

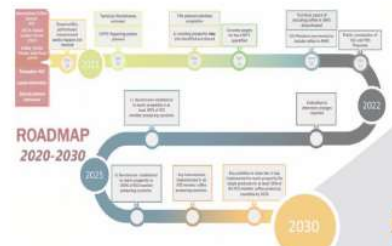
**Webinar ICO CPPTF  
TWS3- TWS1 – TWS2  
- First Webinar on  
Living Income for  
coffee farmers in  
due diligence  
regulations**





# Towards prosperity in the coffee sector

A common recognition that prosperity for all is central to the sustainability of the coffee sector




**ROADMAP 2020-2030**

**Vision**  
*A sustainable and prosperous future for coffee producers and the sector as a whole*

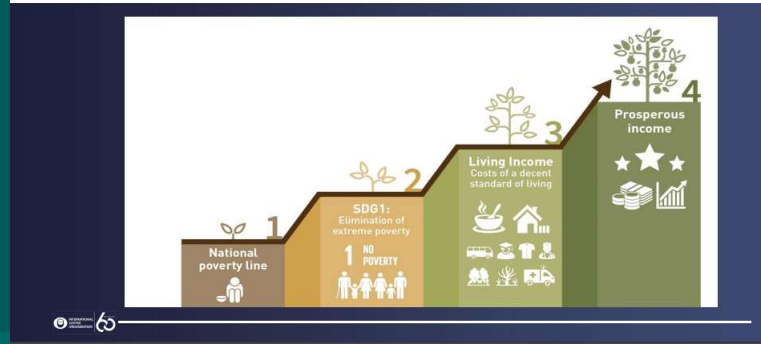
**Key outcomes**

- ✓ Economic resilience & social sustainability
- ✓ Better balanced demand and supply, responsible consumption, and diversity of origins
- ✓ Environmental sustainability through sustainable production & consumption
- ✓ Effective enabling conditions



INTERNATIONAL COFFEE ORGANIZATION

Vision of Prosperity with living income as a milestone...



## Outcome Statement LIVING INCOME SUMMIT 2022

We acknowledge:

- The majority of smallholder farming households that produce the world's agro-commodities live in poverty
- A living income and decent standard of living is at the heart of our shared interest and a minimum target to achieve
- There is a need for different smart mixes of solutions
- Male and female farmers are entrepreneurs who manage family businesses
- Achievement of living incomes for households is a shared responsibility

This implies:

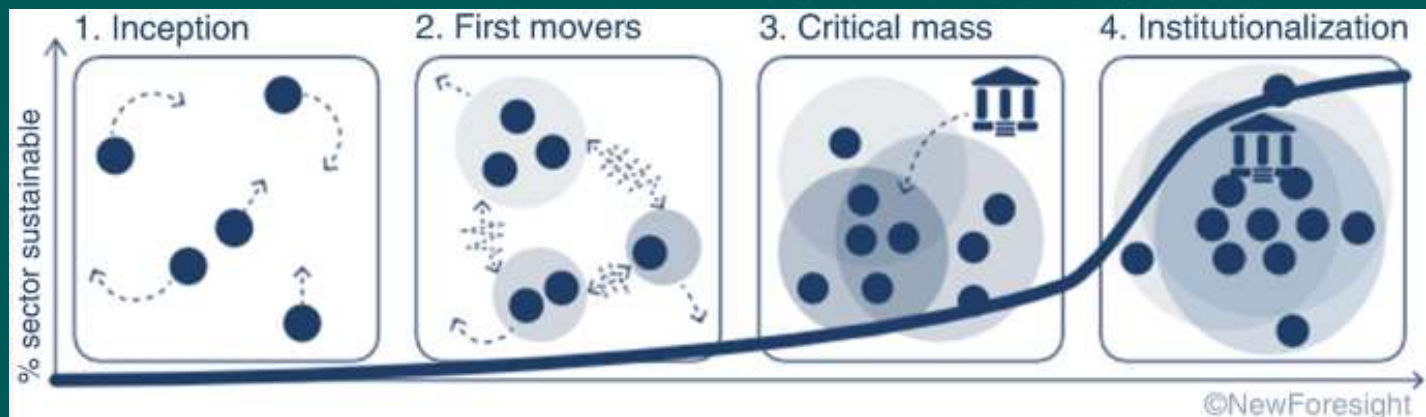
- We each have a role to play from our position in the value chain and urgent action is needed
- We need to address the issue of inequitable value distribution, risk distribution & value creation
- We need to aim at developing trade that goes beyond commodities and supports long term sustainability
- We need to improve the enabling environment for responsible and equitable trade and investment
- We are committed to further co-create multi-stakeholder frameworks and measure and report on our progress





# Legislation as a driver for sustainable market transformation

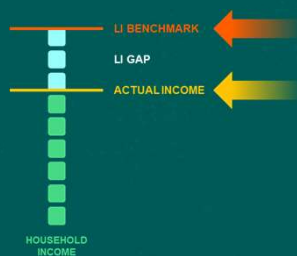
Towards institutionalization of living income in the coffee sector (and beyond)





# Recommendation for including living income into the EU CSDDD

Include Living income into the legislation, but approach implementation through an economic pact



## Economic pact:

- Living income is a shared responsibility
- Closing gaps requires money. How will we finance the transition?
- What data is needed in order to measure progress?
- What other agreements need to be made in order to support income gap closure?
- How to ensure inclusion?



### Creating a common language and metrics in country (TWS 1):

- Understand the benchmark
- Understand current incomes
- Understand the gap
- Correct for inflation
- Establish a process/procedure for measurement



### Viability criteria at farm-level, f.e.:

- Land size
- Productivity
- Cost of production (TWS 2)
- Opportunities for diversification



### Transparency in the supply chain:

- Understand value distribution within the supply chain
- Understand how much of the price is going to farmers (TWS 2)
- What are barriers to increased transparency in the supply chain?



### Other:

- Recognition that closing living income gaps is a shared responsibility
- Collaboration to define where responsibility starts and where it stops – f.e. how to deal with diversified farms?
- What other mechanisms can be used to finance the closure of living income gaps

# Annex





# IDH is taking ambitious, aligned actions to close Living Income gaps



Helps companies to **take ambitious, aligned actions** to close living income gaps of farming households.



Outlines a range of **steps, guiding questions and resources** that are designed to be dynamic and used simultaneously.



Identifies **data-driven tools** to strengthen data alignment and help guide company journeys to close living income gaps in their supply chains.



Encourages **multi-stakeholder partnerships** for impactful action.

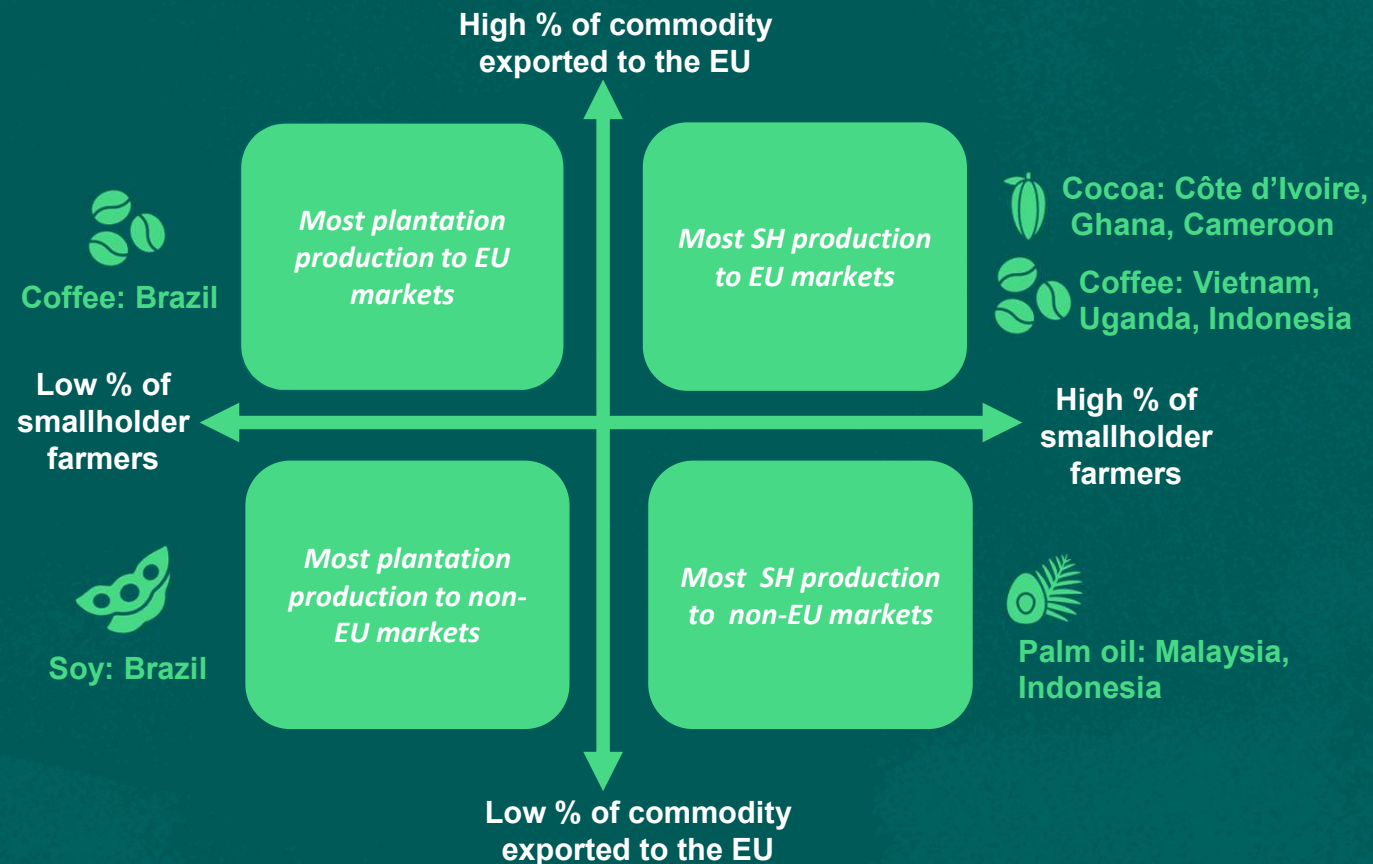


# Key factors determining EU legislation effect on commodity production markets

In producing countries, the effect of the EU regulation on exported products will depend on two key factors:

- The **share of volume** exported to the EU
- The **share of smallholder farmers** compared to large scale farmers / plantations

*\*Deforestation risk and price differentials will determine market dynamics within these segments*





# The potential effect of EU legislation on commodity production

→ The **biggest opportunities** are where small farmers dominate and the EU is the biggest buyer e.g Cocoa and Coffee from Africa

→ The **biggest risks** are where smallholders dominate but the EU is not a dominant buyer e.g Palm in SE Asia



**Different scenarios based on costs:**  
1. Switch to other producing countries  
2. Invest in segregation if cost is lower



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