers (including transport to processor)

Processor

- Prefinances beans and processes beans into cocoa mass

Chocolate maker

- Produces liquid chocolate out of cocoa mass, arranges transfer of premiums to cooperative

Bar-maker

- produces bars out of liquid chocolate and wraps bars

Retailer

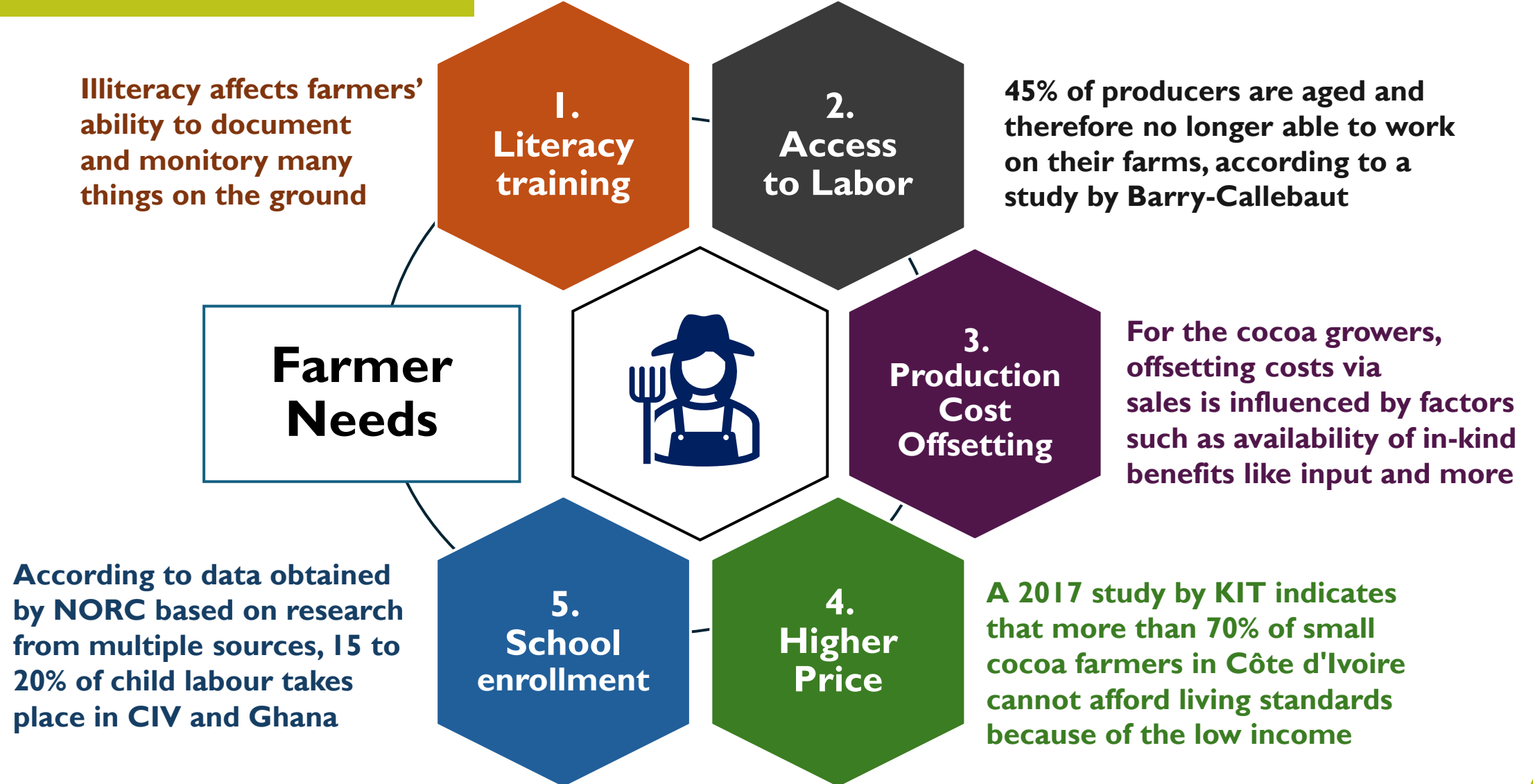
- Brings chocolate bars to market

NATIONAL MARKET

INTERNATIONAL MARKET



FARMER NEEDS



COOPERATIVE NEEDS



Partnership

- **Long-term partnership :** Cooperatives need a strong, and long-term partnership for harmonious development and growth
- **Inclusive and win-win partnership :** cooperatives need this kind of partnership to create more value that benefits cocoa growers and their communities, including women and youth



Professionalization

- **Capacity Improvement :** Cooperatives need to strengthen their capacities both in terms of governance and in traditional aspects of business management such as organizational, financial and commercial management.
- **Competitiveness :** This will allow them to be more professional and competitive, to increase their bargaining power and to position themselves in more qualitative and remunerative niches



Finance

- **Premiums :** cooperatives depend on premiums to provide services to farmers influencing farmers' production and co-op management costs.
- **OPEX :** cooperatives need pre-financing from processors to pre-collect beans from farmers to buyers
- **CAPEX :** cooperatives need investment capital to support their development and their growth as well as organization



THANK YOU !



What will we eat tomorrow?



Subscribe...

to our e-newsletter on rikolto.org

Follow us...

Linked-In: [@rikolto](#)

Twitter: [@rikolto](#)

Instagram: [rikolto](#)

Enabling Living Income through Responsible Purchasing Practices

Foundations for Responsible Purchasing Practices





Ethical
Trading
Initiative

Ethical Trading Initiative

Enabling living income through
responsible purchasing practices



Responsible purchasing practices

Context

Companies should consider their own commercial practices as part of their human rights due diligence:

- Seek to understand how their business model and practices relate to risks to people in their supply chains
- Take corrective action
- Engage with stakeholders throughout

Responsible
purchasing
practices

Context

Common Framework for Responsible Purchasing Practices in Food

Resilience in food supply chains



Responsible practices and strategies

CFRPP

Common framework for responsible purchasing practices (CFRPP)

- Core **reference document**
- A **common language**
- Structure for **discussion** and **action**
- Supporting companies to **align their purchasing practices with HRDD standards**: The UN guiding principles of Human Rights and OECD guidelines

Responsible practices and strategies

CFRPP

Crucial to keep in mind:



Understand risks related to specific countries and commodities



Investigate those risks



Continuous feedback and input from suppliers/manufacturers/growers



No one-size-fits-all solutions



Work on actionable steps



Building strong relationships with small holder producers / growers / manufacturers

Summary of the framework

PRINCIPLE 1: INTERNAL INTEGRATION

The purchasing company has top leadership buy-in and commitment to RPPs, and a thorough understanding of existing suppliers and purchasing systems, and their potential impact on human rights. This information is used to develop an improvement plan.

RPPs are integrated into buying and other relevant departments of the business.

This includes:

- internal engagement and responsibilities.
- risk/ impact assessment.
- improvement plan.
- internal training.
- cross-functional communication channels.
- integrated strategy and decision making.
- internal accountability and performance evaluation.
- tracking progress.
- external reporting.

PRINCIPLE 2: EQUAL PARTNERSHIP

The purchasing company and their suppliers respect each other as equal business partners, engage in respectful sourcing dialogue, and pursue win-win situations, with a shared responsibility for improving working conditions.

This includes:

- communicating commitment to RPPs.
- agreement on mutual responsibilities.
- stable, long term sourcing relationships.
- partnership approach to communication and problem solving.
- effective feedback mechanisms.
- supporting continuous improvement.
- evaluating and incentivising suppliers.
- awareness of leverage and dependency.
- employing responsible exit strategies.

PRINCIPLE 3: COLLABORATIVE PRODUCTION PLANNING

Critical path and production planning are done collaboratively between the purchasing company and suppliers, with a fair distribution of risk and accountability.

This includes:

- mutually agreed, reasonable lead times.
- critical path adherence.
- providing accurate specifications.
- improving forecasting accuracy and communication.
- mitigating impacts of fluctuating orders.
- balancing orders.

PRINCIPLE 4: FAIR PAYMENT TERMS

The purchasing company and suppliers agree on fair and transparent payment terms that do not place a disproportionate burden on one party.

Contractual obligations are honoured. Payments are made in full and on time.

This includes:

- ensuring payments are made on-time.
- aiming to improve payment timelines.
- no retrospective changes to mutually agreed prices.
- mutually agreeing reasonable penalties, considering the cause of any delay in delivery.
- aiming to reduce penalties.
- promoting fair payment terms through the supply chain.

PRINCIPLE 5: SUSTAINABLE COSTING

The costing levels and procedures of the purchasing company support wage increases and sustainable production.

Prices cover all costs of production in line with responsible business conduct and allow for a reasonable and maintained supplier profit margin.

This includes:

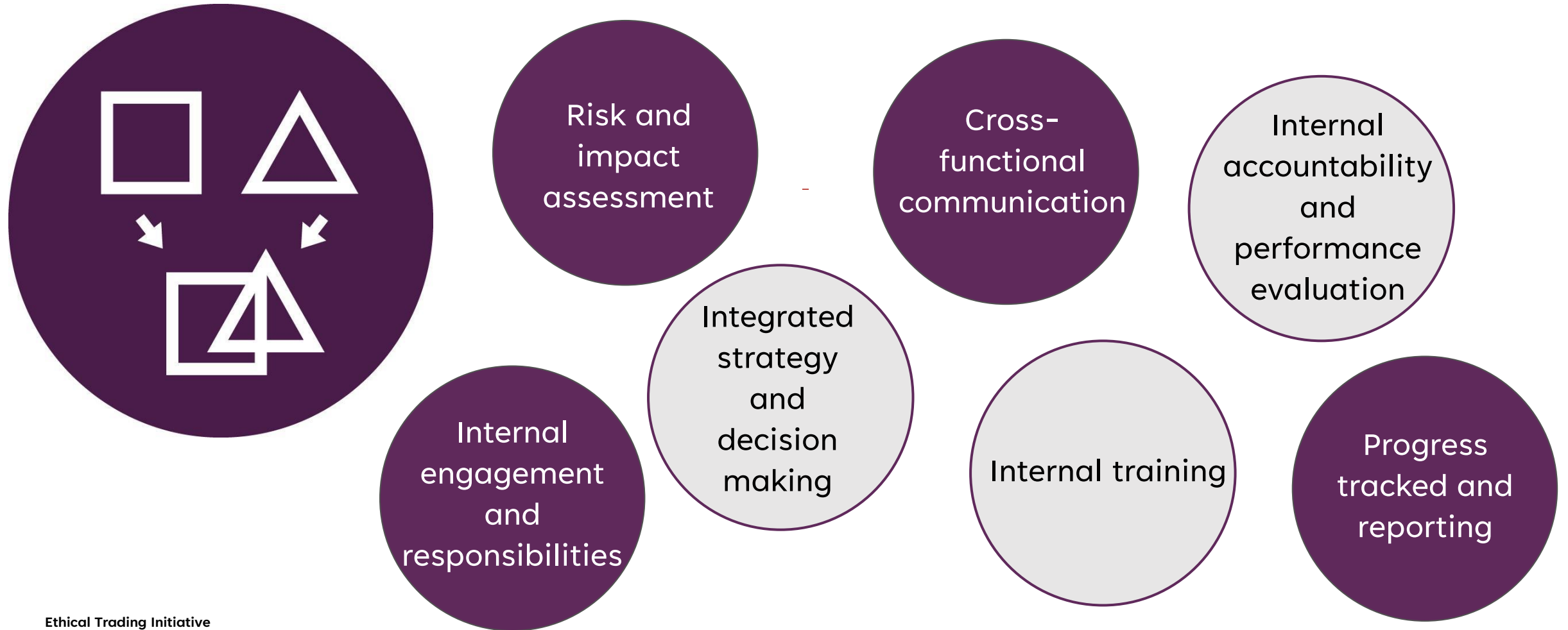
- developing mechanisms to ensure costing allows for all labour costs.
- incorporating wage and cost increases (through national minimum wages and/or collective bargaining).

Advanced practices:

- pricing allows for wage increases towards living wages.

Principle 1: Integration and Reporting

In order to implement changes to purchasing practices, the company has top leadership buy-in and commitment; has a thorough understanding of existing suppliers and purchasing systems and (possible) negative impact on human rights; and uses this to decide on priorities that feed into an agreed improvement plan. Responsible purchasing practices are integrated into the commercial and other relevant departments of a business.



Principle 2: Equal Partnership

The purchasing company and their suppliers respect each other as equal business partners; engage in respectful sourcing dialogue; and pursue win-win situations, with a shared responsibility to improve working conditions.



Stable, Long
term, sourcing
relationships

Supporting
continues
improvement

Commitment

Responsible
exit strategy

Agreements on
mutual
responsibilities

Leverage
and
dependency

Effective
feedback
mechanism

Evaluating and
incentivising
suppliers

Partnership in
communication
& problem
solving

Principle 3: Collaborative Production Planning

Critical path¹¹ and production planning is done collaboratively between the purchasing company and suppliers. Any changes are mutually agreed and cannot be detrimental to the supplier.



Lead times

Forecasting

Critical path
adherence

Accurate
specification

Mitigating
impacts of
fluctuating
orders

Order
balancing

Principle 4: Fair Payment Terms

The purchasing company and suppliers agree on fair and transparent payment terms that include all relevant information regarding the payment procedure and do not place a disproportionate burden on one party. Contractual obligations are honoured at all times. Payments are made in full & on time.



On-time
payments

No retrospective
changes

Supply chain
tiers /
intermediaries

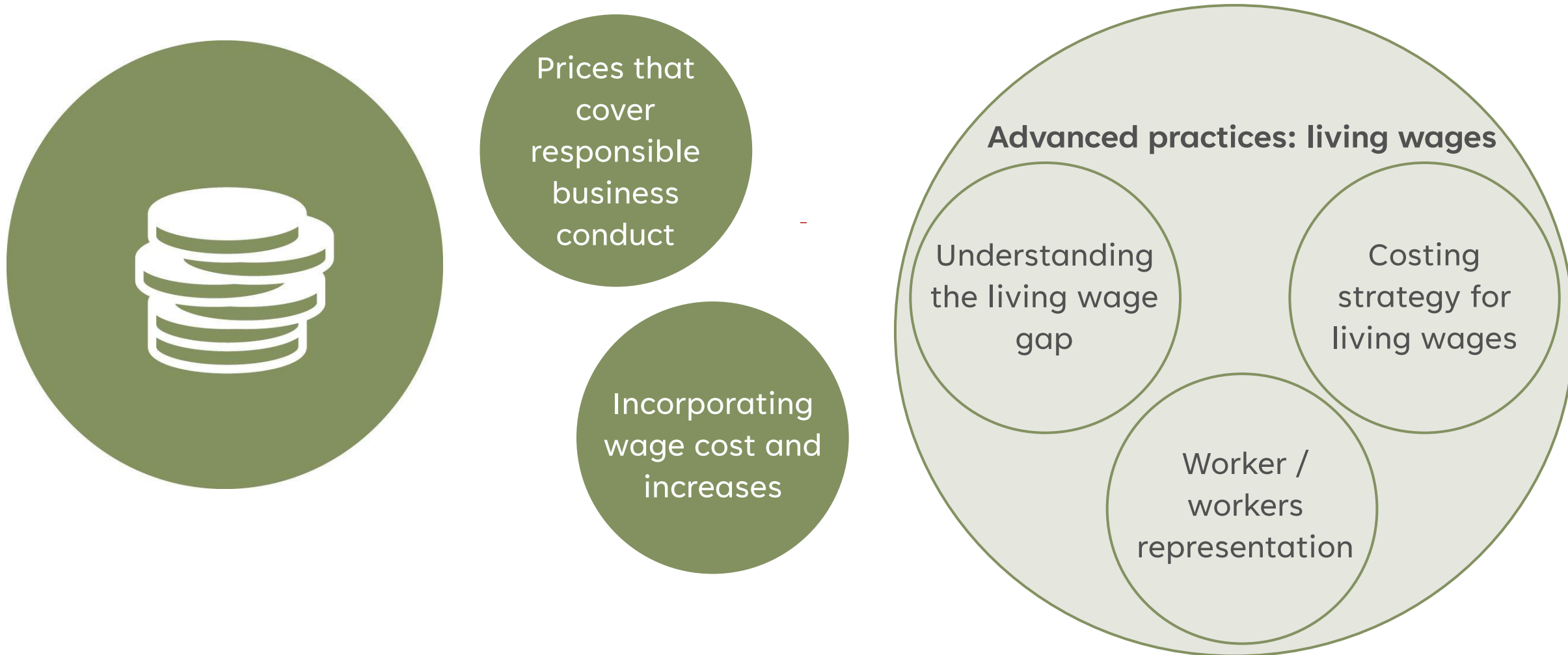
Aiming
reducing
penalties

Financial
commitment

Mutually
agreed
reasonable
penalties

Principle 5: Sustainable Costing

The costing procedures and levels of the purchasing company reflect and support wage increases and sustainable production. Prices cover all costs of production in line with responsible business conduct and allow for a reasonable and maintained supplier profit margin.



Responsible practices and strategies

CFRPP

Development of the Common Framework:

- ILO research
- ETI's guide to buying responsibly
- Consultation with a range of stakeholders including NGOs and TUs
- Experience of supporting companies to apply UNGPs or HRDD

Partners involved on development of the apparel framework:

Ethical Trade Norway, Fair Wear, ETI, the German Partnership for Sustainable Textiles (PST), Ethical Trade Denmark, and the Ethical Trading Initiative Sweden

And closely collaborating with: Solidaridad and STTI

Responsible practices and strategies

Challenges

Some challenges:

- Food supply chains are complex, involving diverse stakeholders with varying power dynamics
- Risks associated with supply chains are specific to different commodities and geographical regions
- No one-size fits all

Meeting
stakeholders
needs

Stakeholder engagement

Importance of meaningful stakeholder engagement:

- Essential for effectively addressing these specific risks
- Close stakeholder involvement enhances understanding and resolution of supply chain issues
- Continuous and ongoing feedback from relevant stakeholders in your supply chain on your own practices and processes



Ethical
Trading
Initiative



**For human rights,
for better business**

Thank you

Sustainable Procurement For Living Income

May 2024



Procurement practices agenda and toolkit



Objectives of IDH's procurement agenda

- **Generating insights** - creation of a procurement practices toolkit
- **Drive action** - building and sharpening the business case for changing business & procurement practices
- **Accelerate action** - mobilizing and convening private sector players

Purpose of the toolkit and partnership with Mars/FIL

- Create a **common language & structure**
- The toolkit includes **current practices and future practices** – to inspire action
- Create a library of **existing practices**

Both businesses and farmers need to transform to deal with the VUCA World

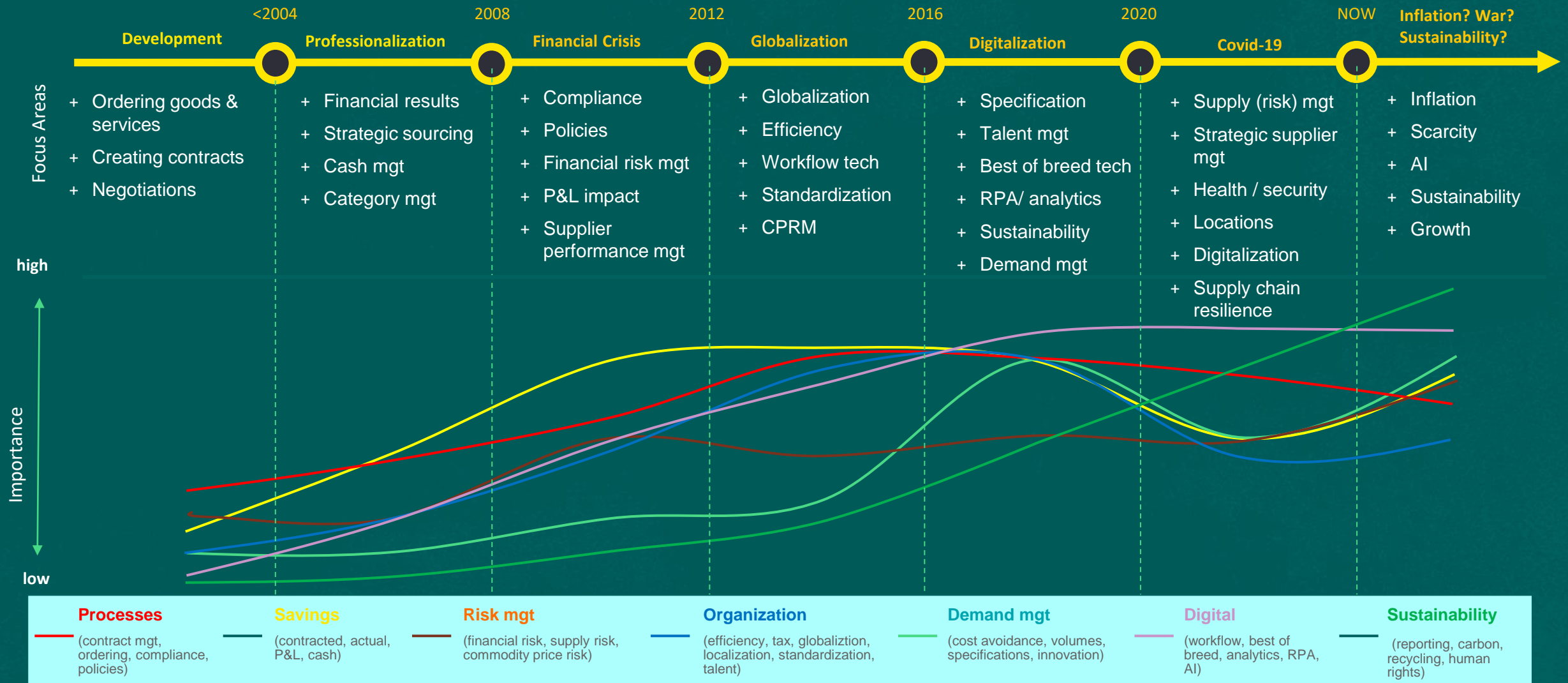
Our Vision:

Agriculture supply chains deliver positive socio-economic-environmental impacts for businesses, farmers and production/consumption communities.

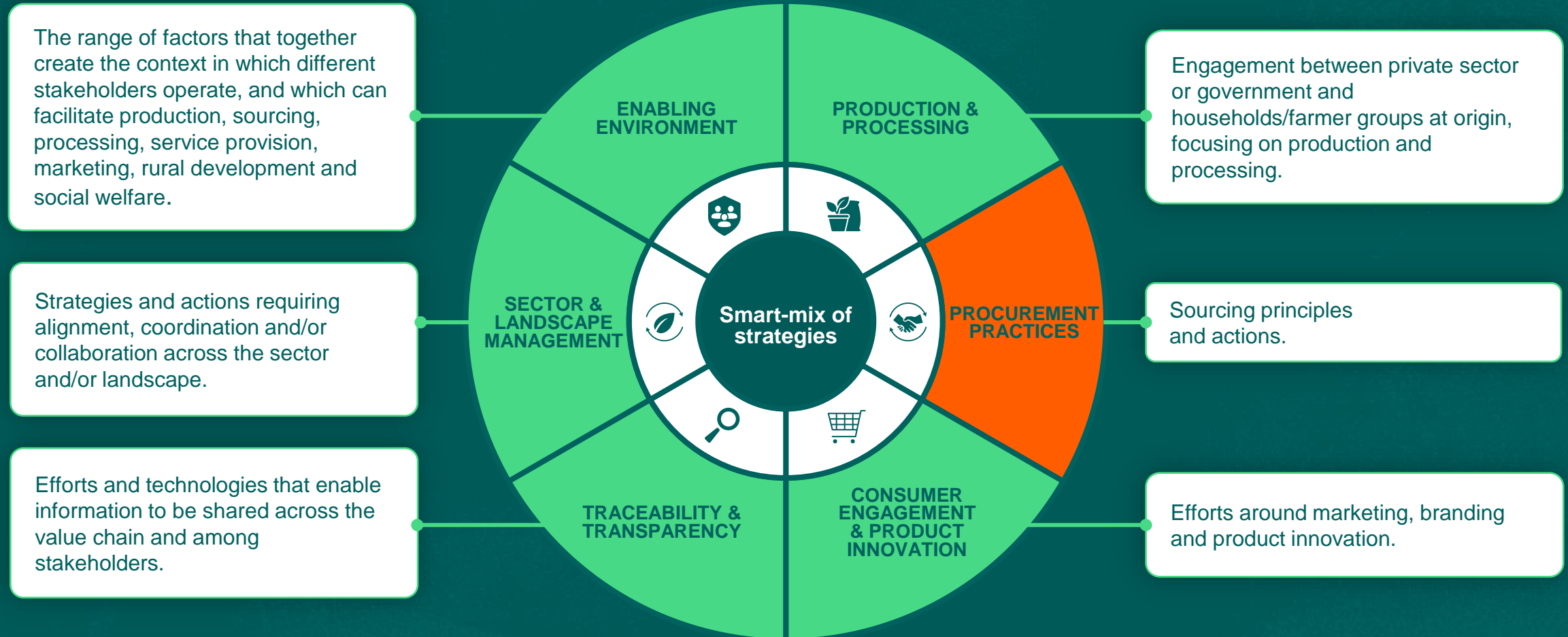
Our Goal:

To foster an equitable, inclusive, and profitable agricultural sector for all stakeholders involved, including buyers, aggregator/producer groups, and farmers to enable them to earn a living income.

During the last 20 years Procurement teams have been tasked with more responsibilities



A “smart-mix” strategy to close LI gaps

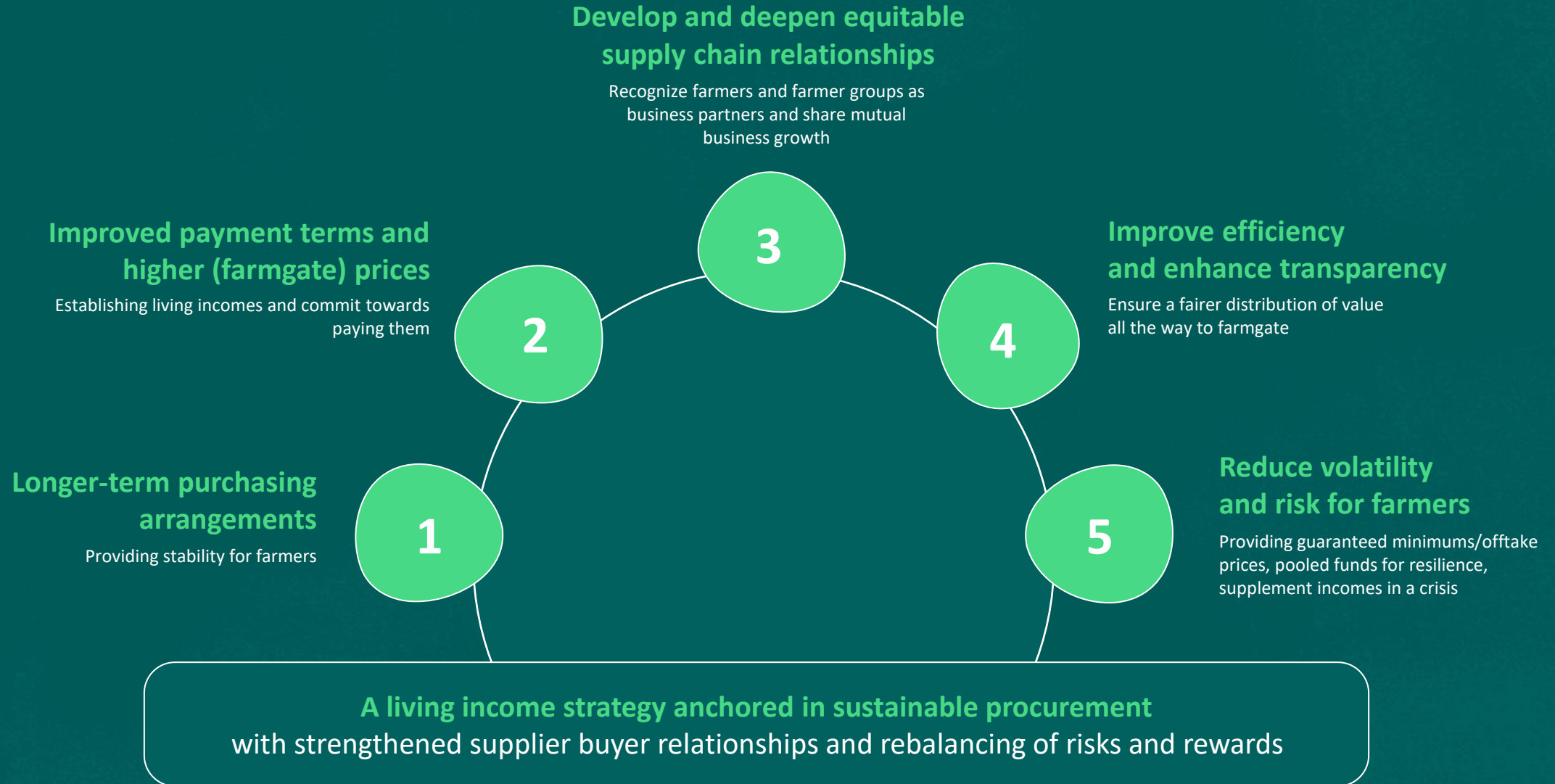


PROCUREMENT: TOWARDS SUSTAINABLE TRANSFORMATION

- **Procurement as a Catalyst:** Positioned closely to the supply chain, procurement can be a transformative agent
- **Evolving Role of Procurement:** Procurement can expand to form a crucial part of a company's sustainability strategy.
- **Redefining Procurement for Resilience:** By changing procurement practices, we can ensure equitable distribution of value and risks, thereby cultivating a robust and sustainable agricultural sector.



Principles for Sustainable Procurement



Sustainable Procurement Practices



Supply Chain Management

Supplier
Relationship
Management

Products &
Specifications

Traceability &
Transparency



Rewards & Value Distribution

Provisioning
Affordable Finance

Farmgate Value &
Rewards

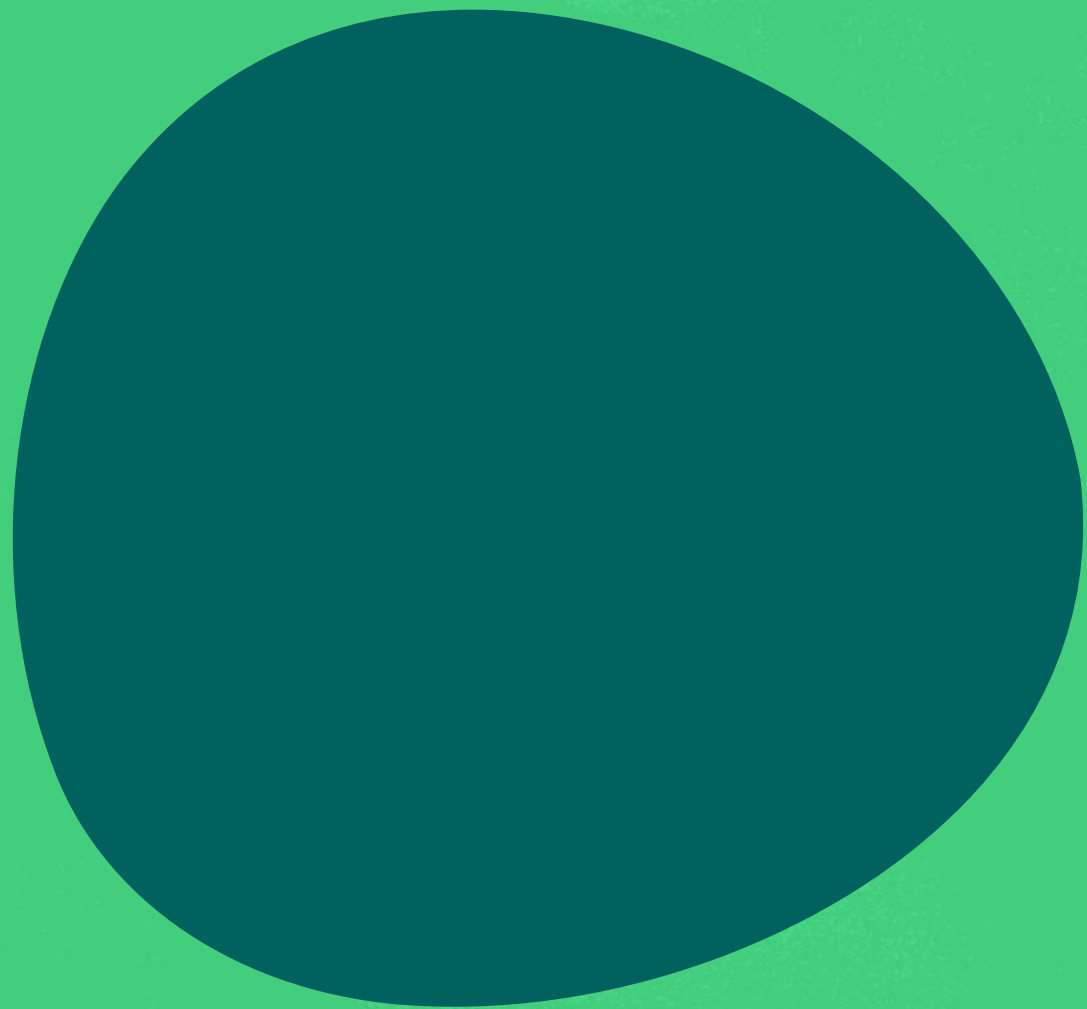
Strategic Business
Investments



Managing Risk

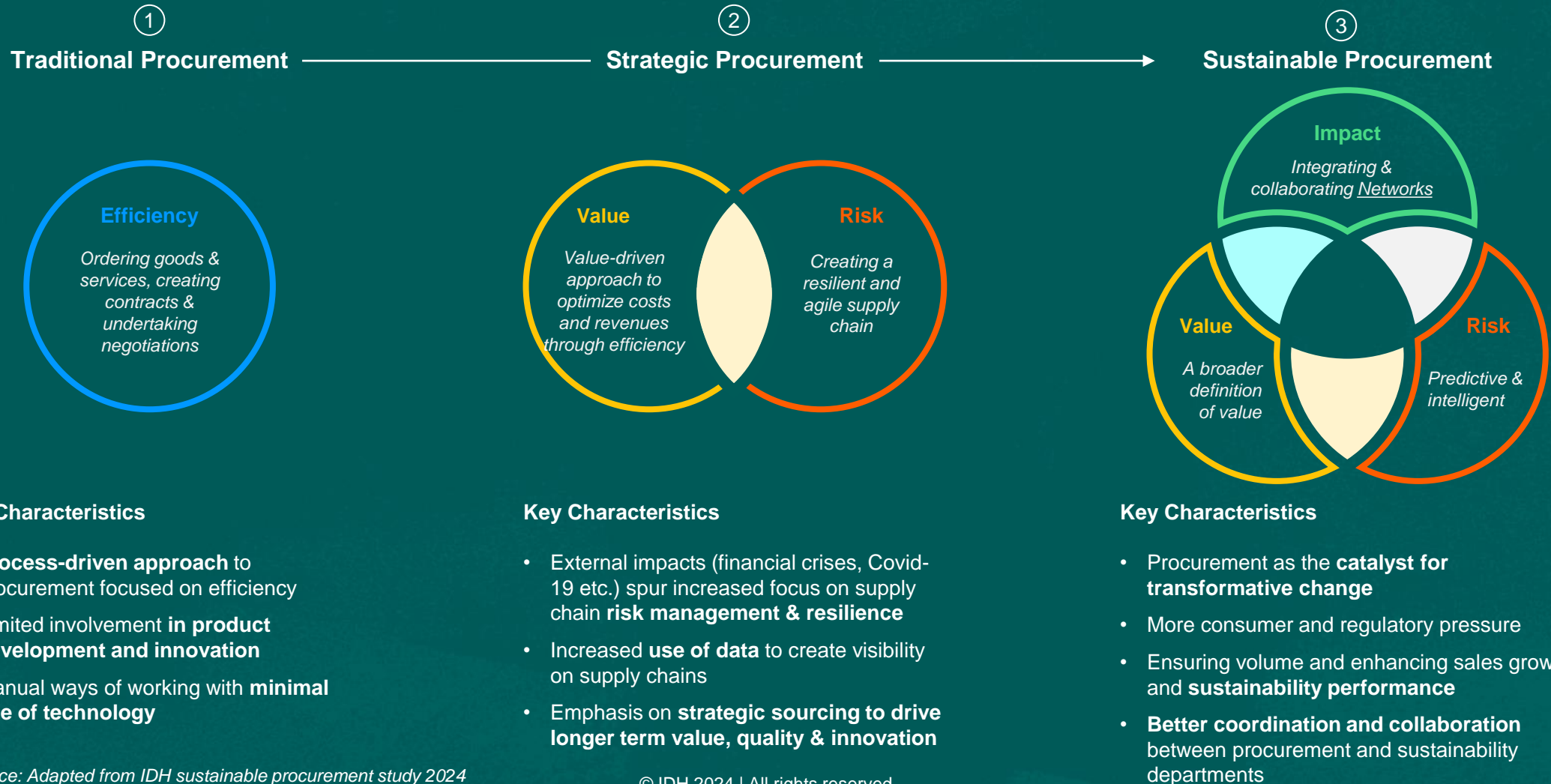
Equitable
Contract & Payment
Terms

Strategic Business
Investments for Risk
Reduction



Key Learnings and Resources

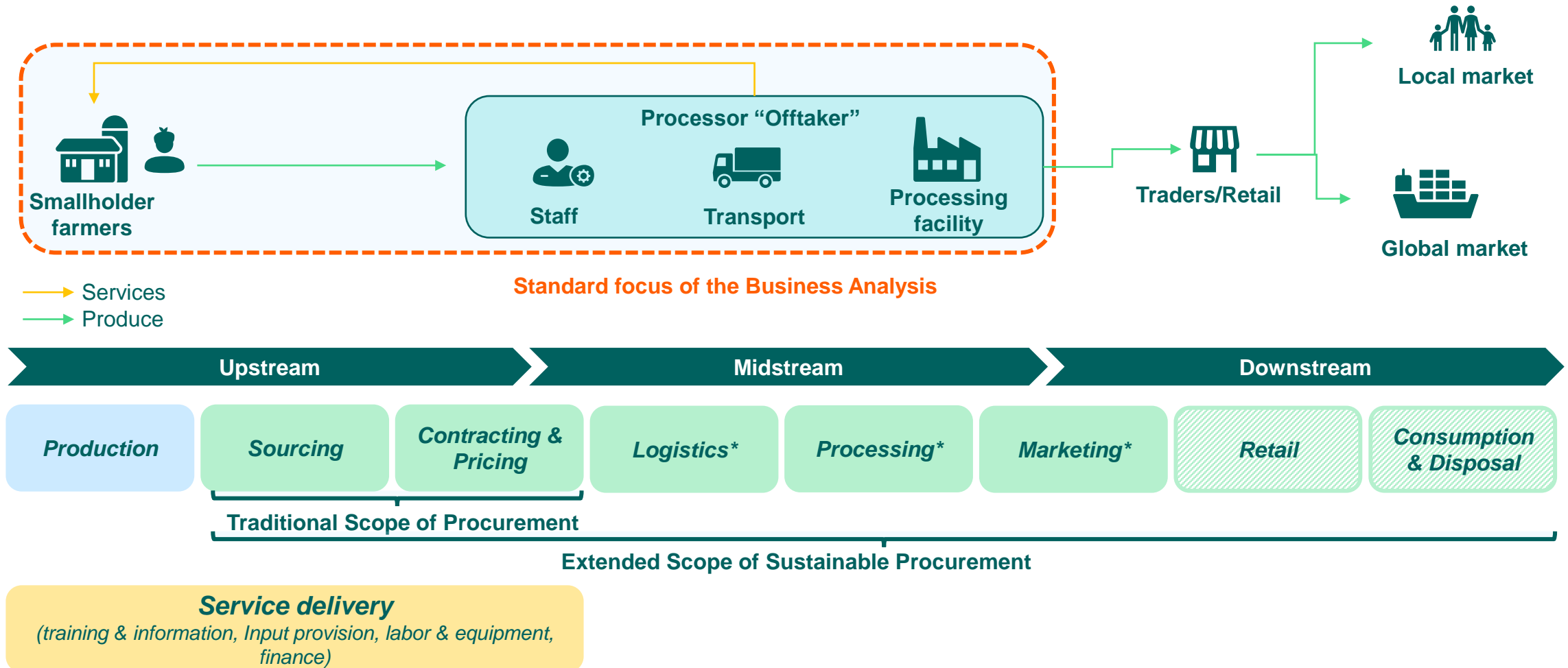
The nature of procurement has changed over the years to encompass broader goals





Sustainable procurement across the supplychain

Need to ensure that the effects of Sustainable Procurement cascades through the supplychain



*definitions can be found [here](#)

Different needs for different actors

Market and business factors that affect relevance of procurement practices



**Position of Business in
Supply Chain**



**Size of Business in Value
Chain**



Market Formality



**Total Value Addition
through «Product» Lifecycle**



Resources : Sustainable procurement toolkit

Objective: IDH has created a comprehensive and value chain-agnostic toolkit in line with the Farmfit Inclusive business learning framework. This is used to review practices currently taken by the company and to identify further improvements to practices across the value chain.

The toolkit helps to:

1

Map current practices



- Map current practices as part of the off-taker analysis
- Map the value chain

2

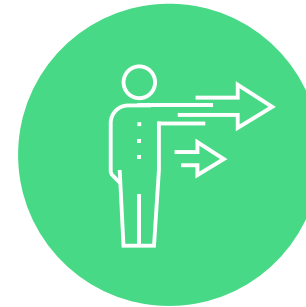
Assess incentives for sustainable procurement



- Understand the company's key incentives for focusing on sustainable procurement
- Highlight the key challenges the company might face

3

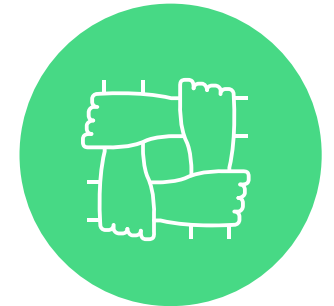
A library of sustainable procurement practices



- Understand the company's position in the value chain and business model
- Understand the company's intention for impact (Social and/or Environment and resources (time, finances))
- Filter and review which practices would be most relevant for the company

4

Learning Questions, KPIs and Case examples



- Learning questions and KPIs for monitoring and learning
- Case examples for inspiration

Evidence – Efficient supply chain management

Procurement services such as



timely transport logistics



intermediate aggregation centres



accurate crop weighing



agent-based networks

can reduce post-harvest losses and thereby lead to **higher farmer incomes**.

Commodity and regions

Rice/Beans (Tanzania), cocoa (Cdi), Rice (Nigeria), sweet corn, green beans, (Kenya)



Evidence – Managing Risk through contracts

Guaranteed offtake contracts offer



transparency and security
(especially in informal markets)



enabling farmers to plan for the future



encouraging farmers to invest
and even request for loans

However, there is an additional need to provide the link to banks who can in turn provide the specific loans

Region and Crops

Beans (Kenya), Maize (Tanzania), Rice/Beans (Tanzania)



Thank you

Mark Birch

Program Director – Sustainable Procurement

Vaibhav Panpaliya

Senior Innovation Manager – Better Income



Ministry of Foreign Affairs



Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Swiss Confederation

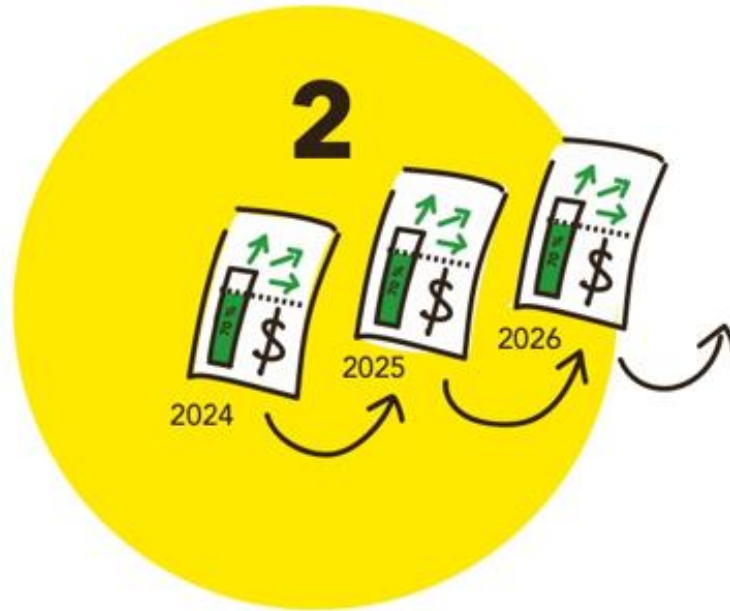
Federal Department of Economic Affairs,
Education and Research EAER
State Secretariat for Economic Affairs SECO

GOOD PURCHASING PRACTICES IN COCOA

3 PRINCIPLES



Pay a fair price



Share the risks

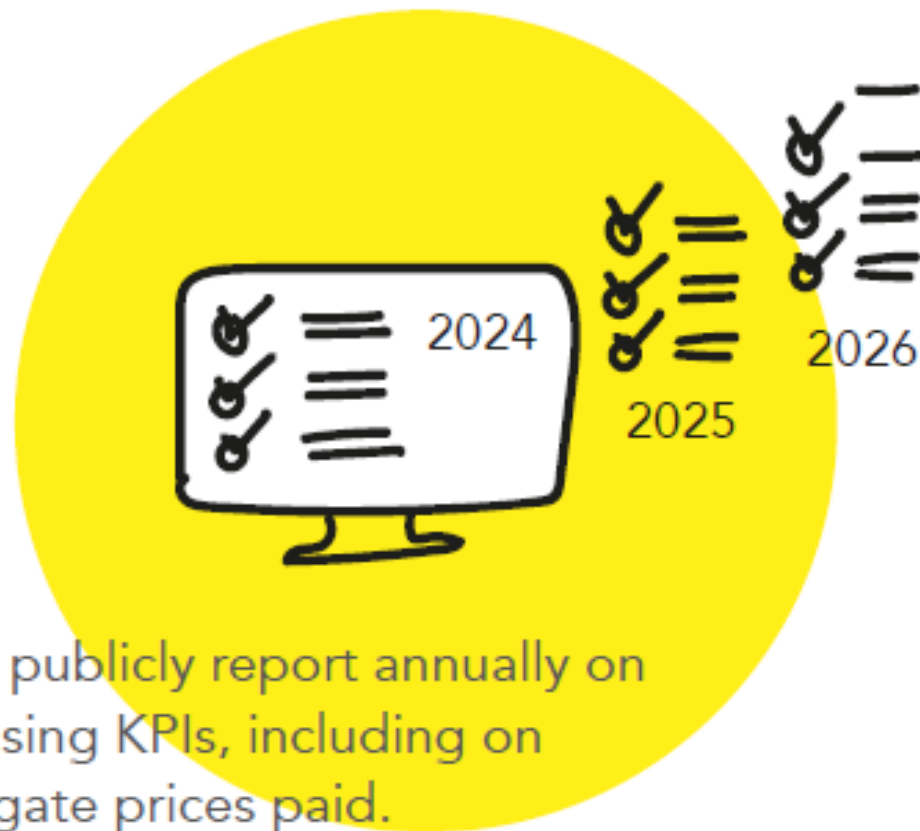


Be accountable

VOICE
www.voicenetwork.cc



GOOD PURCHASING PRACTICES IN COCOA



Report

Companies should publicly report annually on responsible purchasing KPIs, including on volumes and farm gate prices paid.



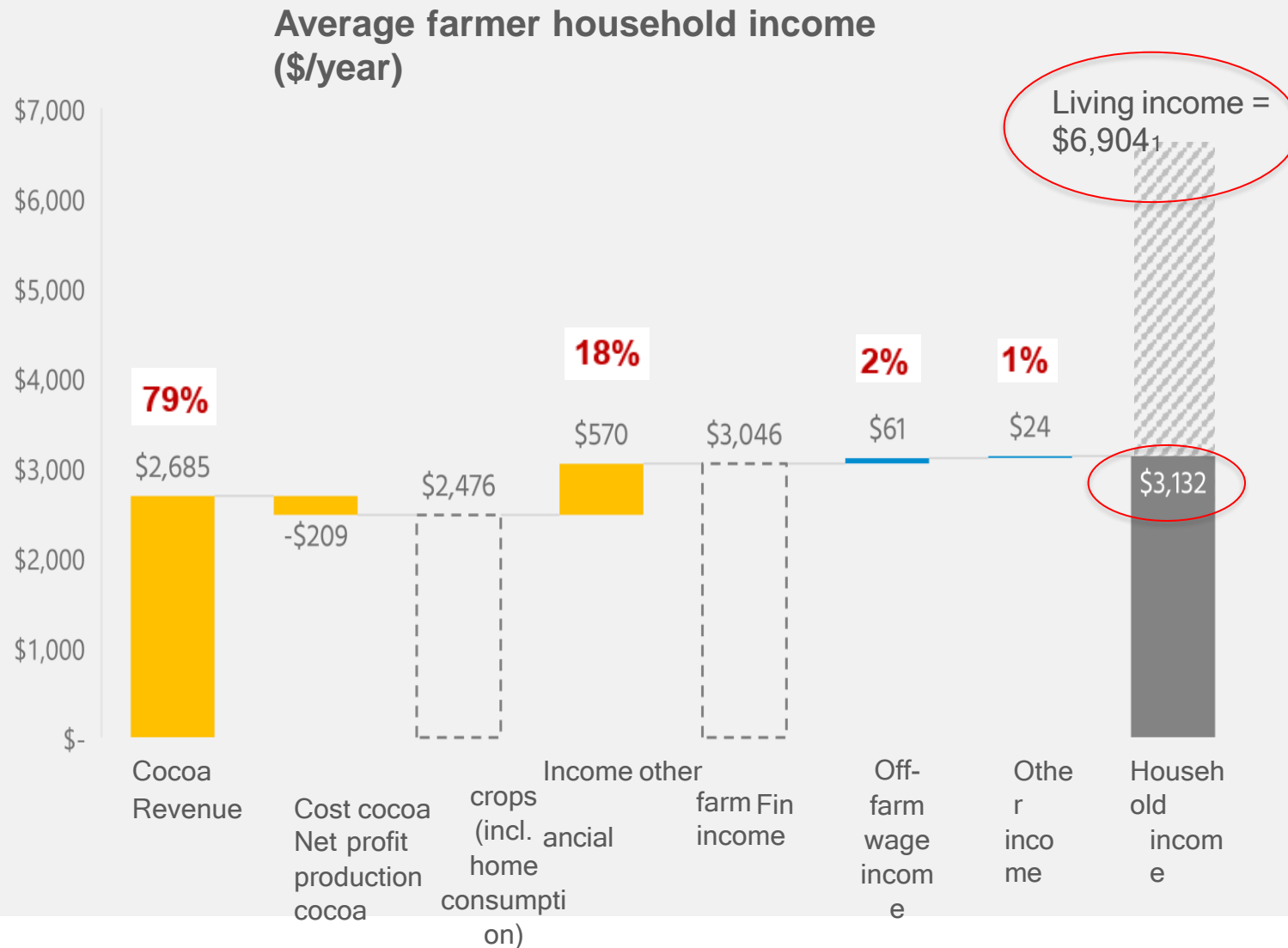
LI Benchmark vs Living Income Reference Price



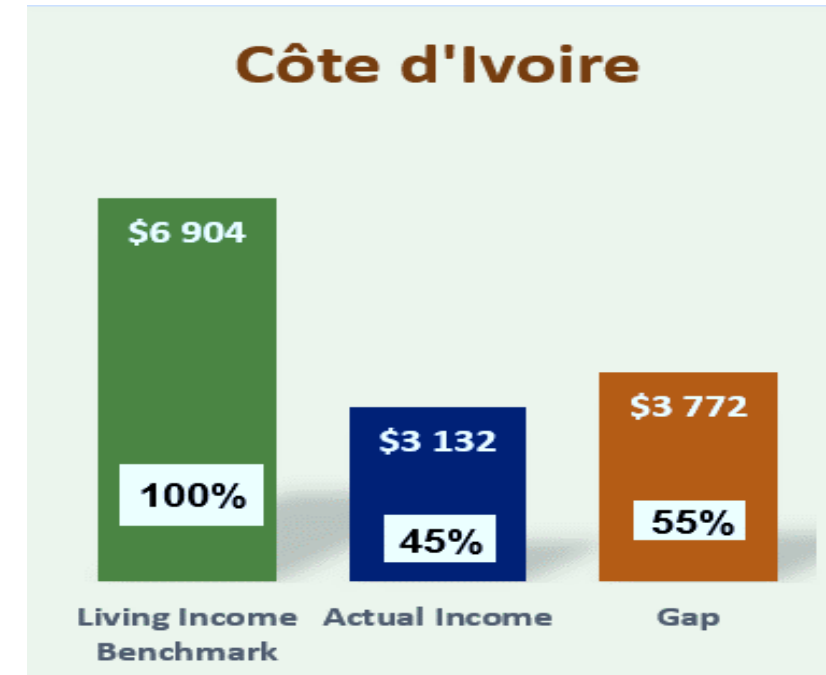
As part of
**Beyond
Chocolate**
Living
Income
Project



LI Benchmark vs Living Income Reference Price



As part of **Beyond Chocolate**
Living Income Project



Discussion and Q&A

Supported by the



Implemented by



Photo © Carla Rodriguez ISEAL

Towards Living Wages in the Banana Sector

Hacia unos salarios e ingresos dignos en el sector bananero

A project of the German Retailers Working Group on Living Incomes and Living Wages



On behalf of



Implemented by



Four strategic objectives



I. **Responsible purchasing practices** of the retail sector create framework conditions for living wages and incomes.



II. **Strong and active workers' representatives** are able to negotiate decent working conditions, including living wage.



III. Use and development of monitoring procedures along a given banana supply chain, ensuring **transparent wages and working conditions**.



IV. Joint agenda setting of retailers with relevant stakeholders promotes the **long-term establishment of adequate framework conditions** for living wages and incomes in the banana industry.

- Hacia salarios e ingresos dignos en el sector bananero

Activities related to Responsible Purchasing Practices (RPP)



- German retailers **committed to pay voluntary contribution** to farms with prevailing gaps (using [GIZ LW Costing Tool](#))
- **RPP Framework for banana supply chains*** – consulted in multi-stakeholder setting and to be published in summer
- Developing **self-assessment framework** for retailers to assess maturity of RPP implementation*
- **Sensitisation and training sessions** with buying teams*
- **Testing** in Living Wage Piloting Programme of German Retailer Group ([lessons learnt report](#) from 2023 pilots)



- **Pricing** considered as most important practice by banana producers
- **Interdependence of purchasing practices** to leverage impact
- **Alignment** with other frameworks key to avoid duplication and confusion
- **Sector specific** guidance to increase applicability, acceptance and ownership
- **Multi-stakeholder consultation** is key

** implemented together with IDH & other European retailer initiatives on LW in banana sector*

Discussion and Q&A

Supported by the



Implemented by



Photo © Carla Rodriguez ISEAL

The Living Income

Community of Practice

Upcoming events

Living Income Community of Practice Virtual Workshop

Living Income in Latin America:
Strategies, Impact and Development

Wednesday, June 19th 2024

9:00 AM UTC-5 (Bogota/Quito/Lima) | 8:00 AM UTC-6 (Tegucigalpa/ Mexico) | 15:00
UTC+1 (London)



Thank you!

**The Living Income
Community of Practice**