

Fairtrade Living Income Reference Prices for Cocoa

update October 2022

Introduction

Fairtrade Living Income Reference Prices (LIRP) for cocoa from Ghana and Côte d'Ivoire were first established in 2018, and revised in 2019, following the publication of living income benchmarks by the Living Income Community of Practice (LICOP). This resulted in farmgate prices of US\$ 2.10 per kilogramme of cocoa for Ghana and US\$ 2.20 for Côte d'Ivoire, calculated to enable living incomes for cocoa farmers based on a holistic approach. (see [explanatory note](#))

Fairtrade has been testing this approach with frontrunner companies who committed to voluntarily paying the LIRP to their supply chain partners. Through pilot projects, the assumptions underlying the LIRP calculation are closely monitored. Based on the findings, a review of the Fairtrade Living Income Reference Prices is planned to take place next year.

However, the current global inflation calls for a more timely correction. Fertilizer and other input costs have soared, as have costs of living for farmers. LICOP recently updated the Ghanaian and Ivorian living income benchmarks, and Fairtrade has applied a corresponding inflation correction to the LIRPs, as a preliminary adjustment of the prices that allow cocoa farmers to still invest in their farms and afford a decent standard of living. We recognize that companies that have already committed to the previous LIRP levels for the coming cocoa season may not be able to immediately adopt the adjusted LIRPs.

Updated costs of decent living

The Living Income Community of Practice (LICOP) updated the Living Income benchmarks for [Ghana](#) and [Côte d'Ivoire](#) in June 2022. The costs of decent living in local currency increased by 59% and 14% respectively for Ghana and Côte d'Ivoire.

However, the steep inflation for Ghana was compensated by an inverse trend in exchange rate to the US dollar and therefore the cost of living, if expressed in US dollars, actually decreased from \$2.16 to \$1.96 per person per day.

| Ghana | March 2018 (original study date) | | June 2022 (Anker update) | |
|---|-------------------------------------|------|-----------------------------|------|
| | Ghanaian Cedi | USD | Ghanaian Cedi | USD |
| Monthly Living Income per family (2 adults and 3 children) | 1,464 | 329 | 2,324 | 298 |
| Daily living income per person | 9.60 | 2.16 | 15.28 | 1.96 |
| Exchange Rate to USD | 4.45 | | 7.80 | |
| Inflation rate | | | 1.59 | 0.91 |

With the Ivorian currency tied to the Euro, there is no major exchange rate difference and therefore in Côte d'Ivoire the cost of living did go up from \$2.49 to \$2.61 per person per day.

| Cote d'Ivoire | March 2018 (original study date) | | June 2022 (Anker update) | |
|---|-------------------------------------|------|-----------------------------|------|
| | CFA | USD | CFA | USD |
| Monthly Living Income for a family (2 adults and 4 children) | 262,056 | 454 | 298,983 | 476 |
| Daily living income per person | 1,436 | 2.49 | 1,638 | 2.61 |
| Exchange Rate to USD | 576.81 | | 628.12 | |
| Inflation rate | | | 1.14 | 1.05 |

For the LIRP calculation, the living income benchmarks were converted to typical household sizes of 6 and 8 members for Ghana and Côte d'Ivoire.

The prorated value of food produced on farm for domestic consumption was discounted from the financial cost of living, as per the original LIRP model (see [explanatory notes of earlier calculations for details](#)).

The same inflation rates were applied to the hired labour costs, since the living wage is derived from the living income benchmark.

Corrected costs of agricultural inputs

The main farm investment to sustain adequate productivity levels is fertilizer. Based on historical fertilizer prices across Africa, published by the [Africa Fertilizer Initiative](#), the inflation rate was estimated. For Côte d'Ivoire, the average US dollar price of fertilizer applied in cocoa production went up by 57% since 2018 and compared to 2019 there was even a 67% increase. Consultation with several cooperatives confirmed price increases of around 50-60%.

Similar data from the Africa Fertilizer Initiative for Ghana were not available, but according to COCOBOD, fertilizer prices in local currency have nearly tripled since 2019 in Ghana¹, which represents an inflation of 52% in US dollars.

In order to align production costs and minimize price differences between Ghana and Côte d'Ivoire, an average inflation correction of 57% has been applied for both countries to all input costs except the cost of seedlings in the calculation of the cost of sustainable production in the price model.

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Updated Living Income Reference Price calculations

| | Ghana | | | |
|---------------------------------|-------------|------------|-------------|------------|
| | 2019 (USD) | 2019 (GHC) | 2022 (USD) | 2022 (GHC) |
| household size | 6 | 6 | 6 | 6 |
| sustainable yield (kg/ha) | 800 | 800 | 800 | 800 |
| total cocoa area (ha) | 4.0 | 4.0 | 4.0 | 4.0 |
| productive cocoa area (ha) | 3.3 | 3.3 | 3.3 | 3.3 |
| total cocoa yields (kg) | 2,640 | 2,640 | 2,640 | 2,640 |
| total input costs farm | 859 | 3,822 | 1,330 | 10,369 |
| hired labour costs farm | 372 | 1,655 | 338 | 2,632 |
| other (fixed) farm costs | 200 | 890 | 181 | 1,415 |
| total COSP farm | 1,431 | 6,368 | 1,849 | 14,417 |
| Living Income (pppd) | 2.16 | 9.60 | 1.96 | 15.28 |
| Living Income costs (hhyr) | 4,118 | 18,325 | 3,737 | 29,142 |
| FLIRP (farmgate, per kg) | 2.10 | 9.35 | 2.12 | 16.50 |
| exchange rate | | 4.45 | | 7.798 |

Overview table of updated LIRP variables for Ghana. The revised values are highlighted in green if based on the updated Living Income benchmark or in red, where the inflation correction for inputs is applied.

The above mentioned adjustments to the cost of decent living, hired labour and agricultural input costs result in **updated Living Income Reference Prices per kilogramme of cocoa at farmgate of US\$ 2.12 for Ghana and US\$ 2.51 for Côte d'Ivoire, applicable as from October 2022.**

| | Cote d'Ivoire | | | |
|---------------------------------|---------------|------------|-------------|------------|
| | 2019 (USD) | 2019 (CFA) | 2022 (USD) | 2022 (CFA) |
| household size | 8 | 8 | 8 | 8 |
| sustainable yield (kg/ha) | 800 | 800 | 800 | 800 |
| total cocoa area (ha) | 5.3 | 5.3 | 5.3 | 5.3 |
| productive cocoa area (ha) | 4.4 | 4.4 | 4.4 | 4.4 |
| total cocoa yields (kg) | 3,520 | 3,520 | 3,520 | 3,520 |
| total input costs | 1,393 | 803,749 | 2,163 | 1,358,484 |
| hired labour costs | 573 | 330,852 | 601 | 377,519 |
| other (fixed) farm costs | 250 | 144,250 | 262 | 164,597 |
| total COSP farm | 2,216 | 1,278,850 | 3,026 | 1,900,600 |
| Living Income (pppd) | 2.49 | 1,436 | 2.61 | 1,638 |
| Living Income costs (hhyr) | 5,526 | 3,187,341 | 5,792 | 3,638,118 |
| FLIRP (farmgate, per kg) | 2.20 | 1,269 | 2.51 | 1,573 |
| exchange rate | | 576.81 | | 628.116 |

Overview table of updated LIRP variables for Côte d'Ivoire. The revised values are highlighted in green if based on the updated Living Income benchmark or in red, where the inflation correction for inputs is applied.

¹ Source: COCOBOD market survey: price of granular inorganic fertilizer was Cedi 180 per bag of 50 kg in 2018 and Cedi 480 in 2022.