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In brief:

Fairtrade's Living Income Strategy 2.0

2022-2025

The context and challenge

The right to a living income is enshrined in the Universal Declaration of Human Rights. This means that full-time farmers have the right to earn a living income from their farm proceeds and should be able to pay their workers a living wage. Living incomes and wages are also recognised as a major contributor to achieving several of the UN's Sustainable Development Goals, including the number one goal to eradicate poverty.

There is momentum in the market for progress on living incomes and living wages. In recent years, the cocoa and coffee sectors have declared that they will never be sustainable if farmers are not able to earn a living income, and have pledged commitments to realise living incomes in producing countries. Similarly, leading European retailers have committed to achieving living wages and incomes in their banana supply chains.

Despite this broad recognition and the good intentions, the vast majority of small-scale farmers still live in poverty. The devastating effects of climate change, soaring inflation and extreme price volatility worsen their chances to earn a decent income from farming and, as a result, young people are abandoning rural areas in search of better ways to make a living.

Our ambition

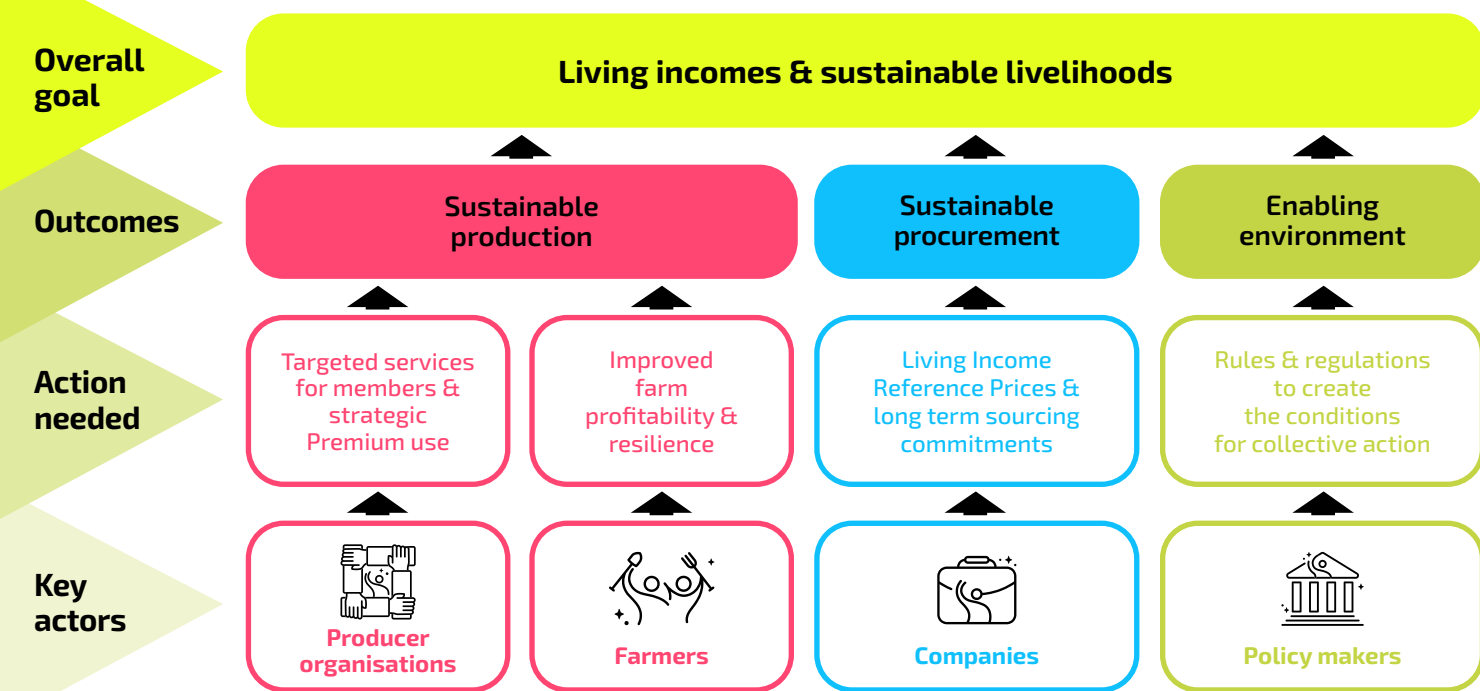
Achieving sustainable livelihoods for farmers and workers is at the core of Fairtrade's mission.

We have developed a roadmap for farmers to achieve living incomes that goes beyond certification. This roadmap has been part of our living income strategy since it was first launched in 2017. The strategy has now been updated to build on learnings from our experiences and incorporate developments in the sustainability landscape.

The strategy lays out what needs to be done beyond Fairtrade business as usual to deliver on our ambition. Central to the strategy is the active role for farmers and producer organisations in improving incomes. However, for them to be able to fulfil their role they need other stakeholders to take appropriate action. Fairtrade invites businesses along the supply chain, governments of producing and consuming countries, and civil society organisations to jointly assume responsibility and make living incomes possible.



How we'll work to bridge the income gap



Closing the gap between farmers' current incomes and living incomes needs an integrated multi-stakeholder approach which encompasses three key pillars: **sustainable production, sustainable procurement and an enabling environment.**

Farmers are primarily responsible for increasing farm productivity by implementing sustainable agricultural practices, which a living-income-supporting price enables them to do.

Producer organisations play a key role in creating value for their members by delivering the services they need, for instance to improve farming practices through technical assistance, reduce costs by providing subsidized inputs or to diversify their incomes with loans.

Companies are responsible for sustainable purchasing practices, including establishing long-term sourcing relations and paying sustainable prices. This way, producer organisations can plan their business and pay their members a price that supports their farm investments so they can make progress towards living incomes.

Finally, **governments and policy makers** can drive the collective action needed to fulfil these conditions at scale, by putting in place policies that level the playing field for the entire industry.

Given the above, our new strategy describes **six interdependent areas** of interventions that we are focusing on up to 2025.

Standards – Fairtrade Standards form the backbone of our work and provide a solid basis for accomplishing our strategic goals, including living incomes. Standards are regularly reviewed and new requirements for traders and producers will be considered for inclusion once voluntary interventions have proven effective. This way, elements of the strategy may move from being voluntary to becoming embedded in our business as usual. Examples could include the reinforcing of important sourcing requirements via the Fairtrade Trader Standard, or further specifying guidelines for strategic investment of the Fairtrade Premium by producer organisations.

Living Income Reference Prices – Sustainable pricing is a critical component of Fairtrade's Living Income Strategy. Living Income Reference Prices indicate the price a typical farmer household with a viable farm size and a sustainable productivity level needs to earn a living income from the sales of their crop. The price discovery process is based on an assessment of current yields, cultivated land areas and farm investments, to set realistic targets for each of these key income drivers. Reference prices will co-exist with the Fairtrade Minimum Price and Premium as a complementary pricing and advocacy tool, which companies can decide to pay on a voluntary basis. A fast-track methodology also enables 'proxy' Living Income Reference Prices to be calculated for specific supply chains and/or for less common Fairtrade products.

Bespoke business services – Beyond Fairtrade Standards, industry partners who want to go a step further in assuming their responsibility for living incomes can work with Fairtrade to develop bespoke projects that suit their specific needs and shared priorities of the sourcing partners. We offer committed commercial partners a range of possible interventions from which a customised project can be designed, following assessment of farm economic baselines. Independent verification services from FLOCERT can be built into this, for instance tracking payments made to farmers and monitoring changes in farmers' incomes. Various combinations of interventions are already being delivered with cocoa and coffee farmers: **living income projects** include the payment of a Living Income Reference Price, while **income improvement projects** do not. A new **Fairtrade Living Income Innovation Fund** will be set up for companies that do not have traceable supply chains, for example because they source through mass balance or have many different suppliers, but want to contribute to innovative living income projects and joint learning.

Producer support programmes – Services to strengthen producer organisations will be scaled up so that these organisations in turn are better equipped to support their farmer members

in increasing their incomes and reducing their costs to build viable businesses. Expanding on successful programmes that Fairtrade's three regional producer networks already provide, services will be deepened or scaled up in areas such as:

- Building entrepreneurial skills
- Improving productivity
- Climate resilience
- Gender inclusion
- Youth leadership

Advocacy – Fairtrade advocates for ambitious policy regulation and sector commitments that set the bar high and will ensure real progress to living incomes. This "enabling environment" is crucial to bring about collective action by businesses so that living incomes can be achieved at scale. Opportunities include integrating living income-supporting requirements into human rights and environmental due diligence legislation, and influencing sector agreements to include ambitious living income commitments for the industry.

Monitoring, evaluation and learning – Collecting farm economic baseline data and assessing gaps to living incomes are key to understanding the levers to improve farmers' incomes and designing appropriate strategies and establishing sustainable price levels. Then closely monitoring income improvement for households that participate in any of our living income-related projects is crucial to evaluate the effectiveness of our interventions, learn what works best and build on successes. Through transparent reporting on key performance indicators, Fairtrade aims to show the way to living incomes and encourage businesses to come on board.

Find out more

For more information about Fairtrade's living income strategy, contact Carla Veldhuyzen, Fairtrade International's Senior Advisor for Sustainable Livelihoods:
c.veldhuyzen@fairtrade.net