



FAIRTRADE  
INTERNATIONAL

# Update of West Africa Cocoa Living Income Reference Prices

## Frequently Asked Questions

29 January 2025

Find general answers about our Living Income Reference Prices here: <https://reference-prices.fairtrade.net/faq>.

### 1. What is the basis of the calculation of this reference price?

Our Living Income Reference Price model is based on four related key variables: costs of a decent standard of living (based on third-party living income benchmarks and a typical household size), sustainable and realistic target yield, viable crop area, and the costs of sustainable cocoa production (meaning farm investments needed to attain the target yield and pay hired workers a living wage). We factor in the ability to grow some food for the household's own consumption as an in-kind income (i.e., offsetting the need for income to pay for that amount of food).

In order to establish or update the values for a reference price, we consult a broad range of stakeholders and data sources. We hold technical roundtables in the countries of origin with producer representatives and local experts to collect, analyse and validate our own data combined with external research findings, and internationally accepted benchmarks, to agree on realistic values for each variable, especially the target yield. We calculate the price based on these variables.

### 2. How is a "realistic target yield" determined?

The realistic target yield variable in our living income model represents what should be achievable through the adoption of responsible and sustainable farming practices.

During this review, Fairtrade refined our definition of what to consider as realistic:

- The target yield should be **reachable within 2 years**
- for farmers **investing in their farms and implementing the recommended practices**
- which should be feasible for **at least 50 percent of farmers receiving the reference price**.

The yield target analysis in this review started from a baseline of current productivity levels as reported by Fairtrade cooperatives, company and governmental programmes and recent independent research. It then projected out the yields achievable within two years if following good agricultural practices, and particularly crop rehabilitation through quality pruning.

It is essential that farmers have access to adequate technical assistance in order to implement the recommended practices, including specialised labour services to perform these practices if existing household labour isn't enough. We estimate that around 50 percent of farmers receiving the Living Income Reference Price would receive the additional necessary support from their cooperatives or pay for it themselves, and therefore our assumption is that after two years, this percentage of farmers should have reached the target yield.

The Fairtrade Premium, which is paid to Fairtrade cooperatives on top of the Fairtrade Minimum Price (or in the current reality, on top of the market price) represents an important resource for producer organisations to organise or subsidise these services to their members. While we aim for more than 50 percent of farmers reaching the target yield within two years, this percentage reflects that the calculation is based on average yields, so some farmers are starting from lower current yields than others. Additional investments in programmes or a temporary "living income booster" can increase the percentage of farmers able to implement the recommended practices.

### **3. Why is the target yield for Ghana lower than for Côte d'Ivoire?**

Consultation feedback and recent farm level research findings – particularly the Cocoa Household Income Study (CHIS) conducted in Ghana by COCOBOD and SWISSCO - show significantly lower productivity results in Ghana, as compared to Côte d'Ivoire. Although a productivity of 800 kg/ha is deemed achievable in both countries, this target will take longer to reach in Ghana and is not considered possible in the two-year time frame we adopted as part of our definition of a realistic target yield.

Backed by the very low actual yields (under 400 kg/ha reported in the Ghana CHIS study, for instance), **a feasible intermediate target for Ghana was agreed at 600 kg/ha (240 kg/acre).**

### **4. How does the Fairtrade Premium work in relation to the Living Income Reference Price?**

Living Income Reference Prices are calculated at farmgate level to indicate the price individual farmers need to receive in order to be able to invest in their crop and attain sustainable productivity levels. However, farmers need support from their cooperative and partners in terms of technical assistance, access to quality inputs and specialised labour and/or affordable loans. These cooperative services to members are often paid for by the Fairtrade Premium.

Both pricing tools serve different and complementary purposes:

- **Living Income Reference Price:** Focuses on closing individual farmer income gaps. Costs associated with implementing the required good agricultural practices are factored in, allowing farmers reach a living income from their crop sales. Yet, many farmers still need support from their organisations to attain productivity targets.
- **Fairtrade Premium:** Supports cooperatives by covering operational and compliance costs, as well as funding business or community investments through collective decision-making. The Fairtrade Premium also plays a vital role in addressing complementary needs for support that farmers have, such as productivity improvement, climate resilience, and diversification efforts. Cooperatives can also choose to distribute some of their Premium funds as cash to farmer members to top up incomes.

### **5. Should the Fairtrade Premium be paid on top of the Living Income Reference Price?**

Fairtrade has always recommended that the Fairtrade Premium continues to be paid to the producer organisation on top of the Living Income Reference Price, so that the producer organisation can support its members to invest in farm productivity and quality, reduce costs, diversify incomes, for example by providing technical assistance, loans, subsidised inputs, etc.

However, this has never been established as a mandatory requirement. In practice, we see that partners implement this in various ways, always in consultation with Fairtrade. At the moment, we are discussing internally how we can take a stricter approach to this, to ensure greater clarity and consistency .

## **6. Does paying a Living Income Reference Price guarantee that farmers earn a living income?**

No. Sustainable Pricing is a critical enabler for living incomes and a precondition for many smallholder farmers to make the necessary investments for optimising productivity and enhancing resilience of their farms. A commitment to paying the reference price provides assurance to farmers of a decent return on the required farm investments, without having to compromise expenditures on essential household needs.

However, the Living Income Reference Price is not the only factor needed to ensure that farmers effectively earn a living income. Working together with the price, farm productivity (achieving a sustainable yield) and the cocoa-growing land area are other important factors. If the cocoa area is not large enough to support the household, other sources of income are needed, whether on or off the farm.

## **7. What mechanism can companies use to pay the Living Income Reference Price given Côte d'Ivoire and Ghana are regulated markets?**

In regulated markets where internal farmgate prices are set by the local government authorities, Fairtrade calculates a Living Income Reference Price differential. The reference price differential is the difference between the regulated farmgate price and the reference price (whenever the regulated farmgate price is below the reference price). Companies pay the differential on top of their regular contracts for the volume sourced. Usually this is transferred directly from the Living Income Reference Price payer to the cooperative.

These new Fairtrade reference prices are effective as of 1 Oct 2025, and Fairtrade will publish a Living Income Reference Price differential – if applicable – based on the new government farmgate price as announced on that date, as the start of the main harvest season.

## **8. How can companies support farmers to increase their yields to reach the target yield if they are not already doing so?**

The Fairtrade Premium and targeted programmes for support to cooperatives and farmers are ways that Fairtrade adds to the value of the reference prices.

Because not all farmers meet the parameters of the reference prices today – particularly the target yield – and in the context of current extremely high market prices, some commercial partners are taking the approach of providing additional funding to boost productivity to cooperatives now, so they support their members to increase their yields to the target level. This can take the form of an additional investment in productivity, or a “living income booster” as we are proposing to some commercial partners, or could also be in the form of cash transfers. We encourage such additional investment to bridge the productivity gap, while still maintaining the value of a stable and predictable Living Income Reference Price, grounded in the most up-to-date data analysis and consultations.