ISEAL Webinar
10.11.2015

The long way to a living income
(Based on: Cocoa Barometer 2015)
Friedel Hütz-Adams / Antonie Fountain
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Aim of the debate

A simple definition: Cocoa created a living income
Text from a song in the 1950s (Ghana)

If you want to send your children to school, it is cocoa
If you want to build your house, it is cocoa
If you want to marry, it is cocoa
If you want to buy cloths, it is cocoa
If you want to buy a lorry, it is cocoa

Whatever you want to do in this world
It is cocoa money that you do it

Source: Orla Ryan 2011
Aim of the debate

Do we need this debate in the cocoa sector?

YES!

We need it to

• Define a sustainable income to have a benchmark for projects:
  • Do they support farmers to reach a better livelihood and a decent income?
  • Is the income sufficient to invest in a better cocoa production?
  • Do they generate enough income to attract young people?
Definition

Living Income: Income \textit{(in cash and kind)} sufficient to afford a decent standard of living for the income earner and his family. Applies to entrepreneurs, and/or self-employed people, such as small-holder farmers.

Decent standard of living include food, water, health care, transport, clothing, needs including provision for housing, education, and other essential unexpected events.

Ongoing Work: GIZ/ISEAL/SustainableFoodlab / SA 8000 UTZ Certified / Fairtrade / Rainforest Alliance-SAN …….
**Living Income Calculation:**

**Income = selling products**
- Volume and price of a range of agricultural products
- Available work force (labor units) and labor costs
- Available land and natural conditions: e.g. rain, soil fertility
- Socio-economic conditions: farmer’s knowledge and skills
- Infrastructure, access to inputs (costs!) and financial services

**Consumption**
- Number of household members (consumption units) (– food production for own consumption)

**Levers**
- Price = farmer is “price-taker”
- Possible: increase volume and quality; strong cooperatives = economies of scale
- Switch from one commodity to another and/or diversification
Calculation

Figures are often:

• Not available
  • Existing databases not open to the public
  • Data diffused in many different paper/websites/presentations
  • Datasets not very reliable and not always comparable

Figures are often

• We collected the available core data
  • Studies concentrate on Ghana and Ivory Coast
  • Nearly no data on production costs available
  • Consumption data are not available
## Calculation

### Farm Size (hectare)

<table>
<thead>
<tr>
<th></th>
<th>Average</th>
<th>Kuklinski</th>
<th>Ghana/Cdl Gov't</th>
<th>Uribe</th>
<th>FLA</th>
<th>FAFO</th>
<th>FAFO/AIS</th>
<th>GIZ/WCF</th>
<th>KPMG</th>
<th>MIT</th>
<th>Deppler</th>
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<tr>
<td>Côte d'Ivoire</td>
<td>3.50</td>
<td>4.10</td>
<td>2.00</td>
<td>3.80</td>
<td>2.40</td>
<td>3.00</td>
<td>5.50</td>
<td>3.70</td>
<td>3.70</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ghana</td>
<td>2.64</td>
<td>2.30</td>
<td>2.40</td>
<td></td>
<td>2.40</td>
<td>3.70</td>
<td>2.90</td>
<td>1.50</td>
<td>3.3</td>
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</table>

### Yield per Ha (kilo)

<table>
<thead>
<tr>
<th></th>
<th>Average</th>
<th>Hardtmann</th>
<th>Uribe</th>
<th>Ghana/Cdl Gov't</th>
<th>FAFO</th>
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<th>Ecobank</th>
<th>Deppeler Cer</th>
<th>Deppler Contro</th>
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<tbody>
<tr>
<td>Côte d'Ivoire</td>
<td>485.80</td>
<td>560.00</td>
<td>454.00</td>
<td>450.00</td>
<td>565.00</td>
<td>400.00</td>
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<tr>
<td>Ghana</td>
<td>419.83</td>
<td>559.00</td>
<td>450.00</td>
<td></td>
<td>409.00</td>
<td>450.00</td>
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### Cost per Tonne

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<th>KPMG</th>
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<tr>
<td>Côte d'Ivoire</td>
<td>$513</td>
<td>$500</td>
<td>$525</td>
</tr>
<tr>
<td>Ghana</td>
<td>$360</td>
<td>$360</td>
<td>$125</td>
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### Household Size

<table>
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<th>Uribe</th>
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<th>Deppeler</th>
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<tbody>
<tr>
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<td>10.00</td>
<td>11.00</td>
<td>10.00</td>
<td>9.00</td>
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<tr>
<td>Ghana</td>
<td>5.87</td>
<td>7.00</td>
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### % Cocoa of Income

<table>
<thead>
<tr>
<th></th>
<th>Average</th>
<th>WCF</th>
<th>Nelson et al</th>
</tr>
</thead>
<tbody>
<tr>
<td>Côte d'Ivoire</td>
<td>90%</td>
<td>50%</td>
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</tr>
<tr>
<td>Ghana</td>
<td>78%</td>
<td>80%</td>
<td>70%</td>
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</table>
Calculation

Cocoa Barometer 2015:

• Available database shows low income per household member
  • To escape the Poverty Lines defined by the World Bank a much higher income per household member is needed
• Source of the data and the calculation see: http://www.cocoabarometer.org
• More research and data collection is needed!
Conclusions

Cocoa Barometer 2015 - Ghana:

• Holistic approach necessary:
  • Higher farm gate price
  • Bigger Farms
  • Higher yields
• Diversification could be a game changer
• Source of the data and the calculation see: http://www.cocoabarometer.org
• More research and data collection is needed!
Conclusions

Cocoa Barometer 2015 – Côte d’Ivoire:

- Holistic approach necessary:
  - Higher farm gate price
  - Bigger Farms
  - Higher yields
- Diversification could be a game changer
- Source of the data and the calculation see: http://www.cocoabarometer.org
- More research and data collection is needed!
Conclusions

Juggling figures:

• Bigger Farms - higher yields – higher income?:
  • Low farm gate prices and escalating costs could even lead to losses
  • Diversified production needs markets!

<table>
<thead>
<tr>
<th>Cocoa %</th>
<th>Yield: per ha, kg</th>
<th>Farm size (ha)</th>
<th>Total Yield (t per farm)</th>
<th>gross income, $2000 per ton</th>
<th>Input costs per ton</th>
<th>Input costs per farm</th>
<th>Net Income from cocoa</th>
<th>Income cocoa and others</th>
</tr>
</thead>
<tbody>
<tr>
<td>100%</td>
<td>400</td>
<td>2.5</td>
<td>1</td>
<td>$2.000</td>
<td>$500</td>
<td>$500</td>
<td>$1.500</td>
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<tr>
<td>100%</td>
<td>400</td>
<td>5</td>
<td>2</td>
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<tr>
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<tr>
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<tr>
<td>50%</td>
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<td>2.5</td>
<td>1.25</td>
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<td>$750</td>
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<tr>
<td>50%</td>
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<td>$750</td>
<td>$1.875</td>
<td>$3.125</td>
<td>$6.250</td>
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</table>
Conclusions

Open Question:
Is there a way forward towards a decent income and sustainable farming?

What do we have to do:
• Define a vision
• Work on a strategy
  • Set priorities
• Choose a team to do the work
Thank you!

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References

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