

# Roadmap for the DISCO partnership to realize its ambitions

Living income for cocoa  
farming families

# 1. Introduction

A large number of small-scale cocoa farming families in cocoa producing countries in West- and Central Africa struggle to meet basic needs such as education, health, and food security as they are not able to earn a Living Income. Therefore, the Dutch Initiative on Sustainable Cocoa is committed to **enable families which farm cocoa to earn a living income by 2030**.

The DISCO partnership agreed on a pathway with the following interim check points:

- Living income gap determined and living income strategy (including incremental steps towards closing the living income gap) developed for 75% of the Dutch cocoa sources before mid-2021 and for 100% of the Dutch cocoa sources by the end of the year 2021;
- Cocoa farming families in important sources are enabled to earn a living income for the volume of cocoa beans required to meet the Dutch consumption of chocolate and other products with >5% cocoa content by 2025;
- Step-wise increases in the percentages of cocoa farming families that are enabled to earn a living income for the volume of cocoa beans and cocoa products exported to markets outside the Netherlands.

As part of driving their commitments on living income, DISCO signatories agreed to elaborate a living income Roadmap to provide a collective understanding and clear guidance to achieve their 2030 commitments on living income. A dedicated task force was established to develop this roadmap and framework for implementation, monitoring and reporting on the necessary initiatives leading to the DISCO objectives. The task force is part of a wider working group that includes the following members:

To develop recommendations on how signatories can contribute effectively towards achieving the commitments, a dedicated working group was established to develop this roadmap and framework for implementation, monitoring and reporting on the necessary initiatives leading to the DISCO objectives. The working group that worked on this roadmap is comprised of the following members:

- |                     |   |   |
|---------------------|---|---|
| • Bo van Elzaker    | – | Agro Eco  |
| • Nicolas Mounard   | – | Barry Callebaut   |
| • Patric Brandt     | – | Cargill Cocoa & Chocolate (left Cargill during the process) |
| • Anne van der Veen | – | ETG/Beyond Beans  |
| • Warren Sako       | – | Farmgate Cocoa Alliance                                     |
| • Anna Laven        | – | KIT, Royal Tropical Institute                               |
| • Iona Ebbens       | – | Ministry of Foreign Affairs, Netherlands                    |
| • Manuel Kiewisch   | – | Mondelez International                                      |
| • Rogier Verschoor  | – | Oxfam Novib   |
| • Sven Drillenbug   | – | Rainforest Alliance   |
| • Gael Lescornec    | – | IDH   |
| • Mark de Waard     | – | IDH   |

This Roadmap is structured around the following chapters:

- **Chapter 1 ‘Introduction’** describes DISCO commitment on living income and roadmap development process through the DISCO living Income Working Group.
- **Chapter 2 ‘Summary of actions by DISCO signatories’** summarises and highlights the specific actions relevant for each subsector within DISCO and what is expected from each of them.
- **Chapter 3 ‘Detailed guidance for implementing actions by DISCO signatories’** describes the details of the actions that will be taken by DISCO signatories. The actions described in this section are:
  - Determining living income gaps
  - Developing living income strategies
  - Reporting on progress

- **Chapter 4 ‘Recommendations for follow up’** describes the advice given by the working group on what should be further developed after the finalization of this Roadmap version in September 2021. This advice for follow up could be done within the DISCO partnership, or in collaboration with other initiatives such as Beyond Chocolate, GISCO, SWISSCO.

All described actions are based on the main DISCO commitment from the DISCO declaration<sup>1</sup> on living income for cocoa farming families and under each detailed action, a reference is made to that main commitment. The actions include both individual supply chain actions and joint collaborative actions. Taking individual actions by organizations that are active in the cocoa sector are necessary to contribute to a living income for cocoa farming families. But alignment with other signatories within DISCO and collaboration with other existing initiatives and stakeholders outside DISCO is essential for strengthening, scaling and accelerating efforts to address living income in cocoa.

As new insights and developments emerge and roles and responsibilities of stakeholders evolve, this Roadmap should be seen as a living document that will be updated by the working group when needed.

#### Overview of DISCO signatories: supply chain signatories

Traders/processors	Large manufacturers	Smaller manufacturers	Retailers
<ul style="list-style-type: none"> <li>• Barry Callebaut</li> <li>• Cargill Cocoa &amp; Chocolate</li> <li>• Crafting Markets</li> <li>• Export Trading Group (ETG)</li> <li>• JS Cocoa</li> <li>• Olam Cocoa</li> <li>• Tradin Organic</li> </ul>	<ul style="list-style-type: none"> <li>• MARS</li> <li>• Mondelēz</li> <li>• Nestlé</li> <li>• Tony’s Chocolonely</li> </ul>	<ul style="list-style-type: none"> <li>• Delicia</li> <li>• De Euforij Chocolate</li> <li>• Friesland Campina</li> </ul>	<ul style="list-style-type: none"> <li>• Albert Heijn</li> <li>• Chocoladeverkopers</li> <li>• Jumbo</li> <li>• Superunie</li> </ul>

#### Overview of DISCO signatories: non-supply chain signatories

Government	Certification/standard organizations	Civil society	Service providers & knowledge institutes
<ul style="list-style-type: none"> <li>• Ministry of Foreign Affairs of The Netherlands</li> <li>• Ministry of Agriculture, Nature and Food Quality of The Netherlands</li> </ul>	<ul style="list-style-type: none"> <li>• Fairtrade Nederland</li> <li>• Rainforest Alliance</li> </ul>	<ul style="list-style-type: none"> <li>• Fairfood</li> <li>• Farmgate Cocoa Alliance Oxfam Novib</li> <li>• Save the Children</li> <li>• Solidaridad Network</li> <li>• Tropenbos International</li> <li>• UNICEF The Netherlands</li> </ul>	<ul style="list-style-type: none"> <li>• Agriterra</li> <li>• Agro Eco</li> <li>• Equipoise</li> <li>• Port of Amsterdam</li> <li>• Koninklijk Instituut voor de Tropen</li> </ul>

<sup>1</sup> <https://www.idhsustainabletrade.com/publication/dutch-initiative-on-sustainable-cocoa-disco-declaration/>

## 2. Summary of actions by DISCO signatories

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This chapter summarises and highlights the specific actions relevant for each subsector within DISCO. For more details and the overview of what the actions entail, please consult chapter 3 'Detailed guidance for implementing actions by DISCO signatories' of this Roadmap.

### Cocoa traders and processors

Traders and processors are through their service delivery models and procurement practices directly engaged with farmers and cooperatives and create therefore the connection between them and other actors further downstream in the supply chain.

In this regard, cocoa trading and processing companies (and where needed in collaboration with other actors in their specific supply chain) will:

- measure the living income gap from the farming families they are sourcing cocoa from
- develop, implement and monitor living income strategies to enable farming families that they source cocoa from, to close their living income gap
- integrate these living income actions into their cocoa sustainability programs and commercial offerings enabling retailers and other clients downstream in the supply chain purchasing cocoa-based products in line with the DISCO Roadmap on living income
- report on the progress and efforts made towards enabling cocoa farming households in their supply chains to close the living income gap

### Chocolate manufacturers (large) and brands

Chocolate brands and manufacturing companies are in some origins directly engaged (often through cocoa sustainability programs) with farmers and cooperatives, while for another part of their supply chain they are only indirectly engaged with farmers and cooperatives through their suppliers.

In this regard, chocolate brands and manufacturing companies will:

#### Direct supply chain

- (alongside their suppliers where needed) measure the living income gap from the farming families they sourced cocoa from through a direct supply chain with farmers and cooperatives
- (alongside their suppliers where needed) develop, implement and monitor living income strategies to enable farming families that they source cocoa from, to close their living income gap
- integrate these living income actions into their cocoa sustainability programs and commercial offerings to enable retailers and other clients downstream in the supply chain purchasing cocoa-based products in line with the DISCO Roadmap on living income
- report on the progress and efforts made towards enabling cocoa farming households in their direct supply chains to close the living income gap

#### Indirect supply chain

- Engage with supply chain partners to progress sourcing from direct supply chain link in which producing farming families are known to establish actual incomes and develop and implement living income strategies

### Chocolate manufacturers (small)

Smaller chocolate manufacturing companies are usually indirectly engaged with farmers and cooperatives through their suppliers of cocoa-based products.

In this regard, smaller chocolate manufacturing companies will contribute to the DISCO living income ambitions by:

- having demand specifications towards their suppliers in purchasing cocoa-based products from cocoa sustainability programs or certification schemes that measure the living income gap from the farming families and cover living income strategies to close the living income gap
- develop strategies to increase the volume of cocoa-based products from these cocoa sustainability programs or certification schemes and define together with their suppliers how cost-sharing will be addressed
- report on the volume of cocoa-based products that is purchased from cocoa sustainability programs or certification schemes that measure the living income gap from the farming families and include living income strategies to close the living income gap

### Retailers

Retailers are closely related to consumers and are indirectly engaged with farmers and cooperatives through their suppliers of cocoa-based products for both private label and chocolate brands.

In this regard, retailers will contribute to the DISCO living income ambitions by:

- having demand specifications towards their suppliers in purchasing cocoa-based products from cocoa sustainability programs or certification schemes that measure the living income gap from the farming families and cover living income strategies to close the living income gap
- develop strategies to increase the volume of cocoa-based products from these cocoa sustainability programs or certification schemes and define together with their suppliers how cost-sharing will be addressed
- communicating to consumers to enhance consumer awareness and promote market demand for cocoa-based products produced from actors supporting living income work<sup>[108]</sup>
- report on the volume of cocoa-based products that is purchased from cocoa sustainability programs or certification schemes that measure the living income gap from the farming families and include living income strategies to close the living income gap

### Civil society organizations, service providers & knowledge institutes, and certification & standard organizations

The civil society, service providers & knowledge institutes and certification & standard organizations subsectors in DISCO consist of a diverse group of organizations. Some organizations have (through their counterpart organizations) direct relationships with farmers, producer organizations or local governments in cocoa sourcing countries, some act as implementing partners in field level projects, some have expertise on the DISCO impact areas and some are through their certification schemes engaged with both the cocoa industry and farmers and cooperatives.

In this regard, civil society organizations and service providers & knowledge institutes support companies in the DISCO living income ambitions by (only the ones that are applicable to their organization):

- supporting companies with available expertise and resources in data collection to measure the living income gap from the farming families they are sourcing cocoa from
- supporting companies with available expertise and resources in the development and/or implementation of living income strategies to close the living income gap for the farming families they are sourcing cocoa from
- engaging through counterpart organizations with local stakeholders in producing countries for the enhancement of an enabling environment for supply chain interventions that allow cocoa farmers to make a living income
- support civil society organisations and government authorities in sourcing countries providing a social safety net to cocoa farmers who fail to make a living income (while others do)
- gradually integrate living income gap measurement and income driver calculations into their certification schemes to enable clients downstream in the supply chain purchasing cocoa-based products in line with the DISCO ambitions on living income (for certification & standard organizations only)
- fill existing knowledge gaps on identifying and developing effective strategies that support cocoa farming families in reaching a living income

- reports on efforts made to support the industry in reaching its DISCO ambitions around living income

### Government

The Dutch government has through their embassies and consuls in the producing countries a long-lasting strong relationship with the local authorities and a strong G2G (government to government) relationships with European countries. The Dutch government also has subsidies/programs that can provide financial support and stimulate knowledge exchange in relation to the DISCO impact areas.

In this regard, the Dutch government will contribute to the DISCO living income ambitions by:

The Dutch government has through their embassies and consuls in the cocoa producing countries a long-lasting strong relationship with the local authorities and a strong G2G (government to government) relationships with European countries. The Dutch government also has subsidies/programs that can provide financial support and stimulate knowledge exchange in relation to the DISCO impact areas.

In this regard, the Dutch government will contribute to the DISCO ending child labour ambitions by:

- guiding DISCO signatories to available existing subsidies that can be used for the measurement of the living income gap from the farming families they are sourcing cocoa from
- guiding DISCO signatories to available existing subsidies that can be used for the development and/or implementation of living income strategies to close the living income gap for the farming families they are sourcing cocoa from
- engaging through embassies with local stakeholders in producing countries for the enhancement of an enabling environment for supply chain interventions that allow living income generation
- reports on efforts made to support the industry in reaching its DISCO ambitions around living income

## 3. Detailed guidance for implementing actions by DISCO signatories

This chapter presents the different actions that DISCO signatories need to take to contribute to reaching a living income for cocoa farming families, including guidance for implementation.

The actions described in this chapter are:

1. Measure the current living income gap
2. Develop Living Income strategies to close the living income gap
3. Report on progress towards closing the living income gap of cocoa farming families in the supply chains

### 3.1 Measure the current living income gap

This section aims to provide information how DISCO signatories can measure living income gaps in their supply chains. It provides information on measuring by using basic calculations and what is needed to move to more precise calculations.

**DISCO partners have agreed in the main DISCO partnership document:**

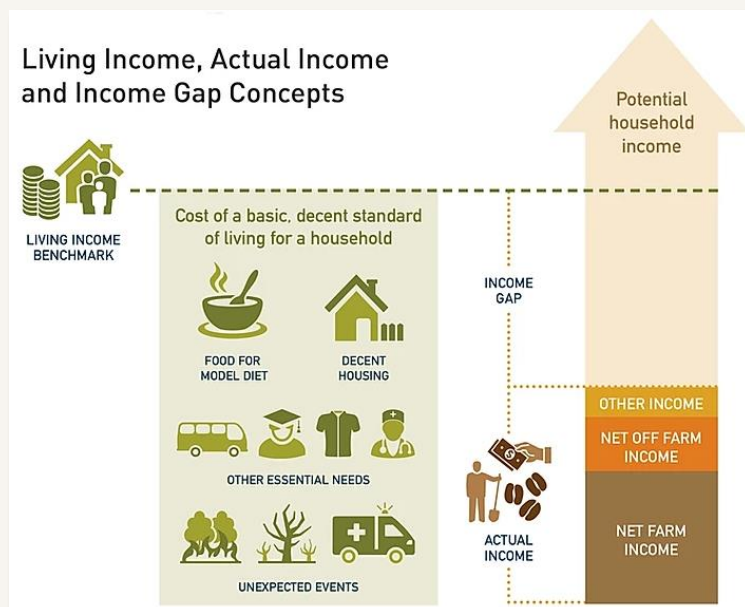
*“The gap between the current average income level of cocoa producing households and the living income benchmark in major cocoa sourcing areas will be determined. Existing methodologies and cost of living studies will be used for determining this living income gap (...) In order to steer and monitor progress, the DISCO partners agree on a pathway with the following interim check points:*

- *Living income gap determined (...) for 75% of the Dutch cocoa sources before mid-2021 and for 100% of the Dutch cocoa sources by the end of the year 2021;”*

#### 3.1.1 Framework for measuring gaps

Determining living income gaps involves (i) using available living income benchmark estimates and (ii) using actual estimated farmer income data, based on primary data collection. Both are illustrated and explained in visual on the right.

Living income gaps can be estimated using simple calculations based on existing living income benchmarks and using average estimates of farmer incomes. This way of calculating gaps has limitations as it allows to draw conclusions only at an aggregated and general level. Under the DISCO partnership, it is considered acceptable to get started, but it is expected that over time partners move towards improved data collection which would allow for more precise calculations and conclusions on living income gaps and on income drivers. Strategies applying income drivers to close the living income gap are included in the next section.

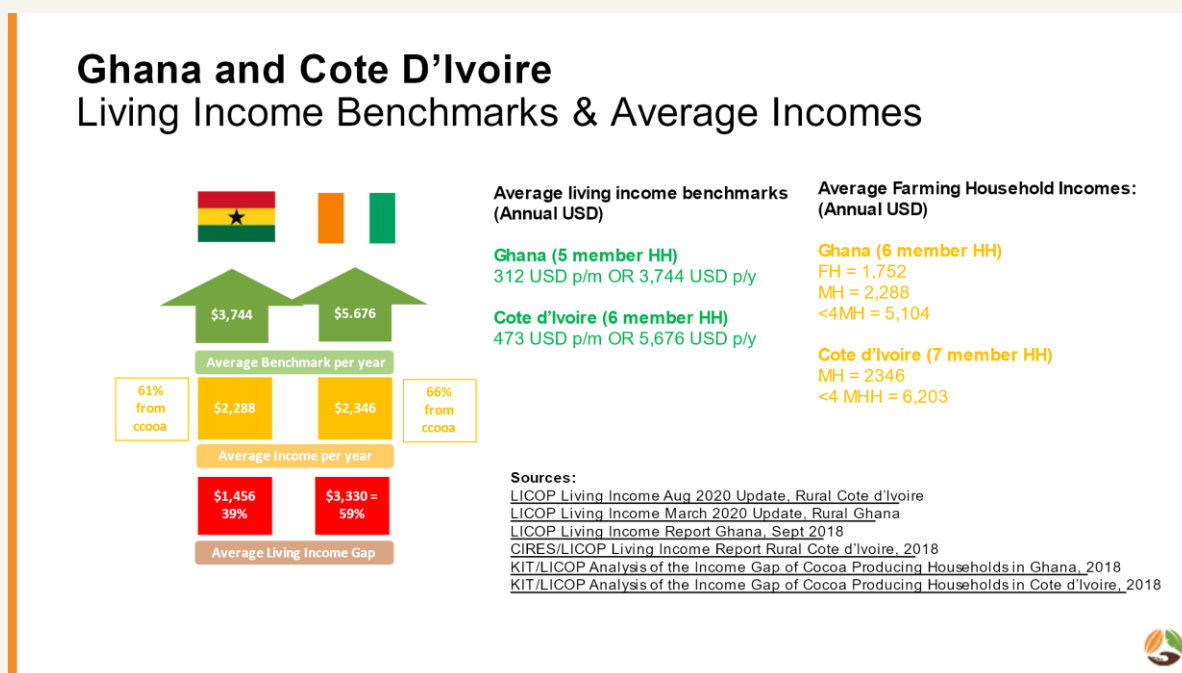


### 3.1.2 Simple calculations

Living income benchmark averages as well as average farmer incomes have been calculated for the Living Income Community of Practice (LICOP)<sup>2</sup>. Using these averages is a simple and practical place to start in the absence of other more specific and reliable data. While this is not the solution in the long term, it can be a way to make simple calculations in the absence of actual farmer income data.

To determine living income gaps using a simple calculation, it is recommended to follow these steps:

- **Step 1:** Define the main cocoa sourcing countries/regions for your company (as far as known) (e.g. the countries/regions where you source directly or large volumes from)
- **Step 2:** Identify the living income benchmark for these countries/regions by using credible sources such as: Anker & Anker Methodology and LICOP<sup>3</sup>  
For countries/regions where a living income benchmark is not defined, use a relevant proxy indicator such as an adjusted living wage benchmark (see for example the Cameroon case below)
- **Step 3:** Identify the average actual farmer incomes for these countries/regions by using credible sources/methodologies (LICOP and KIT). If no data is available on non-cocoa income, the estimate of KIT<sup>4</sup> on non-cocoa income can be used
- **Step 4:** Calculate the living income benchmark minus the average actual income to define the average income gap for that country/region in your supply chain; You can also use the raw data set available from the KIT study 'Demystifying the cocoa sector in Ghana and Côte d'Ivoire'<sup>4</sup> to select specific regions to make more accurate calculations



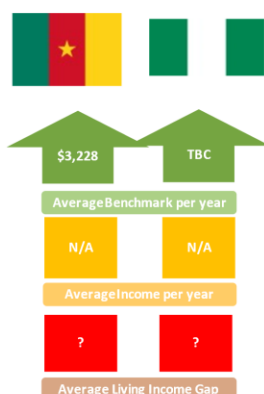
<sup>2</sup> <https://www.living-income.com/>

<sup>3</sup> <https://www.living-income.com/measurement-living-income>

<sup>4</sup> <https://www.kit.nl/project/demystifying-cocoa-sector/>



## Cameroon and Nigeria Living Income Benchmarks



### Cameroon living income benchmarks

- The Anker Living Income Reference Value for 2020 for rural Cameroon is CFA 155,746 per month (US \$269). This is the estimated monthly cost of a basic but decent standard of living for a typical family in rural Cameroon in 2020.
- Important note: it is likely that the Anker Living Income Reference Value for rural Cameroon is too low for the relatively wealthier West, Southwest, and Littoral Douala regions (where banana production is concentrated) and too high for the relatively poorer North, Northwest, and Far North regions. For this reason, it is suggested that the upper limit of the confidence interval of the Anker rural Living Income Reference Value (CFA 170,163) be used for rural West, Southwest, and Littoral sans Douala regions and that the lower confidence limit (CFA 142,551) be used for rural North, Northwest, and Far North regions.

### Sources:

[Anker Living Income Reference Value, Rural Cameroon 2020](#), [Global Living Wage Coalition](#)



**Limitations to simple calculations:** When using already existing income calculations, it is important to consider limitations on data quality as different variables can be used to measure the same metrics. Most importantly, one will not know if more or less families earn a Living Income or how many families earn a Living Income in general. Generally, the limitation of reporting only on average incomes is that you miss out on any additional insights on how incomes are distributed, how concentrated they are and what the potential effects of the distribution extremes or outliers. Moreover, it hides similarities and differences between different household segments.

Another important limitation of working with simple calculations of household income averages is **representativeness**. Data may not be representative for any part of the population that a company may want to make decisions on. This can lead to raising false expectations, indicate false impact, or invest into irrelevant interventions (e.g. certain households, such as female-headed households, households that include unorganized farmers, or household that live more remote, tend to be underrepresented in available data sets).

There are two main key issues to consider in this regard when using simple calculations: (i) when reporting on the living income gap, the average drawn from a relevant group hides distributions, outliers, etc. (ii) when developing targeted interventions, the inequality within groups that averages do not take into account may not provide the relevant information needed. Also, it is important to consider what calculating the average implies on targeting: is it targeting the farmer group as a whole, the average farmer or other specific segments?

The **quality of data** collected influences the calculations. There are a number of critical data points, such as the share of cocoa as part of the total income, land size, yield, production costs and household size. More sophisticated data collection is based on actuals and/or on objective data verification (or triangulation), rather than self-reported (e.g. GPS measurement for farm size will be more accurate than estimates). It is also important to note that income in general tends to be underestimated for a number of reasons. In the absence of quality data on all income sources, a recommended approach is to focus on the

### Signatory example: How Mondelez/WUR used data to interrogate the topic of Living Income

An example of a segmentation analysis conducted for the purpose of understanding the implications of representativeness is the Mondelez/WUR study "[No Silver Bullet](#)" which had a deep look into the impact of income inequalities. They measured and evaluated data on the ground interventions and therefore the analysis provides more thorough insights about addressing the drivers of farmer income holistically.

estimation of cocoa income alongside an estimate of the share of household income derived from cocoa in relation to all other sources.<sup>5</sup>

### 3.1.3 Moving towards more precise calculations

To move from simple calculation towards a more mature precise form of calculation requires more deliberate choices. More accurate and real-time data collection can benefit producer organisations and can be integrated into basic data management systems at producer organisation level. After an initial investment in management systems, the data can be collected throughout the year and will become less and less costly every year. Moreover, such databases can be managed in a decentralised way, thus providing DISCO stakeholders access to each other's raw data in an aggregated and anonymous format. The following steps could be considered when engaging in more precise calculations:

- **Step 1:** Define why you are calculating incomes and for what purpose
- **Step 2:** Identify which farmers (and their families) you are targeting
- **Step 3:** Define what information you need and what is already being collected
- **Step 4:** Define how you are going to measure gaps: choose relevant approaches to collect data and report on analysis by using credible sources listed above

Two key overarching considerations when engaging in more precise calculations are (i) ensuring privacy and confidentiality through data security and (ii) ensuring data ownership and data usefulness for farmers and farmer organisations.

Take into account the following considerations for each income driver variables:

- **Cocoa land size:** Different assumptions used by different sources (e.g.: Fairtrade living income model operates on assumptions of 4.4Ha average cocoa area in CDI and 3.3Ha in Ghana when some company data shows a smaller average area per farmer); Self-reported data on land size is less reliable than more precise and reliable GPS mapping; Mean values are more reliable than median values; Measure only productive cocoa land (e.g. not fallow, other crops or recently planted) and measure all plots of a farmer;
- **Cocoa yield:** Yield is usually calculated as total production/total productive cocoa land (over 5 years old). This can be done making use of projections or actuals. Both approaches have limitations. Projections tend to give unreliable results. When using actuals, it is recommended to use production figures based on continuous reporting during crop season, rather than recall for the last cocoa season and where possible cross checked with farmer passbook or purchasing clerk
- **Cocoa price:** Côte d'Ivoire and Ghana use a fixed farm gate price set by the government per crop. Other countries have an open market, therefore actual procurement price should be collected by supply chain actors. Supplemental payments above farmgate price are calculated often as price/kg of raw cocoa according to other metrics and may be paid as part of personal or cooperative premium (see example of Fairtrade calculation of Living Income Reference Price in box below)
- **Production costs:** Limited reliable data on input and hired labour costs are available due to different labour arrangements and lack of record keeping in inputs and labour. These have to be further addressed in efforts to take in better data collection (see also chapter 4.1)
- **Diversified income:** This can be calculated based on estimated share from cocoa as a minimum, but could be more precise by calculating the net income from the three main income sources
- **Household expenses:** Comparisons between benchmarks and actual income data should be done for the same household size as benchmark household size can be different than actual income household size.

<sup>5</sup> <https://www.kit.nl/project/demystifying-cocoa-sector/>

### Useful Tools for Income Measurement:

- ✓ KIT, Demystifying the Cocoa Sector in Ghana and Côte d'Ivoire: for use of averages for simple calculations<sup>6</sup>
- ✓ COSA/KIT for LICOP, Guidance manual on calculating and visualizing income gap to a Living Income Benchmark<sup>7</sup>
- ✓ Rainforest Alliance, Living Income Tool and Methodology: The Living income tool is one of the tools of the new Rainforest Alliance Agricultural Standard and is developed by Agri Logic<sup>8</sup>
- ✓ IDH, Income Measurement Survey: to support companies in collecting data on smallholder households' total actual income<sup>9</sup>



Figure 1 “DISCO Living Income Roadmap Journey”. First Layer: Opportunities for Incremental steps towards more reliable data on living income gaps

### 3.1.4 Moving towards more precise calculations

To contribute to a common learning agenda, DISCO signatories are asked to provide input as part of the annual progress reporting on below questions. This will help signatories to guide them in improving measuring living income gaps as well as to monitor on progress towards a living income and the attribution by the various income drivers. Moreover, the self-assessment helps identifying needs for additional support by the partnership to:

1. How are you determining living income gaps in your supply chain? (using existing averages or other means?)
2. If other means, explain methodology and metrics used (e.g.: Income data from what percentage of farmers you source from)
3. What is your level of ambition in determining living income gaps over the course of the DISCO partnership and 2030 commitments?
4. How do you monitor and measure progress on your living income ambitions? (e.g. monitoring through what system, and what monitoring periods?)

#### SOURCES:

- [LICOP \(2018\), The Anker Methodology](#)
- [LICOP \(November 2020\), Estimating Farmer Household Income](#)
- [LICOP \(May 2020\), Looking for a Living Income Benchmark](#)
- [COSA/KIT for LICOP \(July 2020\), Guidance manual on calculating and visualizing the income gap to a Living Income Benchmark](#)
- [IDH \(March 2021\), Income Measurement Survey](#)
- [Rainforest Alliance \(June 2020\), Living Income Tool and Methodology](#)

<sup>6</sup> <https://www.kit.nl/project/demystifying-cocoa-sector/>

<sup>7</sup> <https://www.kit.nl/wp-content/uploads/2020/08/KIT-Guidance-Measuring-and-visualizing-the-gap.pdf>

<sup>8</sup> <https://www.rainforest-alliance.org/business/resource-item/annex-5-living-income-tool-and-methodology/>

<sup>9</sup> <https://www.idhsustainabletrade.com/news/idh-supports-companies-in-taking-action-towards-closing-the-living-income-gap/>

### 3.2 Develop living income strategies to close the living income gap

This section aims to provide information how DISCO signatories can develop living income strategies in their supply chains. It provides information on how to develop strategies based on addressing income drivers and what is needed to move to more “smart-mix” of interventions.

#### DISCO partners have agreed in the main DISCO partnership document:

*“Partners will develop strategies to close the living income gap for increasing numbers of cocoa farmers.*

*These living income strategies can consist of interventions at the farm and producer organisation level in the following fields:*

- A. farm productivity*
- B. operational and transaction costs*
- C. quality improvements*
- D. farm gate pricing*
- E. farm income diversification*

*In order to steer and monitor progress the DISCO partners agree on a pathway with the following interim check points:*

- (...) living income strategy (including incremental steps towards closing the living income gap) developed for 75% of the Dutch cocoa sources before mid-2021 and for 100% of the Dutch cocoa sources by the end of the year 2021;*
- Cocoa farming families in important sources are enabled to earn a living income for the volume of cocoa beans required to meet the Dutch consumption of chocolate and other products with >5% cocoa content by 2025;*
- Step-wise increases in the percentages of cocoa farming families that are enabled to earn a living income for the volume of cocoa beans and cocoa products exported to markets outside the Netherlands.*

*(...) The living income strategies, progress and challenges will be shared within the DISCO partnership for learning purposes. Strategies and incremental steps towards closing the living income gap will be reviewed based on sector developments and progress made.”*

It is acknowledged that further clarification is needed on the interpretation of the above check points. Also, we expect the 2025 check point for the Dutch market to include actions that “enable” cocoa farming families to reach the living income, such as farm investments like replanting, which might not have been implemented by 2025 but will bring the potential to reach by 2030.

#### 3.2.1 Framework to develop Living Income strategies

The following section provides guidance on actions to achieve the DISCO living income objectives based on what we are learning so far both from research and practical experience.

This guidance must be considered within the broader enabling environment involving multiple stakeholders which will ultimately determine impact on closing living income gaps of smallholder farming households in the cocoa sector. This enabling environment requires local, national and international stakeholder engagement. It includes regulation, policies and services at origin and consumer level creating a more level playing field. It also includes managing a fluctuating and imbalanced market and financial system and distributing value and risk across the value chain. And it includes essential linkages to advancements in human rights, resilience and social inclusion, with specific linkages to environmental and deforestation including through landscapes approaches, to gender transformation opportunities, and to the elimination of child labour.

While recognising that living income is tied to this broader complex set of factors beyond the sphere of control of private companies, there is an acknowledgement that value chain actors have direct and

indirect areas of influence on income drivers. This includes efforts towards improving the overall traceability of supply chains and working towards more inclusive power structures in the supply chain.

Against this background and based on what we know on income drivers and opportunities among supply chain actors, three important steps are required to develop impactful strategies:

### 1. Understand income drivers in your supply chain:

To enable living income, we need an income driver approach at the level of farming households. This starts with understanding income drivers of farming households: land size, yield, production costs, and farmgate price of main cash crop; and other sources of income. Understanding where each driver is at and how much improvement is feasible for each driver in a supply chain, is key.

The following questions can help guide an initial basic assessment:

- If we follow the existing models, do we know where each income driver is at now on average in a particular sourcing area?
- How much improvement is practically feasible for each driver proportional to the investment being made?



### 2. Understand income drivers in your supply chain:

#### 2.1. Intervention Assessment

An income driver approach enables partners to initiate, improve and combine interventions that are most impactful and feasible for farming households. Below are examples of interventions that are known to contribute to each income driver.

The following questions can help guide an initial basic assessment of relevant interventions:

- Which interventions can we induce to realise improvement on each driver?
- Are the interventions aimed specifically at driving incomes or are there other intentions?
- What assumptions are we making on how interventions can impact one or several income drivers?
- What combination of interventions are needed to increase the impact on incomes?
- Which partners need to be on board to strengthen interventions/enabling environment to realise improvement for each driver?
- To what extent do interventions take an inclusive household perspective especially towards women?

**Examples of Interventions that can have impact on each Income Driver:**



**Cocoa Yield**

- Access to Finance (including women)
- Professionalisation of Cooperatives
- GAP Training (including women)
- Access to inputs and infrastructure
- Access to crop insurance
- Rejuvenation and renovation



**Cocoa Price**

- Guaranteed off-take agreements
- Marketprice discovery mechanisms
- Premiums on top of Farmgate prices, Certification
- LID on top of premiums
- Flexible living income premiums
- Access to Digital Payment



**Production Costs**

- Access to quality and affordable inputs: fertilizer, planting materials, crop protection, irrigation
- Access to affordable labour
- Access to land tenure security
- Mechanization

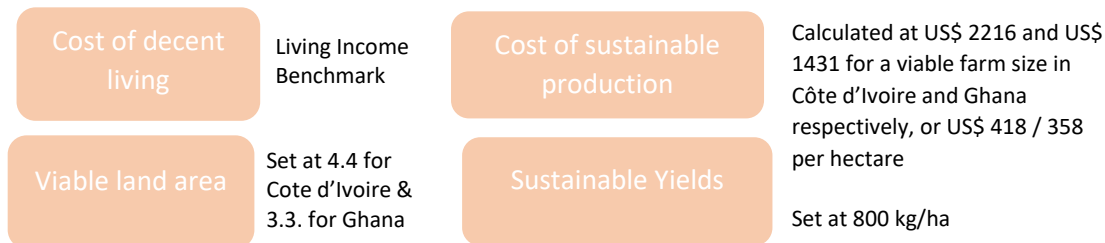


**Farm Income Diversification**

- Examples of diversification options include (1) Other crops; Livestock; Agroforestry (2) Wage labor (on other farms or companies); (3) Enterprise income (e.g. starting a shop).
- Investing in women entrepreneurship (eg IGAs, VSLAs)

Signatory example: An example from FairTrade how to calculate a **Living Income Reference Price** as a 'pricing intervention'

$$\frac{\text{Cost of decent living} + \text{cost of sustainable production}}{\text{Viable farm size} \times \text{Sustainable yields}}$$



## 2.2. Gender Transformative Interventions

Central to closing the living income gap is closing the gender gap. Gender inequality is a key driver of poverty known to compromise farm productivity and household incomes. It is important that income driving interventions consider the different needs and constraints of women and men taking steps to create gender equality and working to address the root causes of gender inequality. It is important to examine interventions through a gender lens and assess the extent to which these are gender unintentional, gender intentional or gender transformative. Examples for each of these levels are included in below table:

Gender Unintentional	Gender Intentional	Gender Transformative
<ul style="list-style-type: none"> <li>Provides training without considering the time or location to enable women to join</li> <li>Recruits only men as entrepreneurs or provides loans to only male heads of households</li> <li>Engages only male leadership on farm cooperatives</li> </ul>	<ul style="list-style-type: none"> <li>Takes steps to include women in training (adjusts time, invites women, provides childcare etc)</li> <li>Allows women to join entrepreneur and finance initiatives but doesn't adapt criteria to reflect women's different starting points</li> <li>Supports women with initiatives that play into women's traditional roles, e.g. stoves or market gardens</li> </ul>	<ul style="list-style-type: none"> <li>Starts from a gender analysis to understand the differences in women's and men's lives, including those which create social and economic inequity</li> <li>Works with finance institutions to adjust policies and thresholds for women's access to loans</li> <li>Supports women's leadership opportunities</li> </ul>

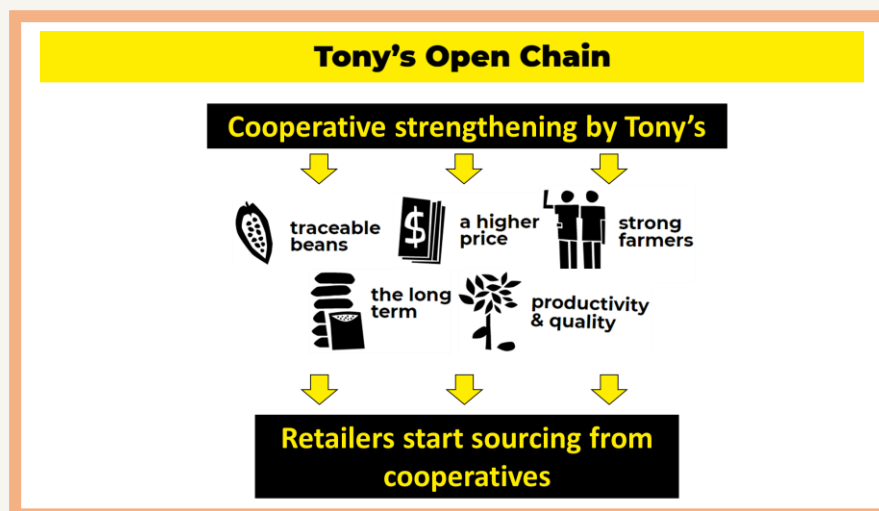
## 3. Determining a "Smart Mix" of Interventions

**3.1 A "Smart Mix" of Interventions** in living income means that multiple income drivers are being assessed strategically for the purpose of closing the living income gap: (i) cocoa farm size, (ii) cocoa yield, (iii) production costs including inputs for quality improvements, (iv) cocoa farm gate pricing including Living Income Differential (LID), and (v) income diversification including on- and off-farm employment). The interventions for each driver depend on the current situation of those drivers and to what extent addressing these drivers can help close the living income gap among different segments and profiles of farmers.



A smart mix will be determined by a proper analysis demonstrating which levers need to be prioritized.

A combination, or “smart mix” of interventions recognises that more impact is achieved by **influencing multiple drivers in combination** rather than only a few in isolation. Value chain actors have specific influence over certain interventions (see next section for more on this) and indirect influence over others where partnerships with other stakeholders may be required. An integrated approach also avoids trade-offs on deforestation, child labour and gender equality.



**3.2 Smart mix interventions** will differ between categories of cocoa farming households. Determining who needs what requires **segmentation** of farmers to inform more effective strategies. The more refined the segmentation, the more relevant the smart mix interventions can be. Segments are groups of farmers with similar characteristics. The characteristics vary depending on the purpose of segmentation. Examples of segmentation characteristics include assets, qualifications, motivation and performance. It is important to be clear on the purpose of segmentation including whether it is intended for the purpose of targeting different interventions to different segments of farmers or for informing intervention improvements.

**Examples of Segmentation Approaches:**

- ✓ Example: KIT Female headed households versus typical male headed households (cocoa land < 4ha) and large male-headed households (cocoa land > 4 ha)
- ✓ Example: attitude/behavioural/self-selection (Grameen)
- ✓ IDH, Farmfit Segmentation Tool<sup>10</sup>: Examples of smallholder farmer segmentation by type and by service readiness

**3.3 Investing in Innovation.** Investing in innovations is important for identifying effective approaches to drive incomes. Such innovations could include cash transfers, cocoa by-product development, value addition at source, market-based value chain development to facilitate alternative livelihoods, women entrepreneurial opportunities, purpose brand linkages, and so on

<sup>10</sup> <https://www.idhsustainabletrade.com/project/idh-farmfit-segmentation-tool/>



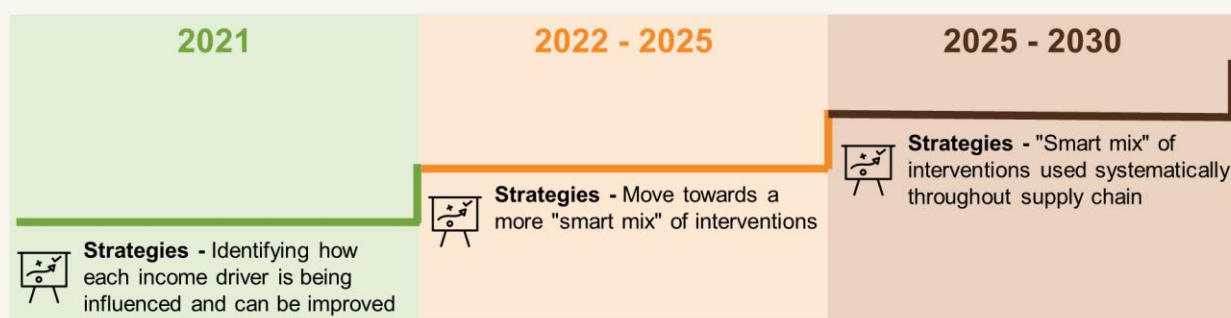


Figure 2 "DISCO Living Income Roadmap Journey". Second Layer: Opportunities for Incremental steps towards targeted interventions to close the living income gap

### 3.2.2 Self-assessment for DISCO signatories

To contribute to a common learning agenda, DISCO signatories are asked to provide input as part of the annual progress reporting on below questions. This will help signatories to guide them in improving living income strategies, but also helps identifying where the partnership needs to develop additional support for signatories to improve their living income strategies:

1. Do you have a strategy to close living income gaps in your supply chain?
2. If so, what does it include and how are different income drivers being influenced?
3. Are there different strategies for different segments of cocoa farming households?
4. What is your level of ambition in closing living income gaps of farming families over the course of the DISCO partnership and 2030 commitments?

#### SOURCES:

- [Farmer Income Lab \(2018\), What Works to Increase Smallholder Farmer Incomes: A Landscapes Overview](#)
- [Sustainable Food Lab and Business Fights Poverty \(2017\), Enabling Smallholder Farmers to Increase their Incomes](#)
- [Fairtrade \(2019\), Living Income Reference Price Model](#)
- [IDH \(2020\), Farmfit Segmentation Tool](#)
- [IDH, Service Delivery Models \(SDM\)](#)
- [IDH \(2020\), Strategy Handbook on Effective Sourcing and Pricing Strategies to close the gap, Task Force for Coffee Living Income \(TCLI\)](#)

### 3.3 Report on progress

This section aims to provide information how DISCO signatories can report on the progress made towards reaching the ambitions on living income. It provides a set of indicators that will be used for the 2021 baseline reporting and annual progress reporting.

#### DISCO partners have agreed in the main DISCO partnership document:

*“We will develop a simple, transparent and cost-effective system for uniform, objective and regular reporting by all DISCO parties on the living income gaps in their supply chains or cocoa-related projects. This reporting system will be decentralised and accessible to partners for cross-fertilization and learning. The living income strategies, progress and challenges will be shared within the DISCO partnership for learning purposes. (...) Partners will report internally on the implementation and effectiveness of their interventions and provide credible proof that changes in farmer income and closing of the living income gap can be attributed to their interventions.”*

#### Reporting indicators

Details on reporting will be further described in the DISCO Baseline Reporting Framework for the baseline reporting and for annual reporting through a separate Monitoring & Reporting Framework (still to be developed). This entails the objectives and rationale for reporting, detailed questionnaires per subsector, reporting methodologies and processes, including timelines. It is therefore recommended to consult the other documents for more details on reporting.

The indicators to use for baseline and/or progress reporting are linked to the more specified actions as described in this Roadmap and are as follows.

#### Action 3.1 Measure the current living income gap

Farming households, which have cocoa farming as a main cash income source supplying to the Netherlands, make progress towards earning a living income by 2030.

- # and % of cocoa farming households in supply chain (direct and indirect) for whom a living income gap is calculated
- % of cocoa farming households who are reaching or exceeding the existing recognised living income benchmark
  - Average total net household income (USD) per cocoa farming household (expressed in USD; expressed as % of prevailing living income benchmark)
  - Average % of net household income from primary crop/cocoa
- Average living income gap in USD
- % of farming households progressing towards closing that gap

Data expected to be disaggregated by sex as much as possible; Inflation rates to be considered as part of aggregated data.

#### Action 3.2 Develop living income strategies to close the living income gap

- Yield:
  - Average farm productivity (kg/ha) = Total marketable cocoa yield / total productive land
  - Marketable cocoa yield (total production in kg) per farmer
  - Total productive cocoa land (ha – GPS) per farmer
- Production Costs:
  - Cost/MT including costs for hired labour/MT
- Price:
  - Farm gate price (including cash premiums if applicable)
- Average Other Income:
  - Total other income per household from farm and non-farm sources including remittances

## General

- Contributions in expertise, resources in data collection, strategy development, local stakeholder engagement, knowledge development and/or other support to the partnership in reaching goals around living income

## **Data Management & Usage**

Who makes use of the data? As DISCO partners progress forward, it is important to strike a balance between data usage at different levels and for data management to be proportionate to the specific level of usage (cooperatives versus companies).

At DISCO level we want to make sure we create learning loops especially among companies around a common learning agenda and learning questions that can help us inform impactful action on smart-mix solutions led by companies, to close the gap. This should also seek to align with other relevant data generating platforms and initiatives such as ARS and WCF (see chapter 4.1).

To go beyond the individual progress reporting actions, a DISCO initiated broad-based midline survey could be explored to help in better understanding the progress at a sectorial level towards closing the income gap. It also helps to further identify what broader strategies are successful and where further improvement is needed (see chapter 4.2).

We promote the regular collection and use of data for improvement of the cocoa supply chains from the organised farmers upwards. Therefore, DISCO partners will invest in a decentralised data management system providing access to selected relevant data from producer organisation level (instead of depending on external data points) up to the retail end (sharing aggregated and anonymised data to ensure collective ownership of data).



Figure 3 “DISCO Living Income Roadmap Journey”. Third Layer: Opportunities for Incremental steps towards targeted optimized reporting

### 3.3.1 Self-assessment for DISCO signatories

To contribute to a common learning agenda, DISCO signatories are asked to provide input as part of the annual progress reporting on below question. This will help signatories to guide them in improving reporting on data, but also helps identifying where the partnership needs to develop additional support for signatories to improve their reporting data quality :

1. What are you doing to improve data quality? Specify which data points

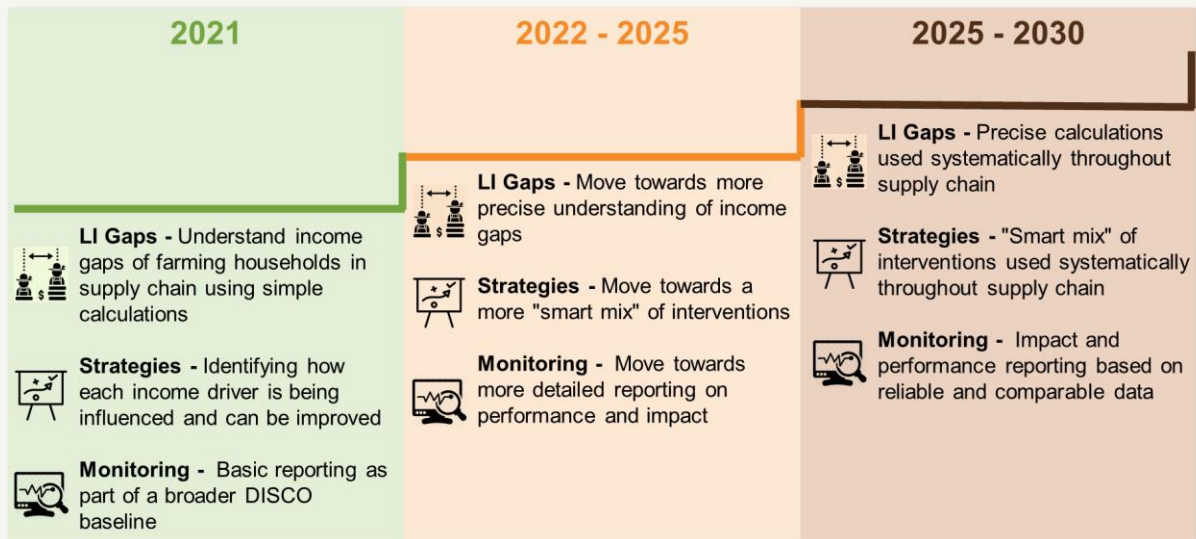


Figure 4 "DISCO Living Income Roadmap Journey". Incremental Steps to Close Living Income Gaps (indicative timeframes)

## 4. Recommendations for follow up

This section describes the recommendations given by the Working Group on what needs to be further developed after the finalization of this Roadmap. This could be done within DISCO, or in collaboration with other initiatives such as Beyond Chocolate, GISCO, SWISSCO.

### 4.1 Investing in Reliable Data

The better the data, the more likely actions will have impact. Investing in reliable data that is comparable and shareable over time is essential to making progress on living income. Reliable data enables:

- ✓ Greater impact by having more precise information on the current state, what is feasible to improve, and therefore what is needed at farming household level
- ✓ Appropriate segmenting of farmers and their families to uncover income drivers with the most potential for improvement and the corresponding smart mix of interventions and actors required per segment.
- ✓ Improved operational efficiency and return on investment from industry and other stakeholders
- ✓ Common language that facilitates comparability between different partners and enables proper monitoring under the DISCO partnership
- ✓ Sector-wide learning to facilitate more robust and efficient learning, and quicker course-correction, around successful interventions
- ✓ Cross-sector learning if aligned with other sectors such as coffee and tea

### 4.2 Progress on common learning agenda

We propose to continue after this roadmap to progress on a common learning agenda with common learning questions that can help inform good practices on company action to close the living income gap. By creating learning loops, it helps us “Handle/Manage Complexity” on company strategies, segmentation methodologies and enabling conditions. This common learning agenda can be further developed at DISCO level, but can be aligned with other relevant platforms and initiatives (e.g. other ISCO’s, LICOP and WCF).

Establish a **common learning agenda** by (i) drawing on existing practices and studies, (ii) sharing (close to real-time) data and (iii) working around common **learning questions** such as:

- **Company living income strategies.** To what extent does integrated (smart mix of) interventions by companies on income drivers improve cocoa household incomes?
- **Segmentation.** What are the different scenarios, risks and implications associated with farmer segmentation?
- **Enabling Conditions** What actors and conditions from the supply chain environment influence the success of living income strategies by companies; how can these be used to be more enabling towards living income?
- **Innovative approaches.** What innovative approaches are found to be successful towards living income by cocoa farming households?
- **Resilience.** What are we seeing on linkages between efforts on income drivers with progress on gender equity, youth empowerment, food security, child labour and deforestation?

### 4.3 Broad based midline survey

To have a clearer understanding beyond the individual progress reporting actions, we propose a broad based DISCO level midline survey at some midway point in the partnership timeframe (ie 2025). This helps us in better understanding the progress we made at a sectorial level towards closing the income gap. It also helps to further identify what strategies are successful and where further improvement is needed. This can also be done in collaboration with other relevant platforms and initiatives.

### 4.4 Data management system at cooperative level

DISCO partners invest in a decentralised data management system at PO level (instead of depending on external data points) to ensure more collective ownership of data. With investing in a data

management system at cooperative level, we want to promote the use of data for the benefit of farmers and cooperatives.

#### **4.5 Benchmarking of cocoa sustainability programs or certification schemes in relation to DISCO commitments on living income**

As actors further downstream the supply chain (e.g. smaller manufacturers and retailers) mainly play a role by purchasing sustainable cocoa-based products from cocoa sustainability programs or certification schemes, it is recommended to provide more information on the extent these programs and schemes are meeting the commitments made in DISCO. Additional information should be provided and could be done in collaboration with an ongoing benchmarking study by the other European initiatives on sustainable cocoa in which they have commissioned the International Trade Centre (ITC) to benchmark sustainability schemes, against their objectives.



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