

COCOA FARMER INCOME:

THE HOUSEHOLD INCOME OF COCOA FARMERS IN CÔTE D'IVOIRE AND STRATEGIES FOR IMPROVEMENT

APRIL 2018



FAIRTRADE
INTERNATIONAL

INTRODUCTION

Fairtrade International commissioned True Price, Committee on Sustainability Assessment (COSA) and GeoTraceability to examine household incomes of cocoa farmers in Côte d'Ivoire, in order to inform Fairtrade's 2017-2018 cocoa price review as well as the development of its Living Income Strategy for cocoa. A 'living income' is defined as sufficient income generated by a rural household to afford a decent standard of living for all the household members, including food, housing, clothing, healthcare, children's education, and some additional costs. More than 3,000 Fairtrade certified farmer households were surveyed. The resulting analysis includes an estimate of the current average cocoa household income and sources, a living income benchmark, and supports discussions across the cocoa sector on how supply chain actors can contribute to achieving a living income for cocoa farmers.



KEY FINDINGS



The average cocoa farmer in Côte d'Ivoire does not earn a living income

According to True Price's Living Income Benchmark calculation for this study, a living income in Côte d'Ivoire is 7,318 USD per year. This living income level is based on a median household size of eight people (4.3 adults and 3.7 children), and thus works out to roughly 2.5 USD per person per day. The median household model consists of 2.7 full-time working adults (or the equivalent workload shared across the adults in the household). Seven percent of households surveyed achieve or exceed a living income. Excluding income taxes, since currently cocoa is taxed at the moment of sale, the adjusted benchmark is 6,133 USD per year, achieved by 12 percent of households.



The typical cocoa farming household relies mostly on cocoa sales for income, alongside other activities

Cocoa sales account for 74 percent of total household income for the average cocoa producing household. The annual net profit from cocoa production is approximately 2,000 USD for the average household. Other sources of income include profit from other cash crops (six percent), in-kind income from food crops for the household's consumption (10 percent), and off-farm income (10 percent). Fifty-five percent of cocoa farmers in the study grow various crops (mainly cassava, maize, plantain, yam) and/or keep livestock (mainly chickens) as an additional revenue source or for domestic consumption. Twenty-five percent of households supplement their income with off-farm activities, e.g., as labourers or keeping small businesses.



Cocoa farmers benefit from investments to improve productivity

In addition to price, productivity plays an important role in cocoa household income; as expected, this study found that yield is positively correlated with increased income. The average cost of production for the sampled cocoa households is relatively low, suggesting low levels of farm investment. The average household expenditure on agricultural inputs for cocoa production is 35 USD per hectare. The average yield in the study sample is 437 kilogrammes per hectare and can be characterized by tree densities of around 1,300 trees per hectare. Approximately half of the trees are at a productive age (between 5 and 25 years old), while 35 percent of the trees are older, and 13 percent are being renewed and not yet bearing fruit.



Fairtrade benefits include Fairtrade Premium payments and trainings that correlate with higher yields

The Fairtrade Premium is an extra sum of money, paid on top of the selling price, which producer organizations invest in projects of their choice. They decide together how to spend the Fairtrade Premium to reach their goals, such as improving their farming, businesses, or health and education in their community. The Fairtrade Premium for cocoa is 200 USD per tonne. Cocoa producer cooperatives can choose to distribute part of the Premium to their member farmers as bonuses to supplement income. This study found that the Fairtrade Premium positively impacts cocoa farmers' incomes, either directly, distributed as bonus cash payments to individual farmers, or indirectly, through training delivery and provision of inputs or other in-kind subsidies. Almost all trainings supported by Premium investment were correlated with higher yields.

RESEARCH METHODS

The Committee on Sustainability Assessment (COSA) and GeoTraceability designed the survey and collected farmer household data. The methodology of the data analysis was co-developed by True Price and Fairtrade, which is based on similar research into household income for coffee (published in 2017). The four main elements of the income model are: net income from cocoa, financial farm income from other crops, in-kind farm income and off-farm income.

In 2016, 3,202 Fairtrade certified farmers were surveyed in Côte d'Ivoire, covering 23 producer cooperatives. The data were collected both at farmer household level as well as at the cooperative level, allowing in depth analysis. The results of this research include: descriptive statistics on all surveyed farmers, the composition of an average cocoa household income, a living income benchmark estimation, the average cost of cocoa production as well as analysis of other income sources, correlations and thresholds.

LEARNINGS AND CONSIDERATIONS



A holistic approach to reducing poverty and achieving living income is needed

Increasing the cocoa price is a way to lift farmers above poverty. For example, to help 80 percent of farmers above the extreme poverty line through price increase only, prices would need to approximately double. However, this is not very efficient and it leaves behind the poorest farmers. In addition, productivity and farm size play an important role. A more holistic approach is needed in order to increase incomes more broadly.

The average farm size is 6.7 hectare, of which 4.9 hectares are under cocoa production. Farms of less than 3.7 hectares are unlikely to be

big enough to keep 2.7 full-time working adults effective at work and achieve a living income from farm revenues only.



Future research

Future research could analyse more in detail the extent to which household members are engaged in farm work and off-farm activities. Collecting these data can provide better insights into the minimum size of a farm that can absorb the available household labour force. Further research to explore efficient ways to improve incomes of the poorest farmers specifically is also recommended.

FAIRTRADE RESPONSE

The findings of this household income baseline study reconfirm the urgency for Fairtrade – and other actors concerned with sustainability in the cocoa sector – to intensify our collective efforts towards achieving sustainable livelihoods for cocoa farmers in West Africa.

Fairtrade International recently developed a [Living Income Strategy](#), which we are tailoring for cocoa and will start applying in West African cocoa as a priority. In taking this action we aim to create the environment where price, within a holistic approach, becomes recognized as a critical element in reaching a living income.

As part of this strategy, Fairtrade is developing a sustainable pricing model, guided by a reference price which supports average farmer households to progress toward a living income. This model is based on parameters for adequate productivity and viable farm size that will support a living income. We are incorporating this concept into our current cocoa price review, which will be completed in late 2018.

Other elements of the Living Income Strategy include building Fairtrade sales, achieving sustainable yields, improving cost efficiency, and fostering an enabling environment of policies and market systems that support the needed changes.

Fairtrade is developing new business models that will help producers and businesses create greater value and expand the market for farmers to sell more of their crop on Fairtrade terms. Fairtrade has also scaled up support to cocoa cooperatives through our West Africa

Cocoa Programme, which offers a range of training and advisory services to Fairtrade producer organizations.

In order to contribute to yield and efficiency, Fairtrade's Living Income Strategy identifies several pathways for improvement, including: enhancing farm management capacity of farmers; making strategic use of the Fairtrade Premium to invest in farms; promoting farm diversification for improved income resilience; and strengthening the producer organizations so they can provide better services to their members. These pathways will be supported through capacity building, development of tools and, subject to consultation, changes to the Fairtrade Standards related to Premium use. We will also start testing new approaches with partners as pilot projects.

Fairtrade commissioned this study because we wanted to understand the existing income picture for Fairtrade certified cocoa farmers in Côte d'Ivoire. The reality is that Fairtrade certification alone does not guarantee that a farmer earns a living income, or even earns above the poverty level. We acknowledge the seriousness of the current situation, and recognize that this problem is not one that Fairtrade – or any single organization or company – can solve alone.

Fairtrade is moving forward on this journey towards truly sustainable cocoa, and welcomes collaboration with all actors in the cocoa sector – including farmers themselves, companies, governments and civil society – to be able to effect the changes needed for cocoa farmers to achieve a sustainable livelihood.

For more information The report and Fairtrade's full response are available on the [Fairtrade International Impact and Research pages](#).

Image: Harvesting Fairtrade certified cocoa, Côte d'Ivoire. © Éric St-Pierre

