



Measures taken by members on Living Income still insufficient

Statement by civil society organizations of the German Initiative on Sustainable Cocoa

Since 2019, the German Initiative on Sustainable Cocoa (GISCO) has published annual monitoring data to evaluate developments to achieve the objectives for a sustainable cocoa sector and the contribution of the German economy, to present progress and to identify areas where action is needed. The monitoring data relates to indicators for the [twelve specific goals of the German Initiative on Sustainable Cocoa](#), which address the diverse social, environmental and economic challenges in the cocoa sector.

The following commentary on the [2022 monitoring report](#) by civil society organizations of the German Initiative on Sustainable Cocoa relates solely to the results achieved so far on the key topic of "Living income". We see this commentary as a contribution to elaborate the most important findings of the monitoring report from a civil society perspective for further discussions in the German Initiative on Sustainable Cocoa and to propose measures for action. Poverty among cocoa farming households is not only considered a human rights violation, but is also a major cause of other social and environmental problems - such as illegal child labor and deforestation¹. The majority of producers in West Africa still do not earn a living income. The data from the GISCO members' projects show that the income gap has barely been closed by previous measures². Even ten years after GISCO was founded, the desired impact to improve the living conditions of people in the cocoa-growing regions have not been achieved.

The following four conclusions can be drawn from the data of the 2022 monitoring report and offer important areas for action for individual member groups and GISCO:

1. Living Income strategies are inadequate

The members of the German Initiative on Sustainable Cocoa have agreed that a holistic approach (smart mix) is needed to close the living income gap. However, members have mainly pursued strategies in the area of cultivation practices, particularly to improve productivity (78%). Strategies related to the payment of higher prices or premiums, such as the payment of a living income reference price (25%), payment of minimum prices (31%) and premiums (50%) were comparatively rarely mentioned as a strategy. We consider it particularly severe that members of GISCO have paid only for around 20,000 tons (MT-BE) the Living Income Reference Price calculated by Fairtrade³. This corresponds to an estimated 7.8 percent of the cocoa imported from Côte d'Ivoire.

The results of the monitoring show that one-sided strategies and measures to close the gap to a living income are inadequate. A paradigm shift is urgently needed: Living income strategies - including the payment of higher farm-gate prices for cocoa - must be an integral part of sustainable purchasing practices of all companies in the cocoa and chocolate industry as well as food retailers. At the same time, producers

¹ The focus on the topic of living income does not mean that there is no need for action in other areas. Civil society organizations will also evaluate progress in other areas and comment on it regularly in the coming years.

² The members of the German Initiative on Sustainable Cocoa have shared income data on six projects. The average gap to the living income is 40%, with the income gap ranging from 56% to 9%.

³ <https://files.fairtrade.net/Fairtrade-Living-Income-Reference-Price-for-Cocoa-adjustment-update-1-Oct-2022.pdf>

and cooperatives must continue to be supported in adapting cultivation practices to climate challenges, in diversifying their incomes and in improving the organizational structures of cooperatives.

2. Amount of premium payments disappointing

The average premiums paid are disappointingly low at USD 174.00 per tonne in Côte d'Ivoire and USD 163.00 per tonne in Ghana. The payments thus fall far short of Fairtrade's guaranteed minimum premium (240.00 USD/tonne). Overall, the premiums currently paid are insufficient to close the gap to a living income. Rather, they serve as an additional reward for compliance with sustainability standards and to support the work of cooperatives. However, while the sustainability requirements towards cocoa producers are increasing, many members of the German Initiative on Sustainable Cocoa are unwilling to adequately reward additional efforts to comply with social and environmental standards.

3. Unrealistic expectations for crop yields

The data in the monitoring report indicates that, despite numerous support measures for producers and cooperatives, average crop yields per hectare are not increasing significantly. At 475 kg/ha (Côte d'Ivoire) and 533 kg/ha (Ghana), the average crop yields per hectare reported by members fall far short of the targets set by companies and standard-setting organizations⁴. In view of further decline in crop yields for West Africa forecasted for this year, members of GISCO should do a reality check on theoretical calculations for benchmarks regarding yields per hectare. It should be taken into account that crop yields and a sustainable increase in productivity can only be achieved through considerable investment in sustainable, locally adapted and resilient agricultural practices as well as production costs, including labor costs. An expansion of the area under cultivation must be avoided at all costs. Without financial support, it is not possible for producers to make these investments.

4. Lack of transparency regarding income situation

Civil society organizations welcome the fact that participation in the monitoring has been mandatory for all members since last year and that 100% member participation has been achieved as a result. However, the response rate, particularly for the payment of premiums, is still very low. Apart from the Fairtrade system, there is an overall lack of transparency in the cocoa sector as to which premiums are paid in which sustainability program. This not only prevents data-based strategy development, but also leaves cocoa producers and cooperatives in uncertainty about the premiums that they are entitled to. Lack of transparency is always a driver of corruption. To develop further strategies to close the living income gap, it is essential that data on the income situation of producers that are part of sustainability programs is shared by individual members. Even if there is currently no agreed methodology for measuring the income situation, sharing the data collected so far is essential in order to (1) develop a robust methodology for calculating income and (2) derive effective strategies from the lessons learned. We therefore very much welcome that a common methodology for data collection is to be developed within the framework of the Alliance for Living Income in Cocoa (ALICO) and call on all members of GISCO to cooperate in this process.

⁴ Fairtrade International's calculations for the Living Income Reference Price are based on the assumption that an average of 800 kg/hectare can be achieved. The Nestle Income Accelerator aims to achieve 1000 kg/hectare through measures such as tree pruning.

Conclusions and recommendations

We strongly welcome that GISCO members committed in June 2023 to jointly intensify their efforts to enable cocoa farming household to earn a living income. In specific objective 1, members reaffirm their commitment to enable at least 90% of cocoa farming households that supply members with cocoa, to earn a living income by 2030. Over the next two years, GISCO will prioritize this objective. Based on the results of the 2022 monitoring report, we recommend the following:

Companies in the cocoa and chocolate industry

- should integrate sustainable purchasing practices, including the payment of living income prices and the establishment of long-term business relationships with producer groups, into their Living Income strategies in the cocoa sector to ensure a holistic approach.
- should share data on the income situation of producers in their supply chains with other stakeholders in the cocoa sector and actively participate in the research of the Alliance for Living Income in Cocoa.

Retailers

- should integrate sustainable purchasing practices for the cocoa in their own brands, including the payment of living income prices and the establishment of long-term business relationships with producer groups, into their Living Income strategies in the cocoa sector to ensure a holistic approach.
- should in the medium term only list chocolate products in their range where brand manufacturers can demonstrate that the cocoa has been sourced under sustainable purchasing practices and a holistic Living Income strategy has been implemented.

The Federal Government

- should contractually require the transparent publication of impact data on the income situation for projects in the cocoa sector if they are financed from public funds. Project proposals from the private sector should also be evaluated to determine whether a holistic approach on living income is being pursued and whether sustainable purchasing practices are an integral part of the project proposal.

The German Initiative on Sustainable Cocoa

- should work to ensure that data on production costs, including labor costs, are collected and taken into account in the discussion on living income strategies in conjunction with calculations on crop yields and possible impact on the cocoa price.
- should ensure a holistic approach to Living Income in the concept development for a third phase of the Pro Planteurs project, which should also include a link to the supply chain and the purchasing practices of the members.
- should make it mandatory for all members to answer individual questions (e.g. on the payment of premiums/payment of Living Income Reference Prices) in the next monitoring cycle in order to further improve the data base.

As **civil society organizations** in the German Initiative on Sustainable Cocoa, we will continuously support these processes and continue to participate in providing advice and in project implementing in order to contribute to the objectives of the German Initiative on Sustainable Cocoa.

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