



Fairtrade Foundation Parliamentary Briefing on the new campaign: *She Deserves a Living Income!*

Background

The Fairtrade Foundation will be launching a new campaign to coincide with Fairtrade Fortnight 2019 (25th February – 10th March). The new campaign, '**She Deserves**', focuses in on cocoa producers, and asks what it might take to enable producers, especially women, to earn a 'living income'.

The UK chocolate industry is worth at least **£4 billion each year**, yet despite this, most cocoa farmers live in abject poverty – a typical farmer earns just 74p a day. As a nation of chocolate lovers – consuming more per person than any other European country – UK could play a powerful role in bringing about change to ensure cocoa farmers get to live a dignified life.

What do we mean by a 'living income'?

In the UK, we've become accustomed with the term 'living wage' – a salary paid by an employer to a worker which covers cost of living, as calculated by the Living Wage Foundation. Applied globally, a company that commits to the Fairtrade Textile Standard must work towards giving every worker a living wage within six years of starting the scheme. 'Living Income' is used for smallholder farms where farmers do not work for an employer, but depend on income generated from farming, primarily the price paid for their product.

Simply put, a living income should cover the costs of food, water, housing, education, healthcare, transport, clothing and other essential needs, including provision for unexpected events. Studies in cocoa communities by Fairtrade International and by the ISEAL alliance (a membership association for sustainability standards) have estimated the living income to be approximately **US\$2.50 (around £1.86) per person per day in Côte d'Ivoire and US\$2.16 (around £1.60) per person per day in Ghana.**

The key challenges in cocoa

- **Poverty:** In Ghana and Côte D'Ivoire, which account for 60% of the world's cocoa production, a typical cocoa farmer lives on around 75p day. That is below the World Bank's extreme poverty line of \$1.90 (about £1.40) per day.
- **And it's worse for women:** In Côte D'Ivoire women carry about over two-thirds of the labour but earn less than a quarter of the income generated. In Ghana female-headed households earn around a third less income from cocoa than male-headed ones.
- **Gender inequality:** About a quarter of cocoa farms in West Africa are women-run. But just 25% of women farmers in Côte D'Ivoire own land. They often face barriers in securing legal title for their land, and without that are often excluded from saving and credit systems, access to training, co-operative membership and certification schemes.
- **Child labour:** an estimated 2.1 million children working in cocoa fields in Côte d'Ivoire and Ghana.
- **Deforestation:** Fuelled by low incomes and poor productivity, it estimated that a quarter of deforestation in Ghana has been connected to the chocolate industry. In Côte D'Ivoire, nearly 60%

of cocoa that is not from certified sources (like Fairtrade) is estimated to have been grown on what was primary forest.

- **Market concentration:** Just nine global companies dominate the cocoa industry from trading and grinding to processing and manufacturing. For every tonne of cocoa sold, farmers are estimated to receive less than 7% of the value. By comparison, manufacturers capture an estimated 35% share and retailers 44%.
- **2016/17 Price Crash:** The price of cocoa plummeted between September 2016 and February 2017. Cocoa farmers in Côte d'Ivoire saw their incomes decline by as much as 30-40% from one year to the next. Whilst subsidies have gone some way to support farmers in Ghana, at least for the last two years, cocoa producers in other countries felt the immediate impact of this price drop.
- **Existing sustainability initiatives are not enough:** Whilst welcome, the cocoa industry itself has recognised that these initiatives and projects such as reducing deforestation or increasing productivity, have not been enough to achieve significant impact at the scale. The whole cocoa industry must commit to enabling farmers to achieve a living income, and commit to increasing the price that farmers receive for their cocoa.

Fairtrade's approach

"Fairtrade premium encourages us, as women cocoa farmers, to be able to achieve certain things. We know that with Fairtrade there is a premium waiting for us, and for each woman, you can do what is in your heart." – Rosine Bekoim, Cocoa Farmer, Côte D'Ivoire

Fairtrade-certification ensures that certain **labour and environmental standards** are met, helps protect farmers from extreme price changes through the safety net of the **Fairtrade Minimum Price**, and also provides farmer organisations with a **Premium** that supports much-needed education, clean water, healthcare and housing projects. When farmers sell more of their cocoa on Fairtrade terms, there is therefore a more significant impact on their income, achievement of the SDGs, and the amount available for investment.

Awa Traoré, Director General, CAYAT co-operative, says: *'We work with Fairtrade Africa to deliver training to producers in the field, including financial management and entrepreneurship, on top of agricultural practices. In order to make it accessible, we've also built a radio station to share these messages. It's a really important tool to communicate with many farmers. We fight against child labour, and every year we put 65 million CFA into projects to ensure that farmers' children can attend school. All of this has been possible thanks to Fairtrade Premium.'*

The Fairtrade Women's School of Leadership:

With the aim of empowering women and increasing women's leadership in Fairtrade co-operatives, Fairtrade Africa set up the Women's School of Leadership in 2017. The project, funded initially by Co-op and Compass Group UK and Ireland, has been supporting women to gain practical skills and greater confidence. Anne Marie Yao, Fairtrade Africa's Regional Cocoa Manager, runs the project. She says: *'Women already have the skills and capacity to make a difference, so if we give them the resources and power they will have an influence.'*

The first group of graduates are sharing their newfound skills and inspiring others in their communities by starting new businesses or taking up leading roles in co-operatives.

From October 2019 Fairtrade is significantly **increasing the Fairtrade Minimum Price and Premium farmers receive**. The Fairtrade Minimum Price for cocoa will rise by 20% to \$2,400 per metric tonne at the point of export (known as FOB, or Freight on Board). For organic cocoa, the Fairtrade price will be \$300 above the market price or the Fairtrade Minimum Price, whichever is higher at the time of sale. The current cocoa price set by the government of Côte d'Ivoire, the world's biggest cocoa producer, is \$2,124 at FOB. Fairtrade buyers pay farmer organisations the differential when the Fairtrade Minimum Price is higher. The Fairtrade Premium will also be increased from \$200 to \$240 per metric tonne, the highest fixed premium of any certification scheme.

Additionally, Fairtrade has introduced a new **Living Income Reference Price** for cocoa. This is the price we estimate is needed for an average farmer household to make a living income – US \$2,668 per metric tonne at farm gate for Côte d'Ivoire and US \$2,301 per metric tonne at farm gate in Ghana. The increased Fairtrade Minimum Price for cocoa is a first step in a gradual approach to bridge the price gap. The Living Income Reference price is not mandatory, but we are developing projects with forward-thinking commercial partners to test the living income reference price and other aspects of our living income strategy, so that we can demonstrate successful approaches and share learning that can benefit the whole industry.

An Ambitious Agenda for Action

As proud as we are of our impact, only 8% of cocoa produced in Côte d'Ivoire and Ghana is Fairtrade certified. In our ***She Deserves*** campaign we set out how governments, chocolate companies, traders, retailers and shoppers can help achieve living incomes for cocoa farmers.

The Chocolate Industry:

At the World Cocoa Forum last year the chocolate industry committed to enable farmers to achieve a living income. To put this commitment into action, we call on chocolate companies, traders and supermarkets to:

- Join the Living Income Task Force, the multi-stakeholder initiative focused explicitly on ensuring that cocoa farmers receive a living income by 2030 (as set out below).
- Commit to sourcing their cocoa on Fairtrade terms as a first step.
- Commit to the goal of ensuring that cocoa farmers receive a living income by 2030.

The UK Government:

Whatever happens with Brexit, it is crucial that the UK plays a positive international role and continues to play its part in supporting the world's poorest people to escape poverty. We know from our experience that trade per se will not necessarily deliver on this, and we are calling on the UK Government to make sure our **trade with developing countries puts poverty reduction first and delivers living incomes for all, especially women**. We have three more specific asks for the UK government and will be asking people to sign a petition during Fairtrade Fortnight.

1. Play a leadership role

The Government should support a global initiative of governments and businesses to enable living incomes in supply chains, starting with cocoa. The global **Living Income Task Force** (recently launched by the German government) is a promising initiative on cocoa that the UK should join and influence, by pushing for members to commit to the goal of ensuring cocoa farmers receive a living income by 2030 at the very latest.

2. Make living incomes a priority for UK Aid

DFID should put achieving living incomes and wages at the heart of UK Aid, its economic development strategy, and efforts to achieve SDG 8 – supporting programmes and businesses that take living income seriously, and which go beyond productivity initiatives to support systemic change across different sectors. This could include the establishment of a strategic match-fund facility that would support businesses committed to achieving living incomes for farmers and looking to innovate in their supply chains. It could also draw on examples from other aid programmes – for example, the support that GIZ (German development assistance) and IDH (established and match-funded by the Dutch Government) has given to the Malawi 2020 initiative with the aim at securing living wages in tea.

3. Incorporate living income into government Business & Human Rights policies

The Government should recognise that enabling living incomes and the payment of fair prices, are central to the realisation of human rights in UK supply chains, and integrate this recognition into policies such as its UK National Action Plan on Business and Human Rights and measures to combat Modern Slavery in supply chains. The Fairtrade Foundation is also calling on the Government and the Competition and Markets Authority (CMA) to issue clearer guidance on how businesses could address low farm-gate prices in a manner that would be consistent with competition law, as set out in Fairtrade's recent report on this issue.

What can MPs do to support the campaign?

- **Show your support on social media**

Fairtrade Fortnight begins on Monday 25th February and we will be sharing a wide range of content, including films, features and even an online quiz! Please share content and show your support using the hashtags #SheDeserves and #FairtradeFortnight We can also support you if you would like to write articles or blogs on the theme of the campaign.

- **Support events during Fairtrade Fortnight**

As ever, we anticipate a range of events during Fairtrade Fortnight including at the local constituency and neighbourhood level. Resources have been produced for local groups and there will be a Fairtrade 'producer tour' enabling people across the country to hear first-hand from Fairtrade cocoa producers. We would also love to see you at the Fairtrade Fortnight parliamentary reception which will take place from 4-6pm on **Wednesday 27th February** in the **Churchill Room**.

- **Work with us to raise the issue of living incomes in parliament**

We would be delighted to work with you to raise the issues associated with our campaign in parliament, via debates, parliamentary questions and Select Committee inquiries. Please do not hesitate to get in touch if you would like to take these ideas forward.

A full report on the new campaign will be available from 25th February – this will be downloadable from the Fairtrade Foundation website: www.fairtrade.org.uk

For more information please contact: helen.dennis@fairtrade.org.uk