

# Living Income Summit

June 14<sup>th</sup> 2022, Amsterdam

This executive summary provides crucial learnings gathered from our partners and stakeholders over the course of the day, and a refined outcome statement that reflects the main takeaways.



## Draft Outcome Statement LIVING INCOME SUMMIT 2022

We acknowledge:

- 1. Majority of smallholder farming households that produce the world's food live in poverty.
- 2. A decent standard of living is at the heart of our shared interest.
- 3. There is a need for different small-scale solutions.
- 4. Male and female farmers are entrepreneurs who manage family businesses.
- 5. Achievement of living incomes for households is a shared responsibility.

This implies:

- 1. We each have a role to play from our position in the food system.
- 2. We need to address the issues of inequitable value distribution, risk distribution & value creation.
- 3. We need to aim at developing trade that goes beyond commodities and supports long-term sustainability.
- 4. We need to improve the enabling environment for responsible and equitable trade and investment.
- 5. We are committed to further co-create multistakeholder frameworks.



"We make the change by walking it. It is our invitation to act, reinvent our leadership and create space for others to do the same."  
- Eva McLellan & Kees van den Broek, Co-Founders, Unilever  
#BarriersToBreak

"The secret to change is not on the old, building the new."  
- Socrates  
#BarriersToBreak



# Outcome Statement

## LIVING INCOME SUMMIT 2022

### We acknowledge:



The majority of smallholder farming households that produce the world's agro-commodities live in poverty



A living income and decent standard of living is at the heart of our shared interest and a minimum target to achieve



There is a need for different smart mixes of solutions



Male and female farmers are entrepreneurs who manage family businesses



Achievement of living incomes for households is a shared responsibility

### This implies:



We each have a role to play from our position in the value chain and urgent action is needed



We need to address the issues of inequitable value distribution, risk distribution & value creation



We need to aim at developing trade that goes beyond commodities and supports long term sustainability



We need to improve the enabling environment for responsible and equitable trade and investment



We are committed to further co-create multi-stakeholder frameworks and measure and report on our progress





# About the Living Income Summit

On June 14th, 2022, in Amsterdam, IDH co-hosted the Living Income Summit together with the Living Income Community of Practice (LICOP) and members of the Living Income Roadmap Steering Committee: MARS, Nespresso, Nestlé, OFI, Olam, Symrise, Touton and Unilever, in partnership with the Business Commission on Tackling Inequality (BCTI) and with the support of Wageningen University & Research and the Farmer Income Lab.

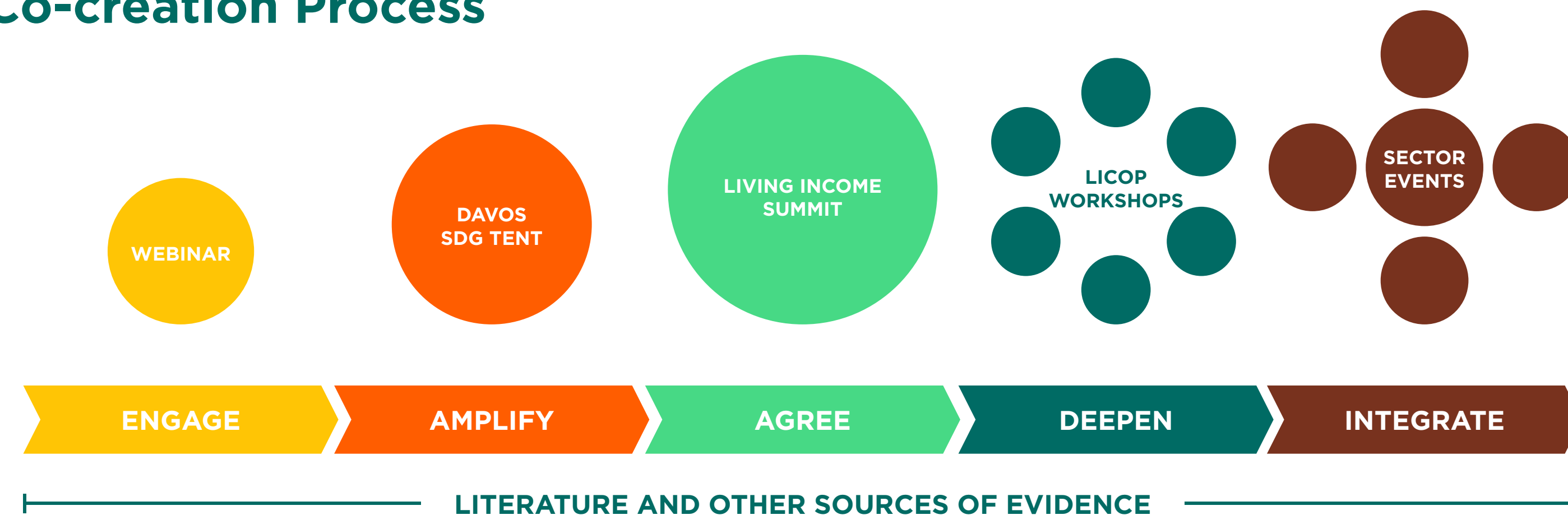
The Summit brought together an extraordinary group of 140 practitioners and decision-makers from companies, NGOs, financial institutions, and governments. Each of these stakeholders have a vested interest in closing living income gaps among farming households. The purpose was to encourage impactful collaboration among stakeholders now.

The Summit was designed in a series of events to facilitate a co-creation process on multi-stakeholder action.

## Input for the Summit included:

- [The Roadmap on Living Income](#), which provides a range of steps, guiding questions and data-driven tools to help guide your journey to close living income gaps in supply chains;
- The Multi-Stakeholder Framework for Action [working paper to guide collaborative action](#);
- Various [resources and reports from the Living Income Community of Practice](#)
- Farmer Income Lab study: [Enabling Smallholder-Based Agricultural Transformation](#)
- Lessons from sectors, coalitions, governments and companies active on living income, particularly in cocoa, coffee, tea, spices and cotton.

## Co-creation Process



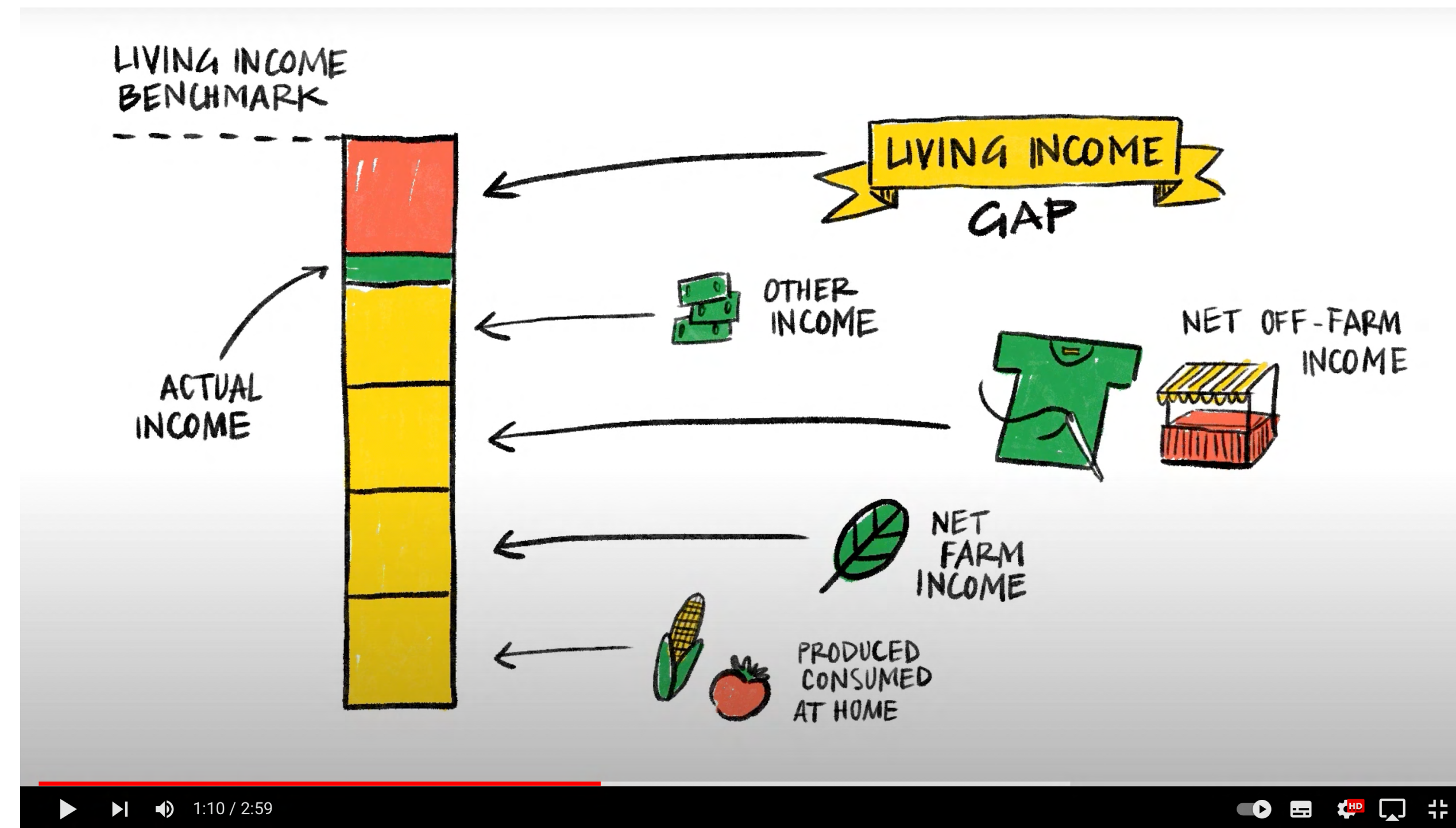


# What is a living income?

Living income is defined as the net annual income required for a household in a particular place to afford a decent standard of living for all members of that household.

Elements of a decent standard of living include access to food, water, housing, education, healthcare, transport, clothing, and other essential needs, including provision for unexpected events.

The difference between what a household currently earns and the living income benchmark is referred to as a living income gap.







# The challenge and opportunity in closing living income gaps for smallholder households

There is a clear imperative for every stakeholder in global supply chains to take action to close living income gaps. In a system where farming households shoulder the greatest risk for the least return, the economic effects of the pandemic and climate change are magnifying the impacts of inflation and price volatility. This undue pressure on households in commodity sectors will increase living income gaps across producing areas and communities and contribute to instability across the supply chain, within communities and across countries.

It is critical that we work collaboratively to assure a living income where families can provide for their needs and invest in their business — especially today.

Among different stakeholder groups, there are specific challenges and opportunities that will influence our ability to make progress on living incomes:

- **Companies** can both leverage opportunities and mitigate risks related to reputation, supply security and human rights.
- **Governments in producing countries** often rely on food production and export earnings to meet the needs of

citizens and invest in national institutions, systems and services.

- **Governments in consuming countries** respond to citizen pressure and seek access to affordable goods that fulfill social and environmental responsibilities while assuring that value is equitably distributed across the supply chain.
- **Producer groups** serve as a critical link to markets and services for their members; they need to retain and grow membership by meeting members' needs.
- **The financial sector** has a unique opportunity to create a new investor class among smallholders; while **investors'** unique position can catalyze change throughout the value chain if living income is embedded in investment criteria.

Overcoming challenges, leveraging opportunities, and finding the sweet-spot between stakeholders will be essential to catalyze collective action to effectively **close living income gaps**.



# Key take-aways from the summit

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## Conditions for success

### Data & transparency:

- Know your suppliers through relationships and traceability systems, down to household level
- Use primary and secondary data to understand household income and living income gaps, including drivers of household income
- Acknowledge different types of households require different approaches
- Share data and information about incomes, effects of intervention strategies, and trade data; do so transparently while respecting trade and privacy regulations

### Institutional alignment:

- Companies must align objectives, KPIs and policies between the Board, Executives, key functions and across multinational operations
- Governments must align strategies, policies and KPIs across their institutions and departments at national and local levels

### Farmer voice & representation:

- Appreciate/acknowledge farmer households as centers of entrepreneurship
- Directly involve farmers and coops in solutions
- Integrate gender risk and equality assessments across all interventions

### Trust & interdependency:

- Invest in trust, show respect and build empathy for each stakeholder and their role in the system
- Recognize each stakeholder has a role to play within their context, and all actors and actions are interdependent

### Taking a systems approach:

- Support critical and appropriate system-level changes such as sector management and price setting mechanisms, which can level the playing field and scale results
- When taking a systems change approach, it is key to integrate gender equity across all interventions.







## 2 Roles and responsibilities

We need to get uncomfortable and start thinking outside of our standard roles and responsibilities. More collaboration is needed between all stakeholders. We need multiple actions by multiple actors at the same time.

- **Supply chain actors** can change their procurement practices, from improvements to and/or investments in service delivery and traceability, to supply chain structure, pricing and long-term contracts,
- **Farmer organizations** critically link households to supply chains through member and volume aggregation and service delivery, at times enabling income diversification. Their role must be acknowledged and facilitated.
- **Financial sector** actors can incentivize inclusion of living income in financial products and invest in infrastructure, alternative industries and access to capital for producer groups and households.
- **Insurance providers, infrastructure providers, digital platforms, telecom providers** must be involved to enable and/or complement other stakeholder's roles and actions.
- **Government** can regulate and influence value chain companies and the financial sector and invest in national branding strategies, in infrastructure, traceability and transparency, and alternative industries.
- **NGOs and CSOs** can educate consumers, hold stakeholders accountable and provide critical services to enable producer voice and representation.

The event's **outcome statement** summarizes our understanding of the urgent situation and how to take action.



# 3 Concrete actions

**Smallholder farmer households bear the highest risks and often receive a very small percentage of the total value and profits created in value chains.**

**To close living income gaps, value and risk needs to be re-distributed along the actors of the value chain. Besides new ways of distribution of risk and value, creating more value can also be a helpful way to contribute to closing living income gaps.**

**Participants shared concrete examples on how they contribute to re-distribution of value and risk and how value can be created.**

**Here a snapshot of examples discussed:**

## Value Distribution:

- To distribute value in a more equitable way, the first step is to ensure **full traceability to farm level** (knowing who the farmer households are, what their level of income is and what the gap is). We saw examples of a traceability tool used in coffee supply chain.
- More value can directly reach farming households thanks to **direct cash transfers**, whether conditional or unconditional, as illustrated by several companies in the cocoa supply chains, with for example digital payments to farmer households with a special focus on women.
- **Commitment to living income reference prices** is yet another example of how to ensure fairer value distribution.
- **Farmer ownership of value-adding activities**, with vertical integration capturing higher prices and adding more value for farmers, is another way to distribute value, as showcased by a coffee roaster 100% owned by coffee farmers.

## Value Creation:

- We saw how **segmenting** coffee producers farming households base in Honduras helped a company customize their support based on the needs of those farmer household segments to help them generate more income. Some support packages focus more on improving production while others focus on improving food security.
- We saw how **land tenure** can support **unlocking land value** based on the example of Cote d'Ivoire Land partnership. Formal land documentation, combined with access to finance and better practices, can be an important step for farmer households to make long term investments in more sustainable land use.
- We saw case of improved economic resilience in Uganda Rwenzori growing communities **through diversification of income**. Farmers were supported to produce high quality, traceable and certified crops (vanilla, bird eyes chilis and coffee) to diversify the farmer household income with a specific focus on creating business opportunities around these value chains for women and the youth.
- We saw the positive impact of **value-added products and intercropping**, with the example of cultivating Yam (high demand in pharmacological industry) and pepper together, with positive impact on pepper production (main crop) and soil health.



## Risk Distribution:

### Life risk

- We saw how health emergencies can turn into a permanent Living Income crisis. By providing **support for healthcare**, companies can help mitigate health care risks for farmer households (as well as reducing costs).
- We saw a similar approach with a buyer providing a **retirement saving plan** for their coffee growers in Colombia, financed via fairtrade premium, farmers personal contributions, and Colombia government matching.

### Production risk

- We saw how **applying stable procurement practices to provide farmers with greater visibility** can reduce production risk.
- We saw an interesting example on how **investing in mechanization to reduce post-harvest production loss** in the rice production in Nigeria was contributing to reducing farmers exposure to production risk and increasing their income.

### Financial risk

- We saw an example on how **data gathering via a digital tool and platform** in Ghana could support access to tailored financial instrument and insurance.

**To substantially close living income gaps for most farmers, a combination of strategies will be required that are context-driven. The above are examples of how a single stakeholder can take immediate, direct action. These actions should be combined, along with other stakeholder actions, to be effective. Attention should be given to how these actions may influence each other.**





# Calls to action



*“Government and partners, the private sector, we have to think in emergency terms because the urgency of feeding ourselves is today’s, not tomorrow’s reality... We need to become more innovative on how value is being distributed and how risk is being distributed from our smallholder farmers and rural populations, for the women who juggle farming with child rearing and other work. We need to innovate, and we need to get uncomfortable.”*

**The Honorable Jeanine Cooper, Minister of Agriculture of Liberia**

Read the full speech [here](#)



*“You don’t need to have a large farm to be a big producer. Smaller farms have the potential to contribute to a sustainable market. We often talk about what farmers can do; farmers have organized themselves into cooperative structures. Trust needs to be deepened in those cooperatives.”*

**Moussa Sawadogo, President of the Association of Presidents of the Boards of Cocoa and Coffee Cooperatives in Cote d’Ivoire (ASPCACC)**



*“We need companies to do what they do really well, solve very complex things. If they really want to, companies can pay a higher price and organize the supply in a way that makes closes the living income gap and reduces risk of human rights violations. This is a call to all of you: make a step. We have to pay more to fill the gap.”*

**Paul Schoenmakers, Head of Impact at Tony’s Chocolonely**



*“To take coordinated multistakeholder action, we need to take into account the full range of actions that are required, who is responsible, and how our actions influence and involve each other. Historically, we’ve put most of our eggs in one basket – assuming that improving production and processing at farm level will result in better incomes – but the data shows that this isn’t true for most households. Let’s think bigger, bolder and more holistically –what IDH calls smart-mix strategies, which each involves several stakeholders.”*

**Ashlee Tuttleman, Senior Innovation Manager at IDH**

Read Ashlee’s reflection on common themes from the event [here](#)



# How to take next steps

Are you inspired to continue progress towards closing living income gaps for smallholder households?

There are many ways you can stay involved and take next steps.

- Check the IDH website for steps in the [Living Income Roadmap](#) and become friends of the Roadmap to stay informed about the next steps on a Multistakeholder Framework for Action.
- There are sector specific events coming up where you can continue to engage with this important topic. Join the mailing list of the LICOP for more information.  
<https://www.living-income.com>
- For the cocoa sector, join the [ISCO Conference](#) on September 1<sup>st</sup> in Brussels.
- In coffee, there is an exciting event IDH is co-hosting with the ICO on October 5<sup>th</sup> in Colombia. Additional details will follow, [don't hesitate to reach out if you're interested to join.](#)



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