

Living Income
Summit 14.06.22

VALUE DISTRIBUTION

Nestle, Income Accelerator
Pachamama, Farmers ownership
Unilever, Cash transfer
Sucafina, Traceability

INCOME ACCELERATOR PROGRAM

PRACTITIONER CASE STUDY

Yann Wyss – Global Lead, Social Impact, Nestlé



CONTEXT OF THE INTERVENTION

Helping cocoa households reach of living income, starting in Côte d'Ivoire

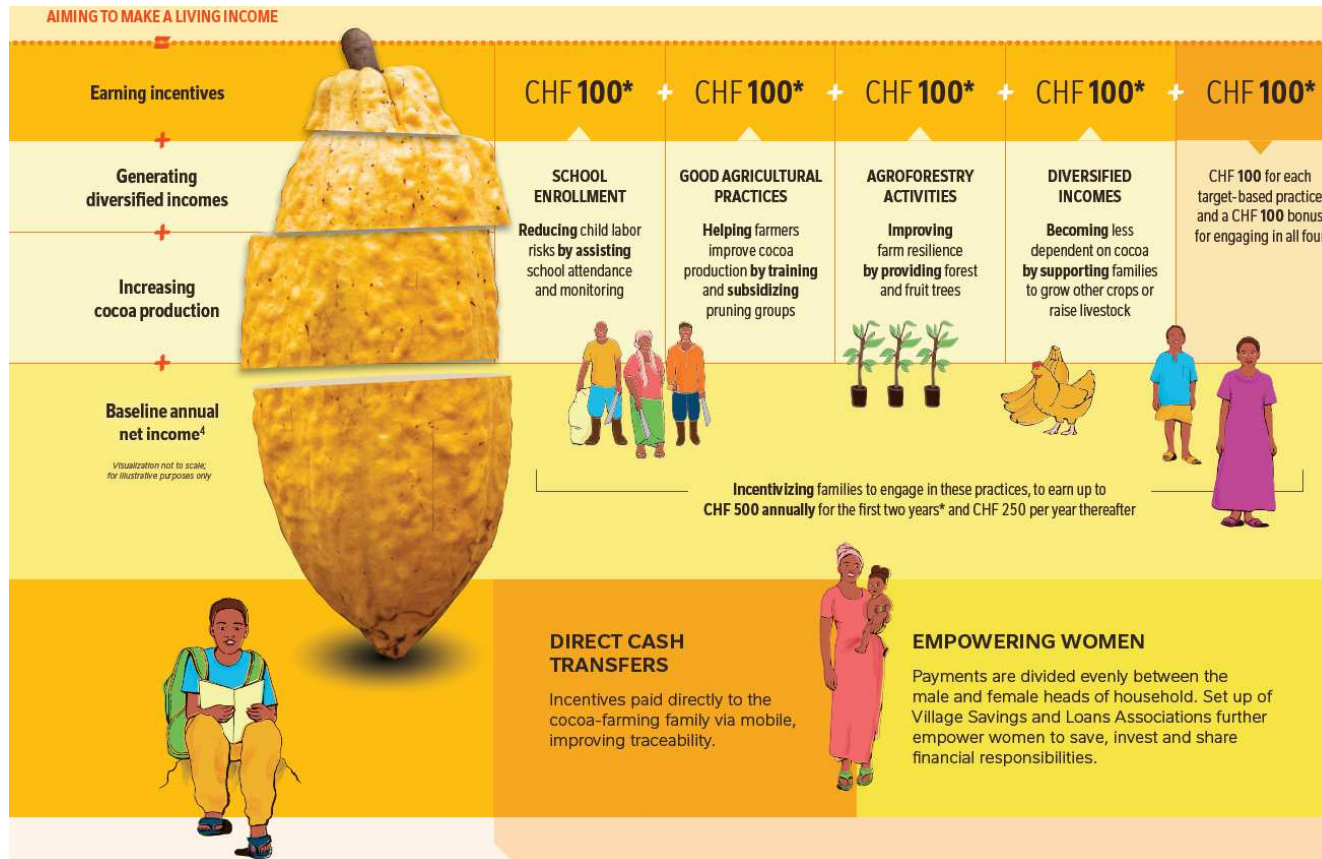


Current situation in Côte d'Ivoire:

Cocoa price	CHF 1306 per 1 000 kg (CFA 825 per kg) ⁴		
Farm size	3.5 hectares ²		
Family size	3.82 adults 2.96 children ²		
Productivity	620 kg/ha ³ Baseline	800 kg/ha Acceleration period	1200 kg/ha Ambition
Exchange rate	CHF 1 = USD 1.0989 ¹		

OBJECTIVES & RESULTS (1)

Addressing income drivers through financial incentives



LAND
SIZE



PRICE



YIELD



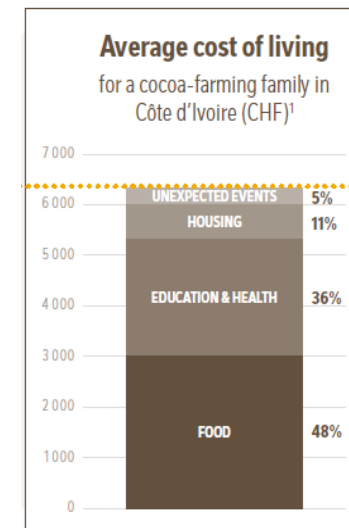
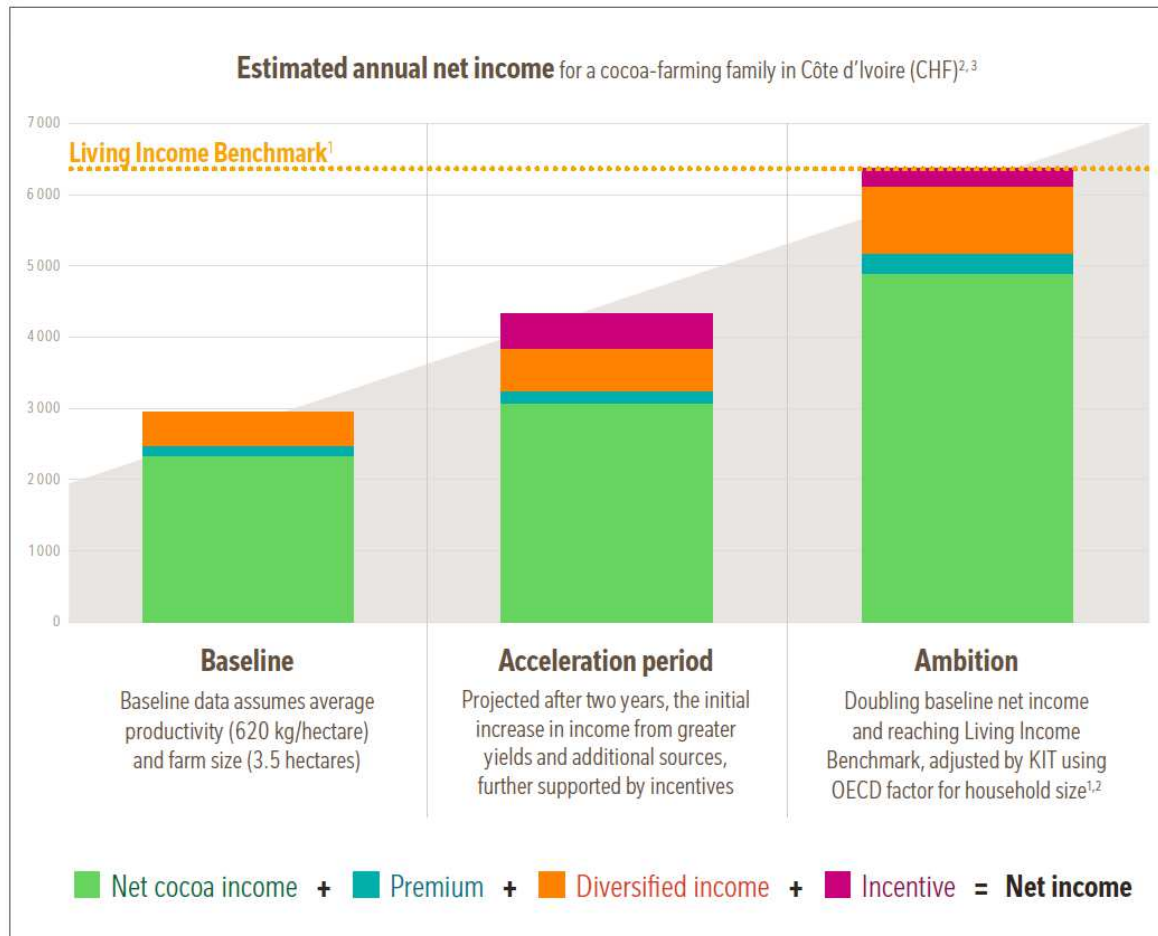
DIVERSIFIED
INCOME



COST OF
PRODUCTION

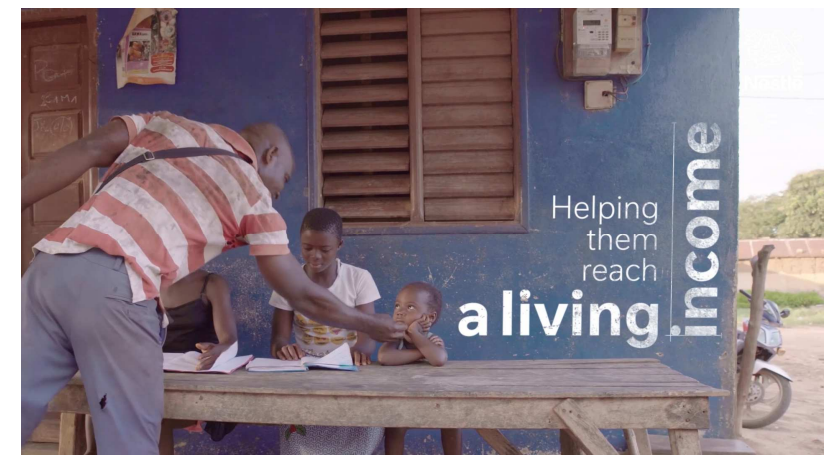
OBJECTIVES & RESULTS (2)

Helping farmers fill the current living income gap



Living Income Benchmark

Living income benchmark, adjusted by KIT using OECD factor for household size of 3.82 adults and 2.96 children.²



OBJECTIVE AND RESULTS (3)

Evolving mindsets

regeneration

“With Nestlé’s new approach, cocoa-farming families will now be **rewarded** not only for the **quantity and quality** of cocoa beans they produce but also for the **benefits they provide** to the **environment and local communities**”.



REFLECTION : SUCCESS FACTORS & CHALLENGES

Still too early to tell but some indications...

SUCCESS FACTORS:

- **Strategic:** Integrated into overall Regeneration promise
- **Integrated:** Direct links with other aspects of our sustainability strategy, e.g. regenerative agriculture (GAPs and agroforestry), child labor, women's empowerment
- **Inclusive:** Same cash incentives for all instead of price incentives; Farming households at the center of the program
- **Collaborative:** Government, suppliers, farmer cooperatives, Strategic Advisory Committee

CHALLENGES:

- **Operationalization:** Challenging, time-consuming (e.g. farmer training, mobile payments, calendar, segregation)
- **Scale up:** Test, learn scale approach, requires a lot of flexibility
- **Income drivers** not under our control (i.e. land size, price), require further collaboration at different levels
- **Industry, nation-wide change:** We want to share with and inspire others based on the results this program will generate.

100% FARMER OWNED

PRACTITIONER CASE STUDY

CRUZ CONRAD – CHIEF RETAIL OFFICER, PACHAMAMA COFFEE

“COFFEE ECONOMICS REWRITTEN BY FARMERS.”

- THE NEW YORK TIMES



A VERTICALLY-INTEGRATED SPECIALTY COFFEE COMPANY OWNED BY SMALLHOLDER FARMERS

PACHAMAMA COFFEE COOPERATIVE | 100% FARMER OWNED SINCE 2006

PACHAMAMA COFFEE

A GLOBAL FEDERATION OF COFFEE FARMERS INCORPORATED AS ONE IN THE U.S.A.



BASED IN CALIFORNIA, PACHAMAMA COFFEE IS A ROASTER-RETAILER 100% OWNED AND GOVERNED BY THOUSANDS OF SMALLHOLDER FARMERS. OUR FIVE MEMBER-GROUPS:

- **PERU** – COCLA – 8,500 FAMILIES
 - **NICARAGUA** – PRODECOOP – 2,300 FAMILIES
 - **GUATEMALA** – MANOS CAMPESINAS – 1,200 FAMILIES
 - **MEXICO** – LA UNIÓN REGIONAL – 1,500 FAMILIES
 - **ETHIOPIA** – O.C.F.C.U. – 500,000 FAMILIES
-
- PHOTO – PACHAMAMA’S PRESIDENT MERLING PREZA OF PRODECOOP IN NICARAGUA. OUR BOARD OF DIRECTORS IS ENTIRELY GOVERNED BY ITS FIVE MEMBER GROUPS.

COFFEE FARMERS ARE POWERLESS.

98% OF THE PROFITS MADE IN COFFEE STAY IN THE CONSUMING COUNTRIES.



- THERE IS **VERY LITTLE PROFIT** IN SELLING RAW COFFEE AS A COMMODITY.
 - MORE THAN 98% OF PROFIT MADE IN COFFEE STAYS IN THE NORTH.
 - FARMERS MUST MOVE DOWNSTREAM IN PURSUIT OF REVENUE + PROFIT.
- POWERLESS TO SET THEIR OWN PRICE, **COFFEE FARMERS ARE DEPENDENT**.
 - WITHOUT PROFITS, NO ONE CAN INVEST IN A BETTER FUTURE.
 - AS A RESULT, MOST COFFEE COMMUNITIES RETAIN LITTLE FINANCIAL WEALTH.
- TO ACHIEVE **FINANCIAL INDEPENDENCE**, FARMERS NEED MORE MARKET POWER.
 - OTHERWISE, THEY WILL REMAIN POWERLESS, DEPENDENT AND POOR.
- PACHAMAMA'S **FARMER-LED SOLUTION** IS SIMPLE, BUT NOT EASY:
 - **WE BUILD FARMER-OWNED CHANNELS TO CONSUMER + CAPITAL MARKETS.**

BOOSTING FARMER PROFIT 25X.

VERTICAL INTEGRATION CAPTURES HIGHER PRICES + ADDS VALUE FOR FARMERS.



WE ROAST, BRAND AND BREW OUR MEMBERS' COFFEE IN THE U.S.A.

- ON AVERAGE, WE RECEIVE **\$16.15 PER POUND** OF GREEN COFFEE ROASTED.
 - UPFRONT, MEMBERS ARE PAID \$3.00 F.O.B. FOR COFFEE (82-84 GRADE).
 - 2022 PROJECTED NET PROFIT OF 9% ADDS +\$1.45 PER POUND.
 - PACHAMAMA MEMBERS EARN **\$4.45 PER POUND** OF GREEN COFFEE.
- THAT'S **25x MORE PROFIT** FOR VERTICALLY-INTEGRATED FARMERS.
 - EVERY 1 CONTAINER OF PACHAMAMA CREATES MORE FARMER PROFIT THAN 25 CONTAINERS OF FAIRTRADE ORGANIC COFFEE.
 - IN 2022, PACHAMAMA WILL ROAST 5-6 CONTAINERS OF ORGANIC COFFEE.
 - GENERATING MORE PROFIT THAN 125 CONTAINERS OF FTO COFFEE.

INVEST DIRECTLY IN SMALLHOLDER COFFEE FARMERS

PURCHASE ORDERS + ACCESS TO CAPITAL. TOGETHER WE'LL TIP THE BALANCE OF POWER.



KEY SUCCESS FACTORS FOR COFFEE FARMERS

- EARNING A PRICE OF NO LESS THAN \$3.00 F.O.B.
- ACCESS TO CONSUMER RETAIL MARKETS + PROFITS
- ACCESS TO LONG-TERM CAPITAL + GRANTS

COLLABORATION WITH STAKEHOLDERS

- **GOVERNMENTS** - EMPOWER SMALLHOLDERS BY CAPITALIZING THEIR COOPERATIVES, WHICH ARE UNDER-CAPITALIZED AND LEVERAGED. (WEALTH TRANSFER).
- **NGO ORGANIZATIONS** - SOURCE ROASTED COFFEE AND MARKETING STORIES + IMAGES FROM THE FARMERS THEMSELVES. SEND US YOUR PURCHASE ORDERS.
- **MULTINATIONALS** - LICENCE PACHAMAMA'S UNIQUE FARMER-OWNED BRAND FOR DISTRIBUTION. WHY NOT PARTNER WITH FARMERS FOR USE OF THEIR OWN BRAND?

CASH TRANSFER & LIVING INCOME ACCELERATOR PROGRAM

A SMART MIX APPROACH TOWARDS LIVING INCOMES

MARTIN HUXTABLE – SUSTAINABLE SOURCING, UNILEVER



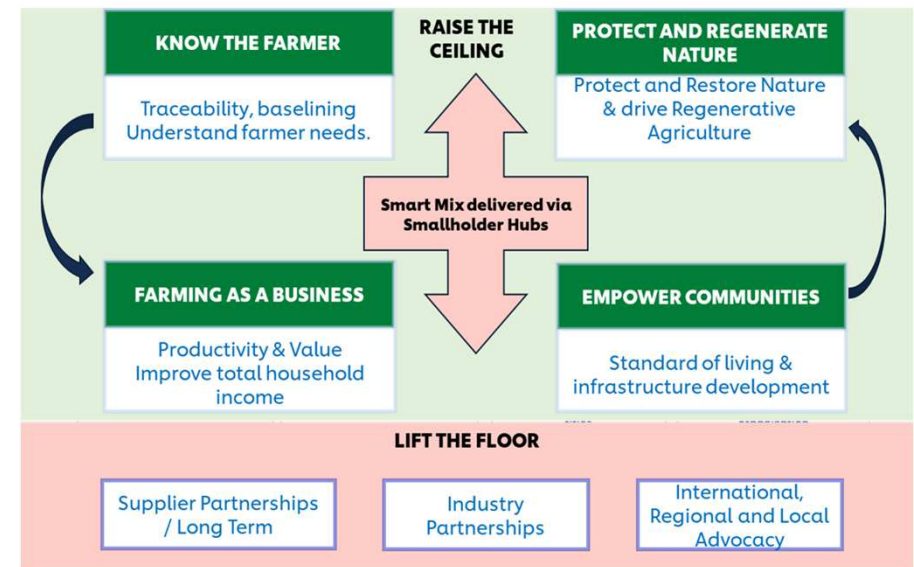
CONTEXT OF THE INTERVENTION

Initiatives are nested in our framework and strategy for value chain development

Smart mix approach working in a focused way based on materiality on numerous interventions and innovations to connect to farmers meaningfully and drive impact.



Working together with internal and external partners to lift the floor and raise the limits on incomes.



No silver bullet approaches in this space with high interdependencies and variables - we need to collaborate, innovate, fail fast....

OBJECTIVES OF THE INTERVENTION & RESULTS

Smart Mix of Interventions towards living income - Cash Transfer partnership with 100 weeks:

Working in partnership with our suppliers and the 100 WEEKS organisation piloting and testing the impact of cash transfers to woman in farming communities. The (unconditional) cash transfer targets women who are members of Village Savings and Loans Associations (VSLA's).

With increased savings and training support, the women may start new income generating activities to support their families and bridge part the of gap to a living income.

Initial results have shown promise for scale:

- Women are saving more in their VLSAs after receiving cash and make investments in their future.
- Women say they benefit at least a little from the weekly training.
- Most women have used the money to invest more in their IGA's/More than half of the women have started new IGAs.
- 2/3 of all women are earning more on their own
- Women are eating more meals
- Almost all women feel more positive about the future



PRICE



DIVERSIFIED
INCOME



100 WEEKS

OBJECTIVES OF THE INTERVENTION & RESULTS

Smart Mix of Interventions towards living income – The Living Income Accelerator

- Ben & Jerry's is committed to a linked prosperity business model:
- which means that as we prosper from making delicious ice cream flavours, we work hard to ensure that all the people who have a hand in making our flavours — from the ingredient farmers to the manufacturing employees and beyond — also prosper
- The living income accelerator program is one part of the journey towards that goal and is designed to deliver:
 - greater stability in trade and premiums with **long term** relationships with coops and over 5000 farmers
 - A commitment to the **living income reference price** to enable farmers to better cover their costs of living therefore enabling farmers to invest in the future of their farms and families.
 - Services to help farmer **professionalize** and improve productivity, quality, diversification, and cooperative business effectiveness. Example: a farm services program that supports farmers to do **individualized farm development** as well as targeted **support to women's groups** to develop **alternative forms of income** that include value added processing.
 - A commitment and programmatic approach to **protect** forests, human rights, and build resiliency



YIELD



DIVERSIFIED
INCOME



COST OF
PRODUCTION



PRICE

40%



REFLECTION : SUCCESS FACTORS & CHALLENGES

Smart Mix of Interventions towards living income

SUCCESS FACTORS

- **Long term approach** and commitment
- Partnerships / **Shared values**
- Understanding - **farmer and community needs**
- Business **support and engagement**
- **Spirit** of Innovation and **Learning**



CHALLENGES

- Better more **real time consensus based data**
- Training needs adaptation and customisation to **local context** of intervention.
- **Capacity** and **coaching** needs.
- **Inclusivity** in gender based training
- **Scale** – transitioning from **pilots to scale**.
- **More partnerships** and **collaborators** – sharing responsibility



TRACEABILITY

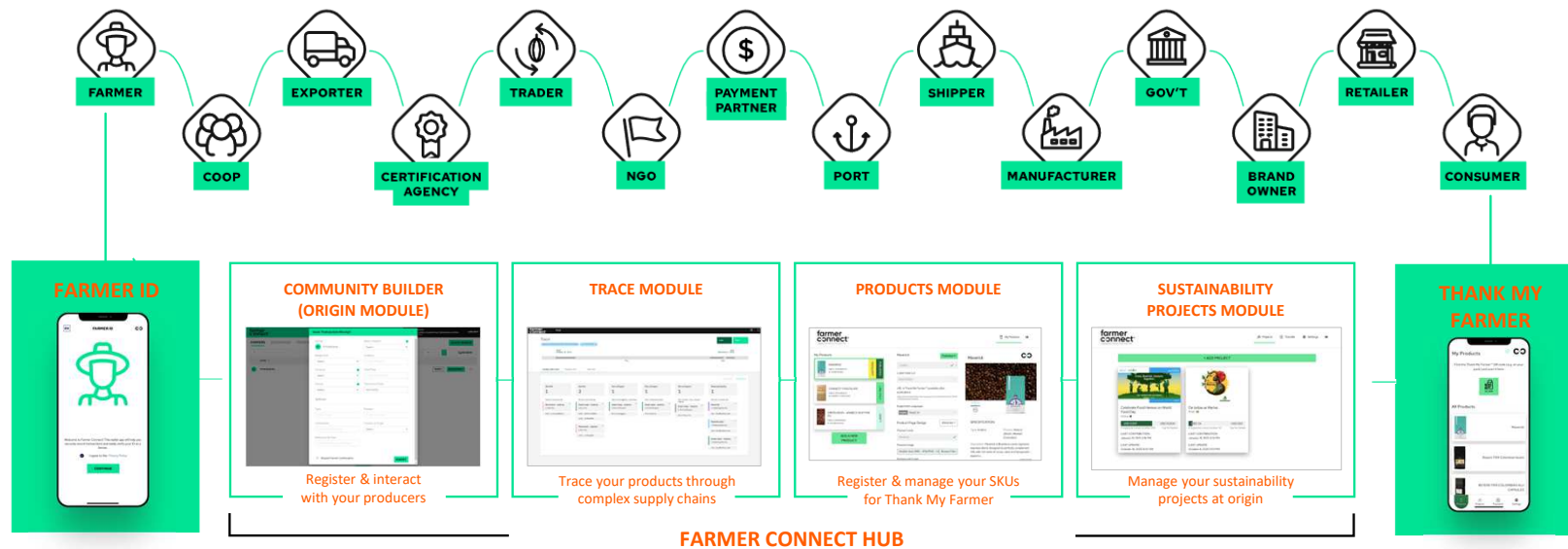
SUPPLY CHAIN & TECHNOLOGY

JUSTIN ARCHER – Head of Sustainability , SUCAFINA



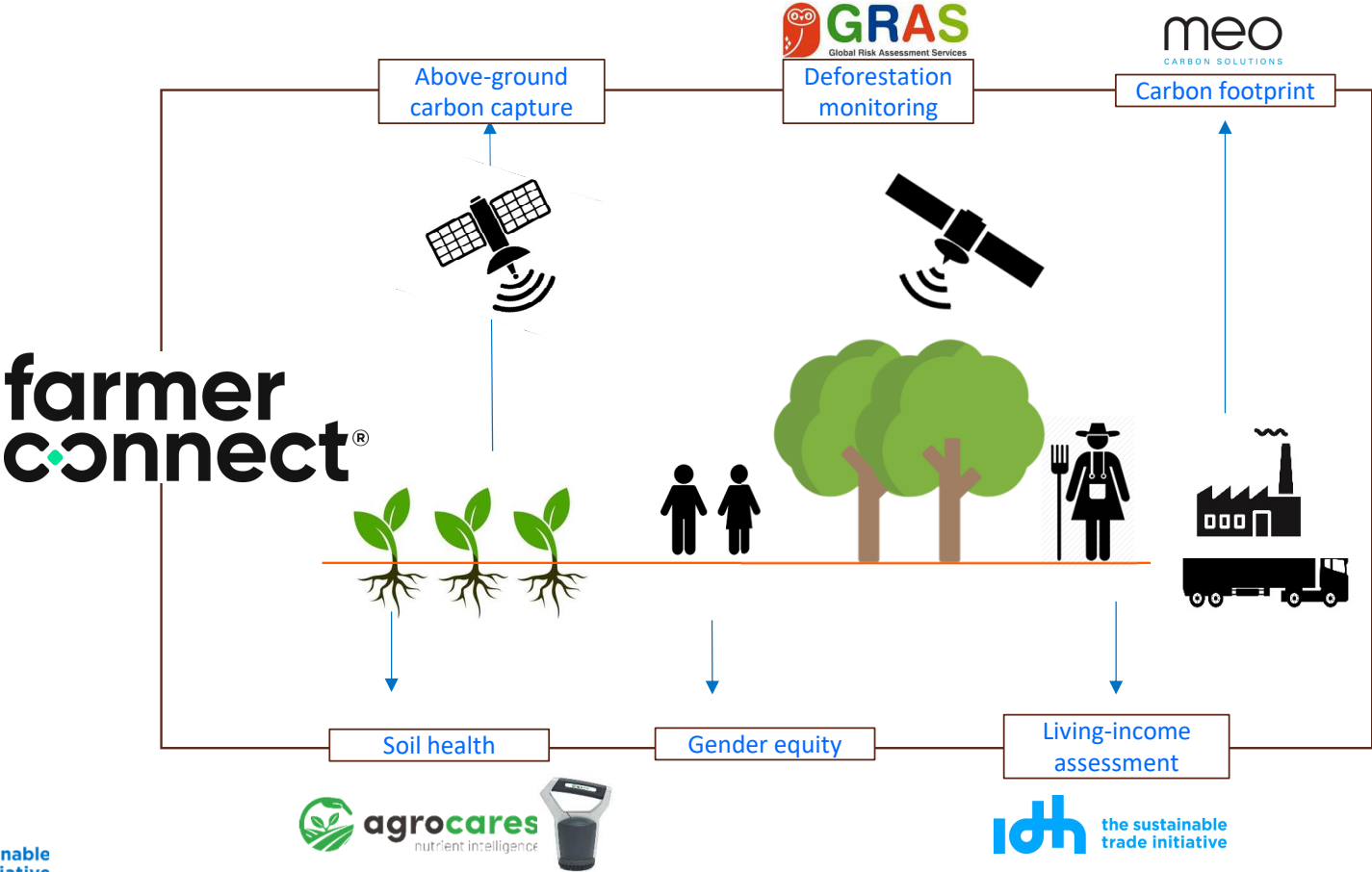
TECHNOLOGY THAT EMPOWERS FARMERS

BLOCKCHAIN DATA THAT BELONGS TO FARMERS NOT SUPPLY CHAIN MANAGERS



farmer
connect®

HELP FARMERS COLLECT DIGITAL CREDENTIALS

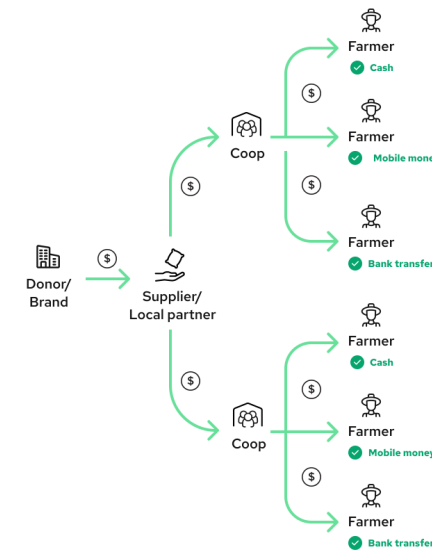


CASE STUDY #1

MAKE PAYMENTS A RELIABLE AND VERIFIABLE TRANSACTION



- 87% OF COCOA FARMERS IN IVORY COAST EARNING LESS THAN A LIVING INCOME
- CANNOT GUARANTEE TO THEIR DONORS THAT THE MONEY THEY PAID WAS GOING TO FARMERS IN IVORY COAST.



With the help of farmer connect:

- Rainforest Alliance has been able to provide donors with proof that cocoa farmers in Ivory Coast are receiving payments
- Two cooperatives in Ivory Coast received training to help facilitate payment validation from farmers
- Farmers were highly positive about the programme as they felt they were set up to be autonomous, and their feedback valued

CASE STUDY #2

CREATE A TRACEABLE & TRANSPARENT BRAND

- **MAKE DEFENDABLE CLAIMS ABOUT SUSTAINABILITY**



Competition



Bottom Line

- **ENHANCE PERCEPTION OF THE BRAND IN CONSUMERS' MINDS**



Reputation



Compliance

- Innovative partnership to make the supply chain of Orang Utan Coffee traceable
- The Kinaxia Logistics Awards for Food and Drink Supply Chain Excellence
- The Geek+ Team of the Year Award



FARMER CONNECT WITH UCC COFFEE
KINAXIA LOGISTICS AWARD FOR FOOD AND DRINK SUPPLY
CHAIN EXCELLENCE WINNER

- ✓ QR codes stickered or printed on pack
- ✓ Link to Brand Pages on ThankMyFarmer™

REFLECTION : SUCCESS FACTORS & CHALLENGES

SUCCESSSES

- FARMERS FEEL EMPOWERED (ACTIONS LEAD TO REWARDS)
- BUYERS HAVE MORE VISIBILITY OVER PAYMENTS & PRICE
- SUPPLY CHAIN IMPACTS HAVE MORE VALIDITY
- DIRECTLY LINKING ESG TO PROCUREMENT
- FARMERS CAN BUILD CREDENTIALS IRRESPECTIVE OF OFF-TAKER

CHALLENGES

- NOT ALL FARMERS ARE DIGITAL (SMARTPHONE V ANALOG)
- DATA & DIGITAL PAYMENTS REMAIN EXPENSIVE
- COMPANIES NEED A CLEAR DATA STRATEGY
- TRACEABILITY IS LIMITED