



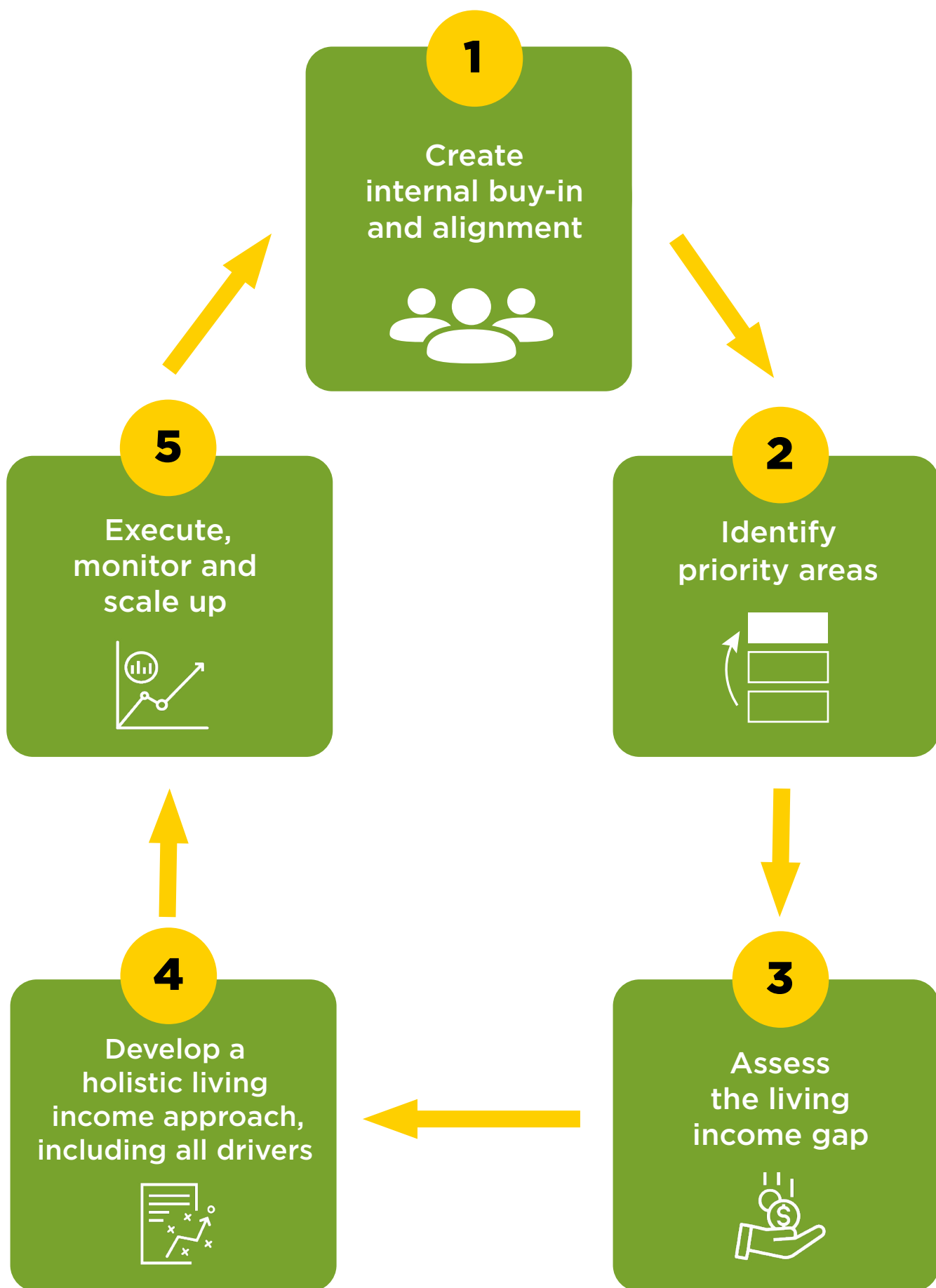
Beyond Chocolate  
**Putting Living Income  
at the heart of your  
sustainability strategy**

**A roadmap for Belgian  
chocolate makers**





# ROADMAP



# LIVING INCOME, A SOLUTION TO VARIOUS CHALLENGES

As a Belgian chocolate company, you may seem far removed from the challenges cocoa farmers are facing. However, **you can play a key role** by putting living income at the center of your sustainability strategy.

A living income is the net annual income a household needs to afford a **decent standard of living**. This includes access to food, water, housing, education, healthcare, transport, clothing and other essential needs. A living income is a basic human right <sup>2</sup>. However, today the average cocoa farmer in West Africa often does not even reach half of their country's living income benchmark <sup>3</sup>.

By working towards living incomes and by adjusting your procurement practices, you can significantly **reduce farmer poverty and simultaneously tackle other major challenges in your supply chain**.

When farmers earn a living income, they can afford hired labor and their children do not have to work in the field to keep the business afloat. Instead of undergoing **child labor**, these children can then attend school. Also, when farmers earn a living income, they are not pushed to convert (often protected) nature into new farmland. Instead of contributing to dramatic **deforestation** in West and Central Africa, cocoa farmers can then run a healthy business while preserving their environment. Earning a living income also enables farmers to invest in their businesses to ensure healthy and **stable cocoa production** for the future.



## COST OF A BASIC, DECENT STANDARD OF LIVING FOR A HOUSEHOLD



Food for model diet



Decent housing

### Other essential needs



### Unexpected events



Source visual: Living Income Community of Practice (LICOP)

<sup>2</sup>Article 23 of The Universal Declaration of Human Rights: "Everyone who works has the right to just and favorable remuneration ensuring for himself and his family an existence worthy of human dignity."

<sup>3</sup>Studies reveal that the average cocoa farmer in Côte d'Ivoire has an income of 196 USD/month, while the living income benchmark for said country is 447 USD/month.



### **Working towards a living income also benefits your Belgian business.**

you'll build a strong due **diligence case**, as the upcoming Corporate Sustainability Due Diligence Directive (CSDDD) explicitly recognizes smallholder farmers' right to a living income. Since the cocoa sector is under rising scrutiny for its environmental and social footprint, you can avoid **reputational risk** and tell a compelling story to your consumers. Studies also show that consumers' chocolate purchasing habits are influenced by sustainable sourcing factors. Therefore, enabling living incomes in your supply chain can be a **commercial advantage**. Lastly, you will be **less sensitive to market fluctuations** because you build a fair and stable relationship with your producers. That is why you, together with all Beyond Chocolate signatories, have committed to reaching **a living income for farmers in your supply chain by 2030**.

We recognize that making a strong move towards more sustainability on your own is a challenge, as you depend on your suppliers and customers. We also recognize that you already pay additionally for certification and company schemes, but don't always get clarity on how these structures relate to enabling living incomes. **While coverage by certification and/or company programs is a valuable first step, more is needed to credibly move towards living incomes.**

With this roadmap<sup>4</sup>, Beyond Chocolate wants to support you to put living income at the heart of your sustainability strategy.

<sup>4</sup>Please note this roadmap doesn't have to be fully linear and you can work on the different steps of this roadmap simultaneously and iteratively.



# STEP 1: CREATE INTERNAL BUY-IN AND ALIGNMENT

Before you kick off your living income journey, you will need to make sure there is a **good understanding and strong commitment** for living income within your organization.

- Identify who is best placed to champion the topic internally within your team or company, and how they will enable action.
- Ensure that not only the sustainability teams but also procurement, marketing, sales, communications and of course the **top management and shareholders** of your company are involved and aligned.

The Beyond Chocolate secretariat can help you sensitize and build capacity within your company. Reach out to us to set up an information session for all relevant departments ([humbecck@idhtrade.org](mailto:humbecck@idhtrade.org)).

## STEP 2: SELECT A PRIORITY AREA

Next, you will need to select a priority area. Determine for which product or region you would like to start working towards a living income. This priority area needs to meet the minimum conditions for success:

- **Traceability** from farm to product which allows you to make claims on the volumes you are working with. While identity preserved and segregated sourcing methods are preferable, mass balance can also ensure the required traceability. Conventional cocoa (uncertified or not covered by a sustainability scheme) cannot.
- **Trade relationships**,
- And **direct farmer engagement** within your trade relationships.

Next, identify **supply security risks**. Assess where you produce your largest volumes, consider product quality specifications and determine where you have the most reliable partners.

Ask yourself the following questions to identify where you want to start your living income journey:

- Where does your cocoa come from?
- Which products and sourcing areas are most at risk of **large income gaps**<sup>5</sup>?
- Which supply chains and sourcing areas are the most critical for **supply security**?
- With which suppliers do you have the most leverage and closest **relationships**?
- For which products can you link claims to volumes?

Once you have defined a clear priority area with a clear target in terms of volumes, number of farmers and timeline, **ensure this commitment is formalized**. It is essential the top management of your company incorporates the living income target in the long-term objectives of the company. Furthermore, next to quality and price, sustainability should be included in purchasing criteria

<sup>5</sup>As such, the risk for big living income gaps (and consequently environmental degradation and child labour) is high in West-Africa.



# STEP 3: ASSESS THE LIVING INCOME GAP

Before you start working on closing living income gaps in your priority area, you need to know where you stand.



## A. Identify the living income benchmark

The living income benchmark estimates the cost of a basic and decent standard of living for a household in a specific place. This will help you calculate the living income gap, and understand how much more the average farming household needs to make to earn a living income.

Check if there is a benchmark readily available for your priority area on the website of the Living Income [Community of Practice \(LICOP\)](#) and on the [ALIGN website](#). If a benchmark for your priority region does not exist, use an alternative benchmark or generate interest among other industry players to collectively commission one for your priority area<sup>6</sup>.

## B. Assess current incomes

To estimate current farmer incomes in your priority area, you will need to collect data on all living income drivers and use the above formula.

You will need access to **access to household income data**. This data can be found within your company's database, the database of your supplier or certifier, and/or through publicly available data. **Collaborate with other stakeholders to increase data availability and reduce costs for data collection.**

It is important that your data is accurate enough to plan your strategy. However, don't let inaccuracies or missing information discourage you. Every data collection approach has its downsides. Try to be sufficiently informed about the current situation to take effective action. Also, acknowledge that more data and insights will be obtained along the way. Course corrections are part of the process. Enabling living incomes is a journey.

## C. Calculate the living income gap

Once you have the benchmark and the current farmer's income, you can calculate the living income gap. Ensure that both data points are **comparable** (timeframe, region, household size, currency,...).

<sup>6</sup>The [FAQ living income benchmark](#) published by LICOP provides more information on what to do if a benchmark is not available for your priority region.

# STEP 4: DEVELOP A HOLISTIC LIVING INCOME APPROACH

When you have selected a priority area and calculated the living income gap, you are ready to develop and model a holistic living income approach.

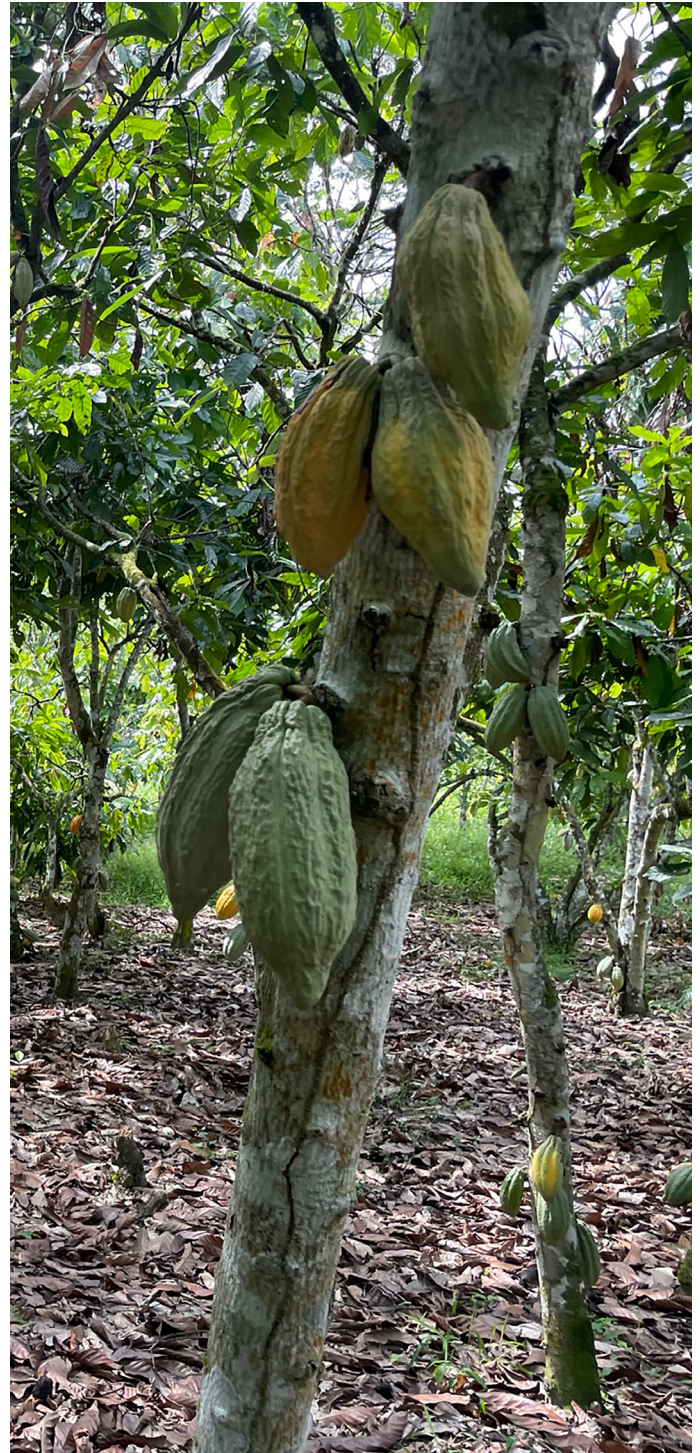
First of all, you need to ensure the farmers you work with are covered by a **certification program or company scheme**<sup>7</sup>. Your responsibility does not end here. In general certification standards and company schemes<sup>7</sup> are not sufficient to close living income gaps for cocoa farmers. However, Beyond Chocolate considers them to be a valuable first step that companies can build on.

Talk to your suppliers and/or certifiers to understand:

- What interventions are included under their programs and what impact these interventions have had.
- What **options they offer to reinforce their company schemes/certification**. For example, Cocoa Horizons, Fairtrade, Cémoi, and others offer the option to integrate the Living Income Reference Price (see below) in return for an additional cost.
- How you can **combine multiple standards and schemes** to increase impact.

## **Tony's Open Chain**

Tony's Open Chain is an industry-led initiative that has built on Fairtrade certification to develop a holistic living income strategy. It focuses on 5 sourcing principles: traceable beans, a longer-term commitment, higher price, strong farmers, and productivity & quality. Companies can join the Open Chain in return for an additional cost and can then source according to these principles. Currently, companies can source from the Open Chain through Barry Callebaut, Baronie, Cémoi and Natra. This program has proven to have a considerable impact on increasing farmer incomes towards living incomes.



<sup>7</sup>Full coverage by certification and company programs is an intermediate (2025) target for all Beyond Chocolate partners.





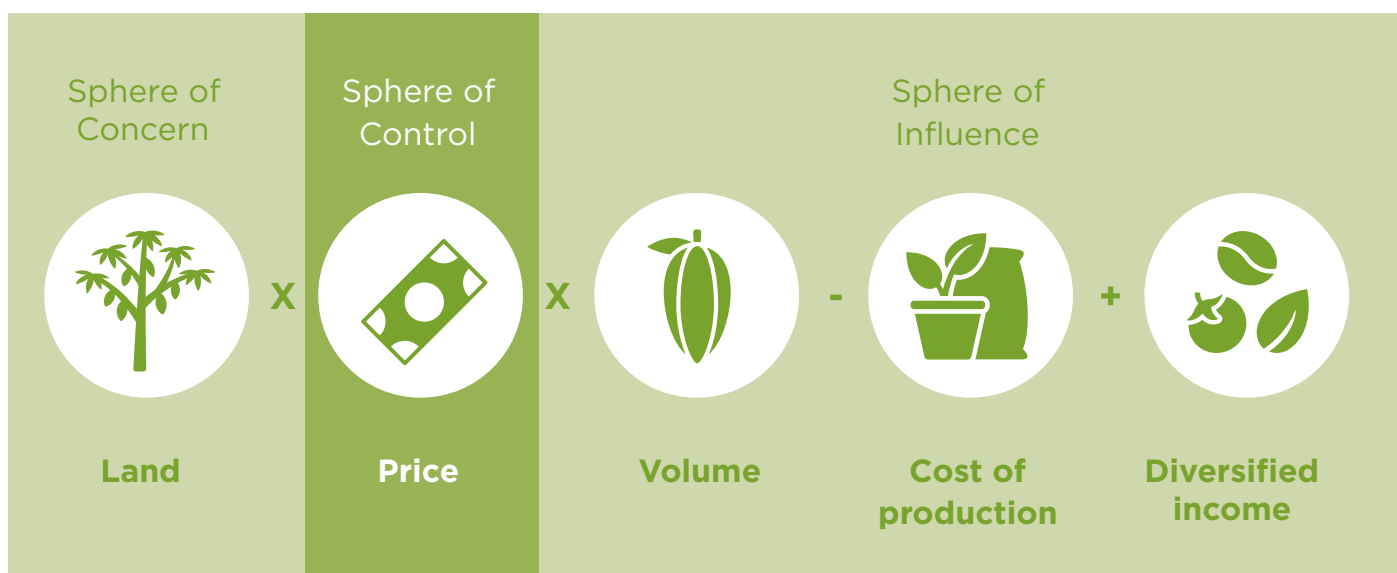
Next, you will **build on certification and company schemes** to develop your holistic living income strategy.

To develop and implement an impactful living income strategy, it is crucial to link up with other stakeholders. Next to your **suppliers and certifiers, NGOs, local service providers, universities and impact investors** can help you ensure the planned interventions are impactful and well embedded in the local context, implement interventions, pool investments, and monitor progress. Refer to the [Beyond Chocolate website](#) for an overview of all Beyond Chocolate partners that you can collaborate with.

To develop your living income strategy, acknowledge that cocoa farmers are generally independent farmers combining different crops and sources of income. Therefore, actual **income is a composition of net farm income, net off-farm income and other sources of income**. The following elements make up the income of a farmer with cocoa as its main income source:

To close the living income gap, your strategy must target multiple drivers. Use the IDH living income driver calculator<sup>a</sup> to model the influence certain driver improvements will have on farmer income. Refer to the case study in annex A to explore how the living **income driver calculator**<sup>a</sup> works.

Some drivers are within your **sphere of control** (meaning what affects you and what you can change directly) others are within your **spheres of influence** (meaning what you cannot control directly, but you can affect outcomes and engage with others), or within your **sphere of concern** (meaning what concerns you, but is outside of your control and ability to influence). In this section, we discuss the target for each driver, what you can do to reach or contribute to the target and which preconditions you have to take into account.



<sup>a</sup>Reach out to the Beyond Chocolate secretariat ([humbecck@idhtrade.org](mailto:humbecck@idhtrade.org)) to model your approach in the income driver calculator tool.



## A. Price

### Target

Prices in cocoa are extremely volatile. In Côte d'Ivoire and Ghana, **farmgate**<sup>9</sup> prices are fixed on a yearly basis (sometimes twice a year) by the government. To increase farmer incomes you need to ensure an adequate and stable farmgate price for farmers and thus keep cocoa farming profitable. To inform a fair price setting, Fairtrade has calculated the farmgate price a typical farming family with a viable land size and sustainable production level should receive to be enabled to reach a living income. This is called the **Living Income Reference Price or LIRP**<sup>10</sup>. The LIRP is regularly updated.

	LIRP in 2023 update
<b>Côte d'Ivoire</b>	2.39 USD/Kg
<b>Ghana</b>	2.12 USD/Kg

### What you can do (sphere of control)

**Talk to your supplier** to better understand current premiums paid under your sustainability programs/certification, and find out **if additional premiums need to be paid** to close the gap to the LIRP. Please note that we're looking at premiums paid directly to farmers,

to complement the farmgate prices premiums paid at the cooperative level are relevant, but not directly contributing to farmers' incomes. **Discuss internally how this additional cost can be taken up by different supply chain stakeholders.** Evaluate whether a consumer price increase is needed and discuss with your marketing team how to sell the price increase to the consumer<sup>11</sup>.

Please note **you cannot "pay a living income"**. If you pay the LIRP, you can rightfully claim that **you paid a price enabling farmers in your supply chain in the right conditions to earn a living income.** You cannot claim that all farmers in your supply chain now in fact reach a living income. A living income for cocoa farmers depends on several other variables including the size of the farmer's cocoa field, productivity, additional incomes from other sources and costs of production as well as household expenses and family sizes.

### Preconditions

Ensure your supplier has a system for **financial transparency** in place to ensure the additional price you pay ends up at the farmer. A number of sustainability programs and certifications have the possibility to pay a LIRP in their portfolio

<sup>9</sup>The farmgate price is the price received by farmers for the sale of their crops. This price does not take into account any transportation or subsequent handling costs. The farmgate price is not the same as the price you pay your supplier for your couverture.

<sup>10</sup> Please note the LIRP is updated every season. Refer to the Fairtrade website for the latest information.

<sup>11</sup> According to LeBasic, the cost of cocoa in a dark chocolate bar is about 11%. In milk chocolate, that is 6%.

## B. Productivity & Cost of Productivity

### Target

A cocoa farmer's income depends heavily on the amount of cocoa beans they can produce and sell. Increasing productivity is a key intervention that can help close living income gaps. However, there needs to be a balance between an increasing yield and the required increasing cost of production (time & financial resources).

Major challenges farmers are facing today include:

- Extreme weather conditions as a result of **climate change**, negatively affecting productivity and predictability of yields,
- **Cocoa swollen** shoot disease, a virus that decreases yield and kills cocoa trees,
- Limited **access to fertilizer** due to high costs linked to the economic crisis,
- **Aging farms** that require intensive labor and financial investments to renew.

### What you can do (sphere of influence)

**Talk to your supplier and/or certifier** about which productivity and cost of production interventions are included at this point, how much you are paying for these interventions and what impact they have had. Next, discuss with your suppliers as well as with local NGOs and local service providers how you can further contribute to improved productivity. Effective interventions include:

- **Invest in Good Agricultural Practices (GAP)** such as effective fertilizers and pruning by hired labor gangs. The total cost of such interventions for the first three years at sustainability program level is estimated at 150-500 euros per hectare.
- **Agroforestry systems** make farms more biodiverse and resistant to the effects of climate change. In this intervention, cocoa trees are intercropped with other species including shadow trees.
- **Renew old farms** removing old trees and planting cocoa seedlings.



Current productivity levels in West Africa	Average required productivity level to enable a living income
400-500 Kg/Ha	800 Kg/Ha



## Preconditions

**Avoid putting a high burden on the farmer** in terms of time and financial means. Also, keep into account that transitioning to Good Agricultural Practices can have a temporary negative impact on volumes. For a farmer to invest in their farm in the longer term, there need to be **short-term incentives** and support such as payments for ecoservices or labor support. Also **long-term contracts** (3+ years) are crucial to ensure that the farmer's cocoa will be bought at the correct price.

## C. Diversification

### Target

Smallholder cocoa farmers usually have multiple sources of income. Diversification of incomes can **de-risk farming**, making farmers less dependent on the success of one single crop. Farmers should be given the **financial opportunities** to develop a long-term vision of their income sources.

### What you can do (sphere of influence)

**Pay a higher price for cocoa**, so farmers gain sufficient profits from their main crop to invest in their business (cocoa and beyond).

**Talk to your supplier and/or certifier** and find out which interventions for diversification are included at this point, how these are embedded in the local context, and what

impact these have had. Discuss which additional efforts can be made and potentially **link up with local NGOs and service providers**.

Effective interventions to enable diversification investments include **increasing access to finance** for farmers, e.g. by introducing business-oriented **Village Savings and Loans Associations (VSLAs)**. VSLAs are small groups of farmers that meet regularly, pooling money together and allowing participants to obtain loans. Another option is to work with unconditional cash transfers that end up directly at the farmer and can help break the cycle of poverty. In these ways, farmers can improve their financial skills and can invest in other income-generating activities.



## Preconditions

To successfully implement interventions on income diversification, **cooperatives and communities need to be given ownership**. They have the best understanding of the context they work in and are best positioned to assess the feasibility and market potential of income diversification activities. Instead of offering a ready-made solution, **enable farmers to make their own investment choices** through higher cocoa prices and access to finance.

## D. Land size

### Target

Cocoa plots in West Africa are often small (1-3ha), allowing only for limited production. Furthermore, farmers are often not the owners of their cocoa plots. The absence of land titles is a major obstacle for cocoa farmers to have a longer-term vision of their business. **Obtaining land titles for farmers** is essential to stimulate investments and ensure stable incomes.

### What you can do (sphere of concern)

**Producing country governments have the sovereignty** to address the land size and ownership challenges. These are not within the sphere of control or influence of companies.

Some companies are piloting projects to obtain land titles for cocoa farmers. The cost of these land titles is generally high (about 500 euros per title). In case you are interested, discuss opportunities for supporting land ownership with your certification standard and/or company schemes.

## Preconditions

Chocolate makers carry the responsibility to ensure cocoa farming is profitable. **A full-time cocoa farmer should be able to earn a living income**. It is generally acknowledged that 1 FTE is needed for a cocoa farm of 4ha. If a farmer has a cocoa farm of 2ha, he should earn at least half of a living income.



# STEP 5: EXECUTE, MONITOR AND SCALE UP

Now your organization is ready to execute your plan towards a living income.

**Partner with lead actors** across the interventions you decide to take, including supply chain partners, service providers, buyers of other products, government, civil society, research institutions and financial institutions.

Ensure you have a clear **monitoring framework** in place to track progress and draw conclusions. IDH has developed a basic set of living income KPIs that need to be included in every living income project. Reach out to the Beyond Chocolate secretariat for more information ([humbbeck@idh.org](mailto:humbbeck@idh.org)).

Also, make sure not to overburden farmers or local staff with data collection. Ensure the data collected is bringing value to the farmers and the program.

Be open to **adjusting your strategy** based on the learnings you draw. While implementing your living income strategy, you will come across insights, learnings, and challenges.

We invite you to **openly share** your progress. Reach out to the Beyond Chocolate secretariat to determine how learnings can be shared with the wider partnership ([humbbeck@idh.org](mailto:humbbeck@idh.org)).

## More information and support

Reach out to the Beyond Chocolate secretariat Marloes Humbbeck ([humbbeck@idhtrade.org](mailto:humbbeck@idhtrade.org)) and Charles Snoeck ([Snoeck@idhtrade.org](mailto:Snoeck@idhtrade.org)).







## Annexes

### Annex 1) Living income driver calculator - Case study Côte d'Ivoire

The IDH living income driver calculator allows you to model different scenarios and calculate farmer incomes by including data on the five income drivers. Once you have collected data on farmer incomes and you are developing your living income approach, reach out to the Beyond Chocolate secretariat ([Humbecq@idhtrade.org](mailto:Humbecq@idhtrade.org)) to model your living income approach together in a handy online tool. In the example below, the income driver calculator modeled the actual income and living income gap for a case in Côte d'Ivoire where farmers:

- Have on average 4ha of land
- Produce on average 450 kg/ha

- Receive a price of 1.48 USD
- Pay on average 0.1 USD production costs
- WReceive on average 150 USD from other income sources

The income driver calculator concludes these farmers earn only 36% of a living income. You can then use the driver to model different scenarios where you improve one or multiple drivers. From the below example we can conclude that working on one driver alone will not have a significant impact on farmer incomes. As such, when productivity and cost of production is targeted without any other interventions, farmers still only earn 59% of a living income. Only when all drivers are addressed simultaneously, is it possible to close the living income gap.







Land

X



Volume

X



Price

-



Cost of  
production

+



Diversified  
Income

=



Household  
Income

casus A Average	4	450	1.48	0.1	150	2634	36.82%
Casus B Productivity	4	800	1.48	0.25	150	4086	57.11%
Casus C Price	4	450	2.39	0.1	150	4272	59.71%
Casus D LIRP	4	800	2.39	0.25	150	6998	97.82%
Casus E Farm size	2	800	2.39	0.25	150	3574	49.96%

## Annex 2) Case study: Colruyt

### Living Income Pilot

In 2020, Colruyt Group started its living income journey with a small-scale pilot in Côte d'Ivoire. For this pilot, Colruyt Group collaborated with its supplier Puratos, certifier Fairtrade and implementing partner Rikolto. Karen Janssens, expert sustainable sourcing at Colruyt Group, explains how their living income strategy was developed.

#### STEP 1: Create internal buy-in and alignment

Colruyt Group is a family company with a strong focus on social responsibility and sustainability. We had joined the Beyond Chocolate initiative from its signing in 2018 so the topic of living income was already on our agenda. That being said, we are also a discount retailer known to offer the lowest price. This doesn't make it easy to push to pay more for cocoa. It took considerable effort to sensitize our management and all relevant departments within the company on the importance of living income. Usually, the buying and sustainability departments work rather separately. However, to work on living income it was essential to find alignment between the two departments. The main arguments I used were:

- Colruyt Group can be a frontrunner in cocoa sustainability. This matches our company DNA.
- There can be a business case for sustainable cocoa.

#### STEP 2: Identify priority areas

There was a willingness to start working on living incomes, but also a certain restraint and caution as this was new territory. We therefore started with a small-scale pilot of about 120 farmers and one specific chocolate tablet from our Boni range (72%). We decided to work with the ECSP cooperative in San Pedro, Côte d'Ivoire for the following reasons:

- Living income gaps in Côte d'Ivoire are known to be big and there is a high risk of social and environmental infringements.
- Côte d'Ivoire is one of our main suppliers.
- We had a direct relationship with the cooperative in question through our supplier Puratos. The cooperative was already covered by the Cacao Trace program of Puratos, ensuring also a certain level of traceability.

The pilot was seen as a learning journey. If successful, Colruyt Group would upscale the approach.



### STEP 3: Assess the living income gap

A living income benchmark for our region was available. To calculate the household income we worked with data collected through the Fairtrade farm record tool and a Rikolto household income questionnaire. Collaborating with partners on the ground that have a trusted relationship with the farmers involved is essential to collect reliable data.

### STEP 4: Develop a holistic living income approach, including all income drivers:

We developed a holistic living income approach by building on the Cocoa Trace & Fairtrade certification.

#### Price<sup>12</sup>

In our pilot, each stakeholder in the value chain contributed to together pay farmers the Living Income Reference Price (LIRP). On top of the farmgate price, Fairtrade ensured the minimum price was met while Puratos added a quality premium and chocolate Bonus as part of the Cacao Trace program. Colruyt Group paid a flexible premium to close the gap to the LIRP. To absorb the additional cost of this premium, we increased the consumer price by 10 cents per tablet. While initially this led to a drop in sales, stronger marketing of the tablet helped solve this issue. The impact study published at the end of the project showed that the paying of the LIRP alone has led to a 38% increase in cocoa revenue.

#### Productivity & Cost of Productivity

The project aimed to improve soil productivity and intensify existing production. Through Puratos the project introduced agroforestry among producers by training women in setting up nurseries, distributed shade trees among producers and an incentive of 100 CFA (\$0.16) was paid to producers per surviving tree. Rikolto took the lead in training farmers on Good Agricultural Practices,

pruning and efficient fertilizer use. Rikolto also set up spraying gangs to provide professional labour to farmers.

#### Diversification

Rikolto has taken the lead to set up seven Village Savings and Loans Associations (VSLAs) and has trained households on accessing finance for their cocoa and non-cocoa business needs. The VSLAs have a proven positive effect on the ability of cocoa farmers to invest in other food and non-food crops.

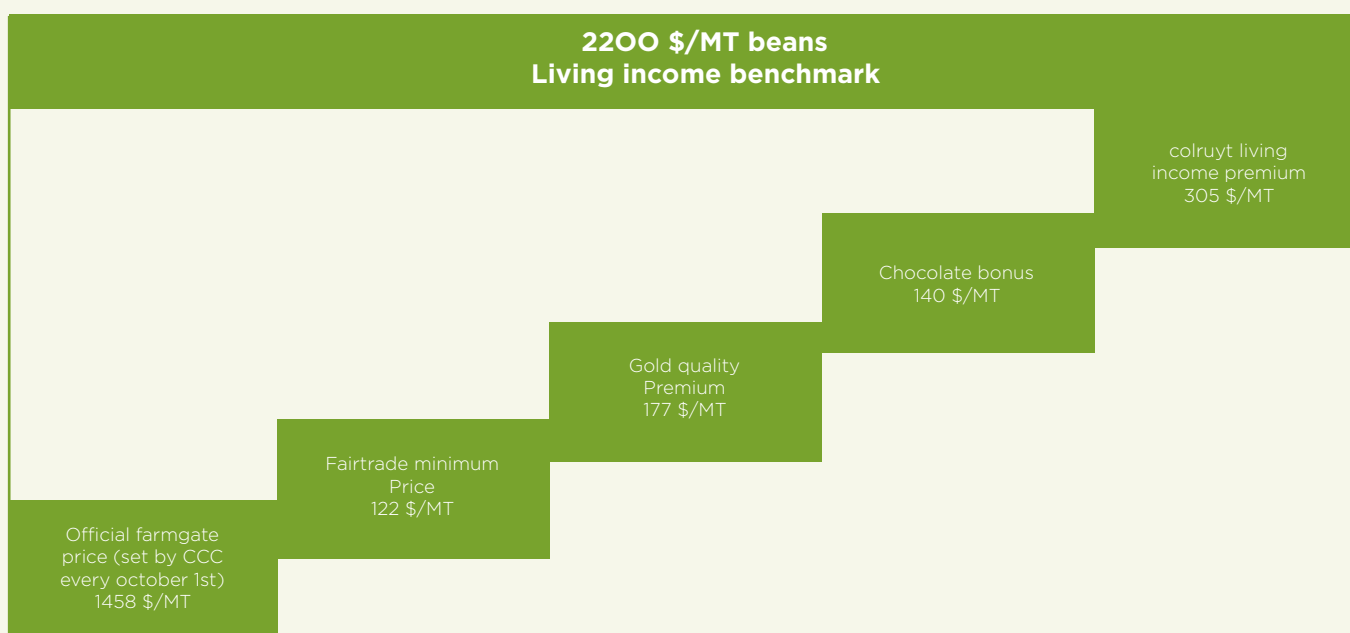
#### Land size

The farmers involved in the project in general have very small land sizes, about 2.2 ha. This does not allow them to reach a living income from cocoa revenue alone. The project mainly focused on making cocoa farming profitable through higher prices and growing more cocoa on the available land.

### STEP 5: Execute, monitor and scale up

The pilot was intended as a learning journey so we actively shared learnings and results with fellow cocoa stakeholders, amongst others in Beyond Chocolate events and publications. We commissioned Impact Institute to do an impact study at the end of the project and made this study publicly available.

The study showed that the pilot has had a significant positive effect on farmer incomes and that the business case for this living income model for the 72% tablet works for all stakeholders involved. Based on these conclusions, Colruyt Group decided to upscale the payment of the LIRP for all Boni chocolate tablets and is working on upscaling the project further. The living income approach is also replicable for other interested chocolate companies.



<sup>12</sup>Please note the LIRP is adjusted on a yearly basis. This data is from 2022.

# Colofon

---

This roadmap was developed by the Beyond Chocolate secretariat of IDH. The content is based on a two-day workshop, organized by IDH, Rikolto, LICOP and Oxfam Belgium, with private actors and NGOs involved in the cocoa supply chain. A special thanks to all attendees of this workshop. This document will be updated and enriched over time.

Authors: Marloes Humbeeck  
& Charles Snoeck (IDH)

Editing: Maarten Corten (Rikolto)

Lay-out: Cliff Vandyck  
(The Other Concept)

April 2024, Belgium



## The Living Income Community of Practice

