

GUIDANCE Q

How to Use the Living Income Tool

Version 1



**RAINFOREST
ALLIANCE**



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INTRODUCTION

To drive progress towards achieving a Living Income for producers, farms first need to assess their current situation, compare it to the living income benchmark and then create a pathway to close the gap. The Living Income Tool has been developed to help Group Management to the average net income of group members. By using this tool, Group Management can compare the average net income of their members against the Living Income benchmark and monitor the closing of the gap over time. This tool is initially available only for Côte D'Ivoire and Ghana, and only for cocoa.

An increasing number of buyers are also paying attention to whether farmers in their supply chains receive a living income. The Living Income Tool helps certificate holders measure and report on farmers' incomes and target their own efforts and the efforts of their buyers to close the gap to a living income. These efforts can take different forms, such as reducing production costs through the efficient use of inputs and raising earnings through improved farming practices, income diversification, or an increased Sustainability Differential. In addition, the Living Income tool allows certificate holders to calculate the impact that selected interventions will have in closing the gap to a Living Income (see below section 'The progress on Living Income page').

The average income calculated by the Living Income Tool is based on the relationship between Total Net Household Income, Total Harvest volume of the certified crop (Cocoa), and the Average Share of Income earned from non-certified crop sources. This calculation is based on extensive analysis of detailed farm economic data (*Estimating Cocoa Farmers' Household Income and Gap to Living Income in Ghana and Côte d'Ivoire, AL*). For more information on how the tool was built, please refer to the methodology report of the Living Income tool.

The Living Income metrics are presented graphically in the Living Income Tool in two dashboards, as described below.



What does the Living Income Tool tell you?

The Living income tool makes calculations based on the data that the group administrator enters for producers in the group. The tool estimates the average additional amount of cash that farmers in the group would need to earn per year to earn a living income.

- **For Côte D'Ivoire:** It also allows Certificate Holders to estimate the average gap between current income and the living income for farmers in the following commercial years: 2017/18, 2018/19, and/or 2019/20.
- **For Ghana:** It also allows Certificate Holders to estimate the average gap between current income and the living income for farmers in the following commercial years: 2018/19, and/or 2019/20.

-
This means it cannot be used for reliable Living Income calculations outside these years.

What is not covered by the Living Income Tool?

The Living Income Tool provides an average for the whole group of farmers for which the data was entered and calculated based on a standard family size. This means the living income gap calculation should be interpreted as guidance at the group level the additional amount of income each farmer household would need to receive to reach the living income. It does not give information on the gap to a living income for an individual farmer. The situation on any individual farmer may be higher or lower than the average. So, no conclusions can be made about the income of any individual farmer in the group.



OVERVIEW OF THE TOOL

The first tab (0. Introduction) provides an introduction to the tool, an explanation of the methodology, and instructions for adding data to the tool. The tool then contains three data sheets: 1. Overview Page, 2. Progress on Living Income and 3. Data.

Adding data to the tool

The Living Income Tool requires the user to input five variables for each farmer

- Country
- Year
- Administrative division
- Total cocoa harvest volume
- Gender

The exact definition of each of these variables is set out below with the explanation of the steps for adding new data to the tool. The data required for the tool should be readily available in the IMS.

Please make sure that the information is correctly coded. If the data at the certificate holder level is coded differently from the notation described below, it should be adapted and recoded to correspond to the Living Income Tool notation.

Variable definitions

The required variables for the Living Income Tool are defined as follows:

- **Country:** the country where the farmer lives.
The data point should be written out.
Notation: **Ghana** or **Côte d'Ivoire**
- **Season:** the year in which the commercial cocoa season in West Africa **started** (e.g. the 2020 season runs from the 1st of October 2020 to 30st of September 2021).
Notation: **yyyy**
- **Administrative division:** the tool disaggregates the information by **Region** in Ghana and by **Région** for Côte d'Ivoire.
Notation: see administrative divisions presented in [Table 1](#).
- **Total harvest:** the total volume of all cocoa (dried cocoa beans) produced (Certified and non-Certified) during the commercial season, hence between the 1st of October and the 30st of September of the relevant year.
Notation: **kg / farm**
- **Gender:** the gender of the registered farmer
Notation:
 - English: male/female
 - French: homme/femme

Table 1 Administrative divisions of the Cocoa Belt in Côte d'Ivoire and Ghana

| <i>Côte d'Ivoire</i> | <i>Ghana</i> |
|----------------------|--------------|
| Abidjan | Western |
| Agnéby Tiassa | Eastern |
| Béliér | Central |
| Béré | BrongAhafo |
| Cavally | Ashanti |
| Gbôklé | |
| Gôh | |
| Grands Ponts | |
| Guémon | |
| Haut Sassandra | |
| Iffou | |
| Indénié Djuablin | |
| La Mé | |
| Lôh Djiboua | |
| Marahoué | |
| Moronou | |
| Nawa | |
| San Pédro | |
| Sud Comoé | |
| Tonkpi | |
| Yamoussoukro | |



The Living Income Tool has been developed to be compatible on any version of Excel. This means that currently, a *maximum of 10,000 farmers* can be loaded to any single version of the tool. The minimum amount of data that should be entered in the tool is data of 200 farmers. If data from fewer than 200 farmers are entered, the results on poverty levels and the gap to a Living Income are likely to be significantly less accurate than necessary to plan efforts to reach the living income.

Paste data to the datasheet

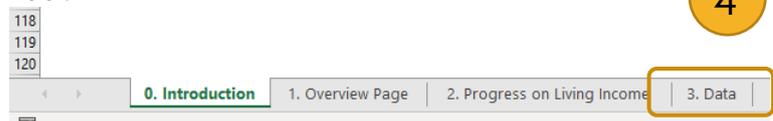
Data is added to the tool following five simple steps.

Before you add new data to the tool, please check your own database:

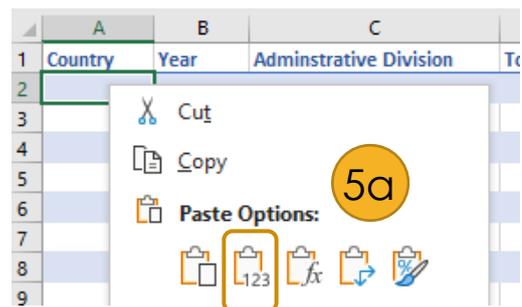
1. Verify that your data follows the notations described above.
2. Verify that for each farmer (row) data is available for each variable (column).
3. Select the five required data columns from your data set and copy them. Please note that the variables 'Total harvest' and 'Gender' can be copy-pasted directly from the group member registry (requirement 1.2.4 of the Rainforest Alliance Sustainable Agriculture Standard) into the Living Income Tool.

Once you open the Living Income Tool:

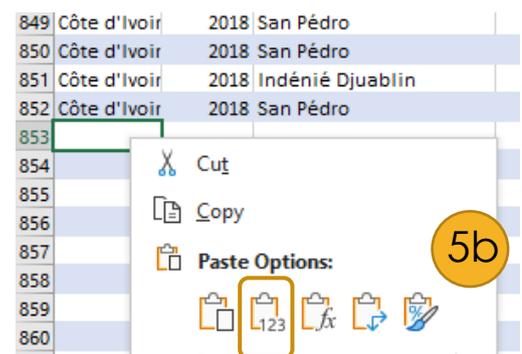
4. Open the Datasheet of the Living Income Tool



5. Paste data into the tool:
 - a) If no data has yet been added to the tool, paste the data in cell A2.



- b) When data has already been added to the tool, find the first empty cell in Column A. You can find the first empty cell by scrolling down the datasheet. Alternatively, press Ctrl + down arrow. Paste the data in the first empty cell found in Column A.



Once the data is added, the tool will automatically use the data to estimate each farmer's income, poverty level, and gap to a living income by year¹, and administrative division. The dashboards in the Overview Page and Progress on Living Income Page use the data you input into the tool to represent the information about the farmers in the group in graphics.

¹ For Côte D'Ivoire: Commercial years: 2017/18, 2018/19, and/or 2019/20.
For Ghana: Commercial years: 2018/19, and/or 2019/20.



THE OVERVIEW SHEET

On the overview page, the user can see the proportion of households whose income is above or below the Living Income Benchmark, and the average gap to the Living Income for a particular country and year of choice, specified by gender of the registered farmer. Instructions at the top of the dashboard show the user how to select the country and year for the graphics they wish to see. Clicking on the cell containing the country name or year will show a dropdown menu with the available countries and years for which data has been added to the tool. The user selects a country or year by clicking on it in the dropdown menu. The dropdown list disappears by clicking again, and the cells only show the selected country and year.

Please select one country and year that you want to see the situation on Living Income for from the list below:

Select Country: Côte d'Ivoire
 Select Year: Côte d'Ivoire, Ghana

Select Country: Côte d'Ivoire
 Select Year: 2016, 2017, 2018

The overview page presents three different graphs:

1. The first graph provides a Net Household Income distribution, including the Living Income Benchmark presenting graphically the share of households earning below the Living Income benchmark, as well as the gap to the living income for each single household.
2. The second graph provides an overview of the average gap to a Living Income for those households earning below the living income benchmark. It also indicates the share of the Living Income which is earned from the certified crop (cocoa) and the share that is earned from other sources.
3. The third graph provides the share of male- and female-headed households living below the Living Income Benchmark.

1. Overview Page

Please select one country and year that you want to see the situation on Living Income for from the list below:

Select Country: Côte d'Ivoire
 Select Year: 2018

490 Is the number of farmers for whom data was entered

63% Was the average gap to the Living Income in Côte d'Ivoire in 2018 for those farmers that do not earn a Living Income

100%

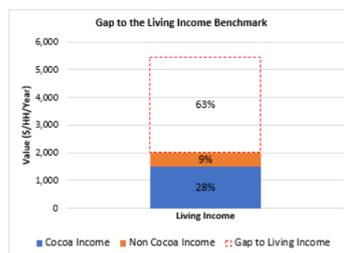
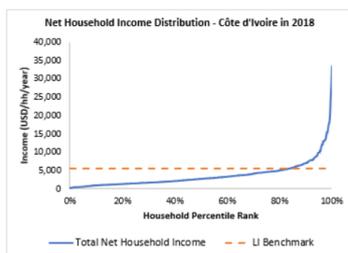
Of female headed households were in poverty

82%

Of male headed households were in poverty

83% Of cocoa producing households lived under the Living Income Benchmark in Côte d'Ivoire in 2018

3,443 USD is the average additional amount of cash farmers need to earn for all to reach a Living Income





THE PROGRESS ON LIVING INCOME SHEET

On this page, the tool displays the Living Income metrics over time for a particular country. At the top of the Progress on Living Income page, the user first select the country by clicking the selection button next to the country name of choice (step 1). The tool will then automatically show the years for which data is available for this country.

The user selects the years they want to compare by selecting “yes” for the years they want to include or “no” for the years not to be included from a dropdown menu next to each year (step 2).

2. Progress on Living Income

1. Please tick the country for which you want to track progress on Living Income:

| Available Countries | Selection |
|---------------------|----------------------------------|
| Côte d'Ivoire | <input checked="" type="radio"/> |
| Ghana | <input type="radio"/> |

2. Please select the years that you want to include in your analysis from the list below:

| Available Seasons | Season to Analyse | Farmers in sample |
|-------------------|-------------------|-------------------|
| 2016 | yes | 136 |
| 2017 | no | 369 |
| 2018 | yes | 490 |

3. Please set your Living Income Differential and Sustainability Differential in US\$ per dry cocoa beans paid to farmers for each season:

| Living Income Differential | Sustainability Differential |
|----------------------------|-----------------------------|
| 400 | 0 |
| 0 | 0 |
| 0 | 0 |

The user then indicates any additional price premiums (an extra amount on top of the market price) that farmers receive for selling their certified crop (step 3). For example, this additional amount could be:

- 1) A sustainability differential² for the Rainforest Alliance certified produce (a cash payment paid directly to the producer for certified products over and above market price, quality premiums, or other differentials).
- 2) An extra differential or premium, such as a quality premium, agreed on with the buyers.
- 3) Additional differentials that are mandated by third parties such as the government, e.g. the payment of the newly established Living Income Differential or LID in both Côte D'Ivoire and Ghana. In such a case, users can enter this amount manually.

This data is included in the tool can calculate the effect of these differentials in contributing to a living income.

If no price premiums or differentials are paid, this section should be left empty. The user can set these differentials by typing them in the appropriate cells next to the years available in the selected country's data.

Note the following:

- The differentials should be entered in US dollars per metric ton of dry cocoa beans. This value should represent the equivalent in local currency on average paid to farmers for whom data was added to the tool.
- The user should enter the *average differential*. The average differential is defined as follows:

$$\text{Average differential} = \text{Differential price} * \text{share of the total volume of cocoa bought from listed farms}$$

- Adding the differentials in the tool will adjust each farmers' total net household income with other conditions remaining the same. The differential is multiplied by the farmers' cocoa harvest volume and added to their total income. Thus, the non-cocoa income is not influenced by adjusting the differential. The tool also does not account for any potential production incentives or changes in input prices following the differential introduction.

² The Rainforest Alliance sustainability differential is defined as 'A mandatory payment of an additional monetary amount to farm certificate holders by buyers of the Rainforest Alliance Certified product, on top of the market price and irrespective of any other (quality) premiums and differentials. The Sustainability Differential is fully redistributed on a pro-rata basis to producers (in case of group certification).



- When differentials are added to the Progress on Living Income sheet, the income distribution, Gap to Living Income, and Poverty Incidence graphs are also updated in the Overview sheet, for the country and year for which these differentials were added to the tool.

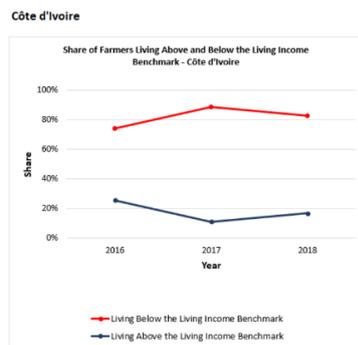
Once the country and years have been selected and the amounts of any price premiums or differentials have been provided, the graphs showing the developments of key Living Income metrics will be automatically updated.

The first graph (2.1) shows changes over time in the proportion of households living below and above the Living Income benchmark.

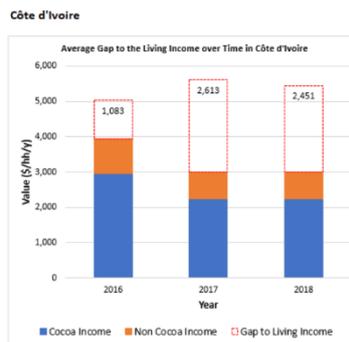
The second (2.2) and third graphs provide information about changes in the gap between current income and a Living Income (for all farmers and the farmers below the Living Income benchmark, respectively).

The fourth graph (2.4) shows the net household income distributions for the selected seasons. The first three graphs are accompanied by overview tables at the administrative division level, providing a within-country overview of geographical variation in poverty incidence and the gap to a Living Income.

2.1 Share of farmers achieving a Living Income over time



2.2 Bridging the gap to a Living Income over time - All farmers



2.4 Distribution of Net Household Income over time

