



**Terms of reference to call for proposals on**  
**Exploring Different Approaches to Collect Living Income Data**  
**June 2022**

**Summary:** Fairtrade International is seeking expressions of interest from qualified consultants or research teams to assess appropriate approaches for collecting representative living income data for Fairtrade's 1.9 million farmers across various product categories.

### **1. Introduction to Fairtrade**

Fairtrade is an alternative approach to conventional trade and is based on a partnership between producers and consumers. Fairtrade's approach enables farmers and workers to have more control over their lives and decide how to invest in their future. Our mission is to connect disadvantaged producers and consumers, promote fairer trading conditions and empower producers to combat poverty, strengthen their position and take more control over their lives. Fairtrade's vision is a world in which all producers can enjoy secure and sustainable livelihoods, fulfil their potential and decide on their future.

To achieve its goals and bring about change Fairtrade has several types of interventions:

- Set of Standards which make up the 'rules' of different Fairtrade engagements.
- Our strategy which set the priorities of the system around key issues
- Fairtrade engagement with the commercial actors
- Fairtrade engagement on the ground – e.g., producer programmes, capacity building and projects
- Advocacy & campaigning
- Fairtrade Minimum Price & Premium based on the costs of sustainable production

### **2. Background on Fairtrade's Living Income Strategy**

Achieving sustainable livelihoods for smallholder farmers and workers is at the core of Fairtrade's mission. To enjoy sustainable livelihoods, small-scale farmers need to earn sufficient income to practice sustainable agriculture and afford a decent standard of living. The gap to a living income is still large for a majority of smallholder farmers in the global south.

In 2017 Fairtrade developed its first roadmap for progressing towards living incomes. Capitalizing on our experiences and learnings from the early years of implementation through pilot projects with commercial partners and aligning with Fairtrade International's global strategy, Fairtrade's living income strategy incorporates emerging developments and insights from the sustainability sector and seeks to enable implementation at scale through partnering with commercial actors.

### **3. Living Income Theory of Change**

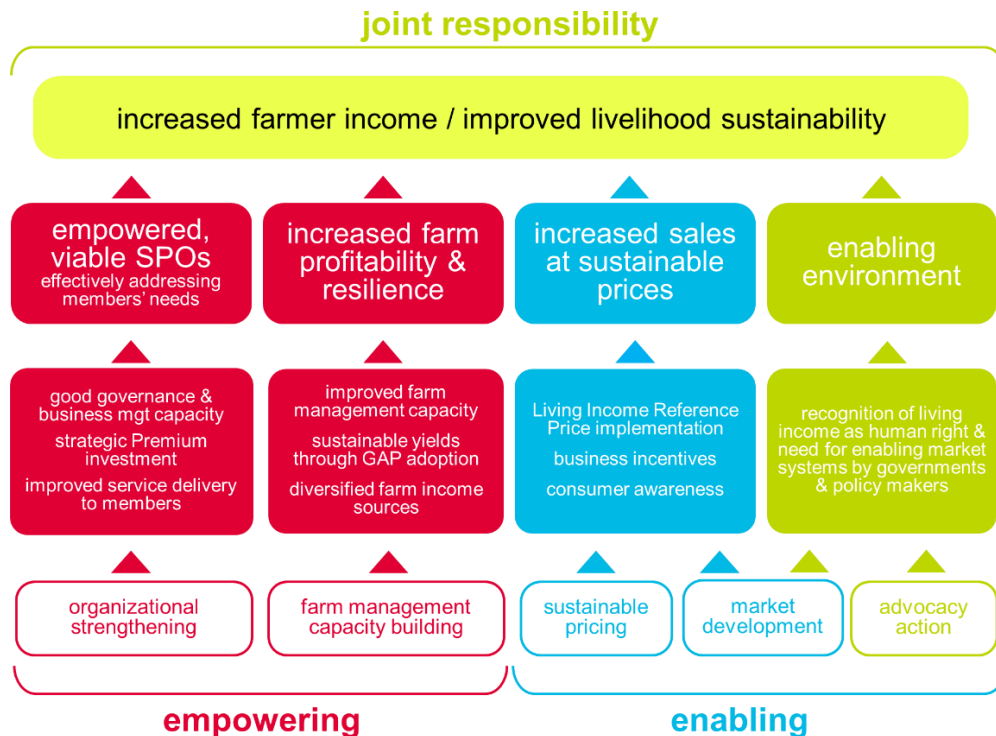
Fairtrade's living income strategy parts from the knowledge that the gap between current incomes and a living income is large for many smallholder farmers in global supply chains and can only be closed by taking a holistic approach. A mix of interventions is needed to improve farm productivity and resilience and secure sustainable prices, for which two complementary and interdependent pathways are pursued:

- **Empower** farmer families, through their organizations, so they have the knowledge, capacity and means to optimize their farm yields and resilience sustainably.



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- **Enable** farmers to adopt sustainable agricultural practices and afford a decent standard of living by establishing long-term sourcing relationships at sustainable prices and providing access to adequate services, such as finance, technical assistance and inputs.



#### 4. Living Income data collection approaches:

The implementation of Fairtrade's Living Income Strategy requires data collection for a variety of workstreams.

- 4.1. **Living Income Reference Price (LIRP) establishment:** Living Income Reference Prices are calculated based on 4 key parameters: living income benchmark; cost of sustainable production; sustainable yield benchmark and viable land area. While for the living income benchmark, Fairtrade refers to the Anker methodology, the other three variables are determined based on farm record data collected by Fairtrade. In the last three years, Fairtrade has set up Living Income Reference Prices for cocoa in West Africa, Vanilla in Madagascar and Uganda, Coffee in Colombia and Indonesia, as well as some proxy values for supply chain specific Living Income Reference Prices (LIRP) based on dataset from the specific producer samples. Baseline farm economic data is analyzed in technical roundtable discussions set up with farmer representatives and other local industry experts to establish realistic and reliable values for Living Income Reference Prices.
- 4.2. **Baseline assessment, gap analysis and household/farm level income improvement monitoring.** To understand the current situation, quantify income gaps and measure the effectiveness of Living Income projects and other income improvement interventions, Fairtrade has introduced farm record tools among a representative sample of farmers in target groups and collects farm economic data for analysis. Farm level records of income and expenditure were found to be necessary to have a good understanding of the current economic situation of the farmers and have access to accurate farm level data. In addition, this data is extremely useful to regularly validate LIRP values as with a sample data on yield of these farmers we can determine the realistic target yields and

what the farm investments level (cost of sustainable production) would be to achieve that target yield.

- We have so far been using physical farm record tools based on Fairtrade's approach to undertake training of technical staff / coaches in producer organizations and farmers to keep the record of their farm income and expenditures. In three years, we have introduced farm record tools for coffee in 9 countries, cocoa in 2 countries, and to a limited extent in bananas across Latin America and the Caribbean. This covers about 60 producer organizations and farm income records of about 2300 farmers in coffee, and 1500 farmers in cocoa representing 8 producer organizations.
- The farm record data were subsequently captured from the physical records on digital excel tools for systemization and analysis.

**4.3. Cost of Sustainable Production (COSP):** The COSP is the core of Fairtrade's price setting model, as it constitutes the base for the Fairtrade Minimum Price. The current cost calculation methodology contemplates all explicit expenditure items that a producer (organization) should include in its accounting system, from the phases of initial investment (i.e. soil correction and preparation) to product commercialization costs (i.e. export costs). The current COSP framework measures costs at farm and organizational level up to the point of export (FOB level) and are self-reported by the producer organizations or cooperatives.

**4.4. Economic index as a proxy to household/living income:** Given that the scope of Fairtrade farmers is quite widespread, for the past Fairtrade strategy we piggy-backed on household level data collection efforts to collect some non-income data but data concerning socioeconomic conditions of a household to have a proxy of economic conditions along with Poverty Probability Index data. Between 2016-2018 we managed to cover 3 products – bananas, coffee and cocoa – spread across 10 countries and representing 1700 households. These were purposively sampled producer organizations, and within that, randomly sampled households.

## **5. Use case for different data:**

- i. To support Fairtrade's strategy and Theory of Change monitoring of living income and/or household income annually across global product categories, namely bananas, coffee, cocoa, sugar and flowers.
- ii. To support the establishment of Living Income Reference Prices, based on farm level data of farm size and distribution, costs and investments, household labor utilization, productivity, profitability, and income diversification. For this living income work stream an analysis is made of current farm economic results and costs of production of average and best performing farmers in a representative sample.
- iii. To support overall living income reporting needs for stakeholders as Fairtrade is rolling out its living income projects with commercial partners. Companies who engage with Fairtrade on living income – committing to paying LIRP or participating in income improvement projects – expect us to monitor and report on income improvement in their specific supply chains.
- iv. To support overall reporting needs into initiatives for sustainable cocoa (ISCOs) where Fairtrade is co-signatory.
- v. To support advocacy and marketing efforts to promote Fairtrade's living income roadmap and integrate the concept of living income pricing in industry commitments and



policy frameworks by demonstrating the effectiveness of Fairtrade's approach to living income.

## **6. Scope of this consultancy:**

Given the challenges articulated in all the current approaches that Fairtrade is considering, our objective with this consultancy is:

- i. To recommend best practices available for reliable farm level and/or household level data collection for living income in terms of sampling, tools & technology, primary versus secondary data management, in-house versus outsourcing options, etc. for the above-mentioned purposes.
- ii. This should be accompanied with recommendations on level granularity whether global, country, or producer organization level as these would have different sampling and cost implications.
- iii. To undertake financial and human resource comparisons of proposed approaches above with clear pros and cons of each.
- iv. Specific to living income monitoring and reporting needs described above, what can be a phased plan until such time that technology is fully rolled out and farmers are trained to report.

## **7. Proposed approach for the consultancy:**

The consultancy should focus on a detailed literature and best practices review in the industry and academics to make recommendations. In addition, we recommend some key stakeholder interviews with both internal and external experts from Fairtrade International, FLOCERT, Producer Networks (PNs), National Fairtrade Organizations (NFOs), commercial partners (if feasible), producer organization representatives who have already engaged in farm record keeping, other voluntary sustainability schemes, ISEAL or product-based platforms to understand the experience of various stakeholders with the various approaches.

We will share with the selected consultant/research team the list of indicators that have been considered in the approaches outlined in section 4.

The input from the literature review and interviews shall result in an overview of potential new approaches for measuring household incomes in relation to living incomes, including appropriate procedures and required resources for implementation. A recommended concrete proposal shall be highlighted for decision makers.

1. What are the best practice approaches/methodologies to monitor living income indicators and how do they align with Fairtrade's current approach?
2. What are the costs and benefits of each proposed methodology?
3. What are the risks and opportunities for each methodology proposed?
4. Which methodology do you recommend and why?
5. Which stakeholders would be best placed for data collection and subsequent analysis? (Farmers, the cooperatives' management level, PNs, FI, companies, third parties)?
6. How should different types of data be validated?
7. What tools are best suited for the purpose of data collection?

## 8. Project timeline and deliverables

Project start, inception meeting with Fairtrade stakeholders	<b>Mid-August 2022</b>
Inception report and detailed plan based on understanding of Fairtrade resources	<b>End August 2022</b>
External research and consultation with internal and external stakeholders	<b>September – October 2022</b>
Draft report and summary presentation	<b>end November 2022</b>
Validation workshop with key actors	<b>December 2022</b>
Final report (internal)	<b>January 2023</b>
Final presentation of findings (slide deck) at 2 events/webinars	<b>February 2023</b>

## Selection criteria

### *Essential*

- Extensive background and experience in research related to living income, living wages, cost of sustainable production calculations, poverty and income calculations.
- Understanding of the relevant policies, current debates, best practices and approaches towards the above-mentioned topics.
- Access to (either freely available, pay-for-service, or proprietary) journals and articles.
- Understanding and experience of working with various voluntary sustainability standards.
- Fluent written and spoken English.
- Prior research background on and proven technical knowledge of sustainable economic interventions and related implications in the trade sector.
- Excellent track record in both academic research and consultancy in the non-governmental, business, and government sectors.

### *Desirable*

- Demonstrated general understanding of smallholder farmers' sustainable livelihoods, supply chains and export commodity sector and/or certification systems related to the same, and
- Demonstrated understanding of Fairtrade principles, key tools and approaches, the Fairtrade Theory of Change, standards and farmer support, and Fairtrade structures.
- Understanding of measuring agricultural cost of production and Living income approach by Ankers.
- A sound understanding of the functioning of the Fairtrade system.
- Prior research background on and work experience with key Fairtrade products, especially in coffee, cocoa, bananas and fresh fruits is an advantage.

## 9. Budget and application process

The total budget available for this project is €50,000. This must include a mandatory 19% VAT payable in Germany (as this is where Fairtrade International is headquartered). This therefore implies that the total budget available for all project costs is approximately €42,000.



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If you are interested in being considered for this project, please send a short proposal (10-15 pages max) detailing: (1) how your company meets the selection criteria (including links to past or ongoing relevant work), (2) describing the methodological approach you would take to the project and data sources you would use, (3) a detailed project timeline (reflecting the overall deadlines listed above), and (4) a budget (detailing, at a minimum, the estimated number of days and cost per day for professional fees as well as a budget for materials or data). Please factor adequate feedback cycle in this at least twice two weeks of review at a minimum. (5) CVs of the members of the research team.

Please note that all application materials will be shared with a selection committee, which will include representatives of members of the Fairtrade system located in multiple countries, including outside of the EU. Your submission of a proposal will be taken as de-facto consent to share your personal data with those on the selection committee.

The contact person at Fairtrade for this project is Ms. Harveen Kour, Head of Information and Knowledge at Fairtrade International ([h.kour@fairtrade.net](mailto:h.kour@fairtrade.net)). All questions on the project (including questions on flexibility regarding the top line budget) should be sent to Ms. Kour before the deadline of 19 July 2022.