



Why working together is the way to a Living Income

DID YOU KNOW THAT...

... more than 700 million people lived in extreme poverty in 2015? A large portion of people in developing countries does not have a Living Income despite working. This affects particularly those living in rural areas of Africa, Asia and Latin America and working in agriculture.

80 per cent of farmers worldwide are smallholders. Most of them are unable to live on their incomes from farming, much less invest in their operations. As a result, agricultural productivity decreases and people move away to cities or emigrate to other countries. Poverty is one of the main reasons for rural migration and why people flee their country. In addition, it endangers the global supply of raw materials for the food industry, as food producers procure many of their raw materials from smallholdings in developing countries through global supply chains. For instance, the majority of the cocoa needed for our chocolate comes from Ghana and Côte d'Ivoire. Many challenges, such as low prices for raw materials and low wages for workers, are deeply embedded in these supply chains. These problems can only be solved if companies, governments, civil society, unions and producers' associations all work together.

WHAT DOES BMZ DO?

The German Federal Ministry for Economic Cooperation and Development (BMZ) fights for Living Incomes for smallholders. Living Incomes are an integral part of sustainable agricultural supply chains.

WHAT IS CONSIDERED A LIVING INCOME AND HOW IS IT CALCULATED?

Living Income is the net annual income, earned under humane working conditions, that is required for a household to afford a decent standard of living for all members of that household.

Source: The Living Income Community of Practice, 2015

WHAT DO WE MEAN BY A DECENT STANDARD OF LIVING?

- Food for balanced nutrition
- Access to clean water
- Housing
- Medical care
- Education
- Transportation
- Clothing
- Other needs of everyday life
- Provisions for unforeseeable events

The cost of living is calculated based on international norms and local standards. The sum of the individual positions is what we consider a Living Income. In a second step, the actual income of a typical farming family is calculated in order to determine the gap between that and a Living Income.

The analysis of incomes strengthens the position of smallholders during price negotiations, but it also helps governments, civil society and private businesses to develop strategies for creating Living Incomes in agriculture.

HOW WE WORK

- BMZ supports an international work group on Living Incomes: the Living Income Community of Practice.
- Implementation of a partnership with the Ethical Tea Partnership for fair wages and incomes in the tea industry of Eastern Africa.
- Partnership with the companies Symrise and Unilever with the goal of improving the living conditions of 10,000 families in Madagascar. Smallholders are supported with the sustainable cultivation of high-quality vanilla.

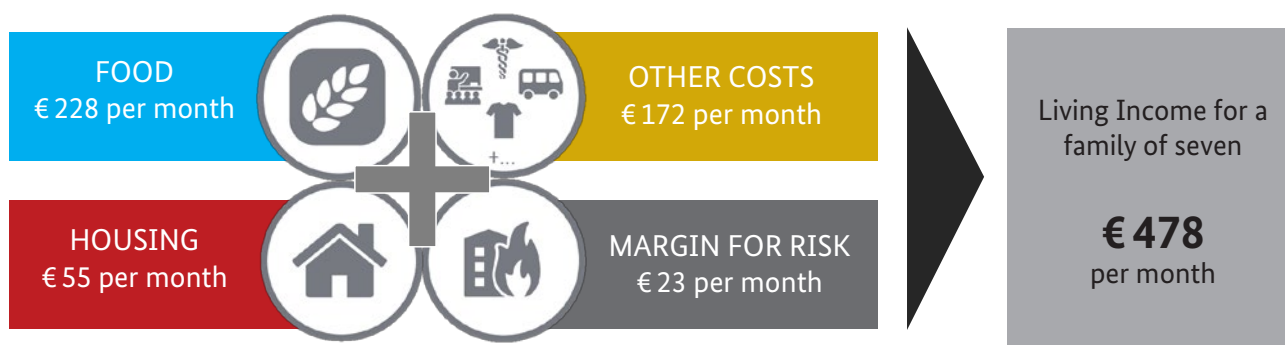


Figure 1 Calculation of a Living Income using the example of a cocoa-producing family in Côte d'Ivoire with an average of seven persons.

AN EXAMPLE: COCOA FARMERS IN CÔTE D'IVOIRE

A typical cocoa-producing family in Côte d'Ivoire has seven members – four children and three adults. For a simple but decent standard of living, this family needs a Living Income of 478 euros per month. About half of that amount is needed to cover the cost of balanced nutrition. 55 euros per month are needed for a house at a decent standard.

Expenses for education, health, clothing and other needs take up more than one third of the total monthly income.

The family should also be able to save five per cent of its monthly income for unexpected events, to compensate, for instance, for failed harvests due to drought.

In fact, however, the family has a monthly income of 172 euros. About 100 euros are earned by growing cocoa. The family thus needs another 306 euros every month to lead a simple but decent life.

BMZ fights for fair supply chains in order to close this income gap permanently. Possible approaches are for example higher prices for raw materials procured from smallholders, the support of alternative sources of income and training opportunities for improving the productivity of farms and the quality of agricultural products.

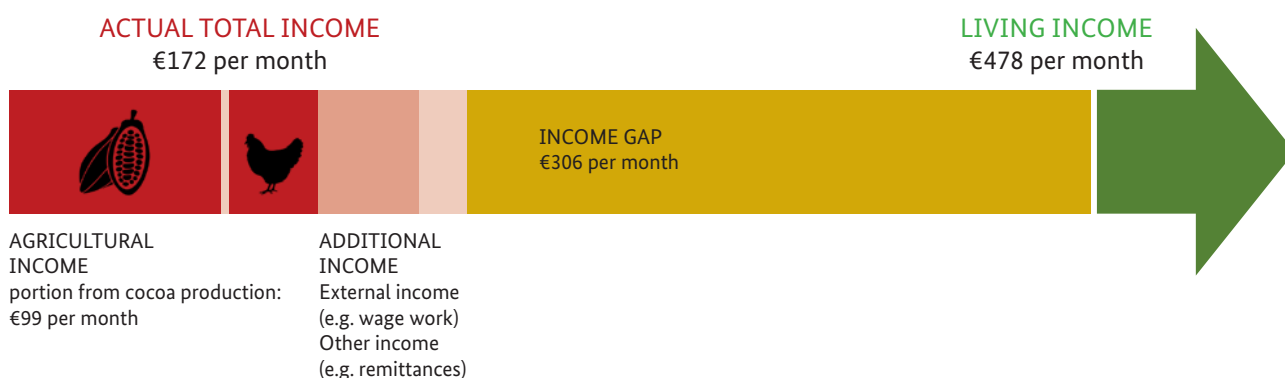


Figure 2 Overview of actual and required income of a typical cocoa-producing family in Côte d'Ivoire.

The promotion of Living Incomes for smallholding families contributes to achieving these sustainable development goals (SDGs):



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