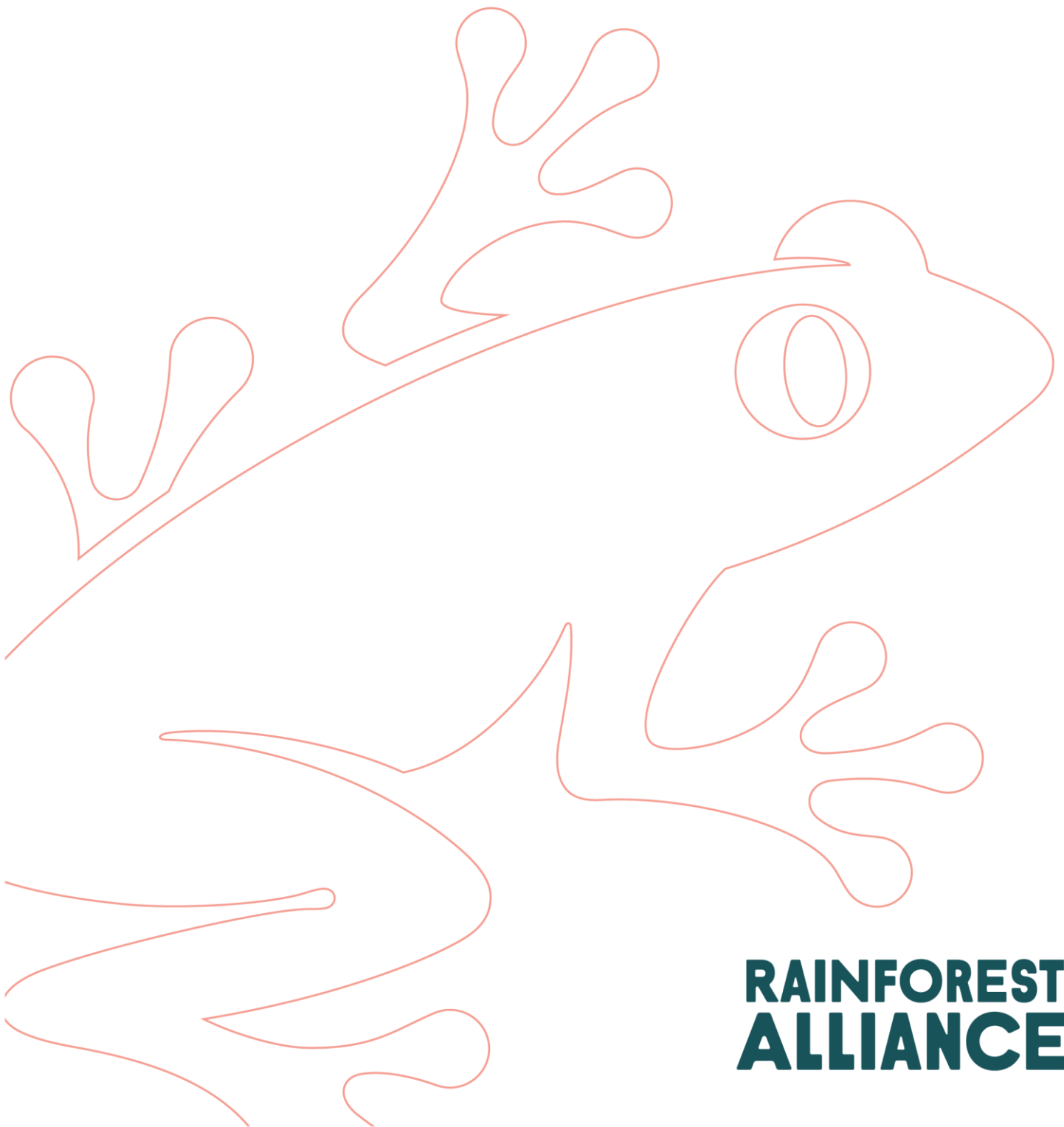


ANNEX 5

Living Income Tool User Manual

Version 1

Date: June 2020



**RAINFOREST
ALLIANCE**



Translation Disclaimer

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More information?

For more information about the Rainforest Alliance, visit www.rainforest-alliance.org or contact info@ra.org

Issue Date:	Binding date:	Expiration date:
June 30, 2020	July 1, 2021	Until further notice
Developed by:		Approved by:
Rainforest Alliance Department Standards & Assurance		Chief Supply Chain Officer
Linked to (code and name of documents, if applicable):		
SA-S-SD-1-V1 Rainforest Alliance 2020 Sustainable Agriculture Standard, Farm requirements		
Replaces:		
Not applicable		
Clause or requirement number and text (if applicable):		
3.1.1, 3.1.2		
Applicable to:		
Farm certificate holders		
Country/Regions:		
All		
Crops:	Type of organizations:	
Tree crops (such as coffee, cocoa), tea, fruits (such as bananas, coconuts and pineapples), nuts (such as hazelnuts) and cut flowers. Vegetables and palm: subject to confirmation	Small farms, in groups and individually certified	



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INTRODUCTION

To drive progress towards achieving a living income for producers, it is crucial first to help farms to assess their current situation and then create a pathway to close the gap. The Sustainable Agriculture Standard also defines the necessary steps towards making a living income a reality for producers. A Living Income Tool has been developed to allow certificate holders to estimate the producer's net income and identify the gap between that and the living income benchmark for their country. This tool is not yet a mandatory requirement and is available initially for a limited number of countries, starting with Côte d'Ivoire and Ghana. It will be progressively developed to include a wider range of contexts.

This document is an introduction and guide on how to use the Living Income Tool. The Living Income Tool provides a way to estimate the net income of group members in an easy and reliable way. By using this tool, Certificate Holders can compare the net income of their members against the living income benchmark and monitor progress in closing the gap over time. Many buyers are increasingly interested to understand whether farmers in the supply chains they source from are moving towards a Living Income. This requires certificate holders to be able to report on farmers' income. The Living Income Tool helps certificate holders to focus their efforts to bridge the gap to a Living Income and assess how effective they are in improving the income and livelihood of their members.

The tool estimates total net income for each farmer, based on the relationship between Total Net Household Income, Total Cocoa Harvest volume, and the Average Share of Income that a cocoa farmer earns from non-cocoa 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*).

The Living Income Metrics are presented graphically in the Living Income Tool in two dashboards. The graphs in the dashboards provide insights into farmers' current poverty status, the gap for them to reach a Living Income, and the time it will take to achieve this goal. Besides each farmers' total cocoa harvest volume, four extra data-points (country, year, administrative division, gender) are recorded to the tool for each farmer, allowing for the disaggregated presentation of the Living Income metrics.



OVERVIEW OF THE TOOL

The first page of the tool (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, and gender). Below we provide the exact definition of each of these variables and explain the steps for adding new data to the tool. The data required for the tool should be readily available in the databases of the certificate holder.

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 recorded so that it corresponds to the Living Income Tool description and 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, running from 1st of October to the 30th of September. (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 per **Region** in Ghana and per **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 during the commercial season, hence between the 1st of October and the 31st 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

Côte d'Ivoire	Ghana
Abidjan	Western
Agnéby Tiassa	Eastern
Bélier	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, such that it can run on any version of Excel. One limitation, therefore, is that a *maximum* of 10,000 farmers can be loaded to any single version of the tool. A version of the tool that is compatible with Excel office365, which can include much larger numbers of farmers, will be made available as a public tool at a later stage.




Paste data to the datasheet

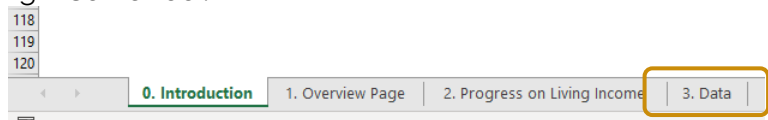
Data is added to the tool following five simple steps.

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 1.2.3 of the Rainforest Alliance Sustainable Agriculture Standard) into the Living Income Tool.

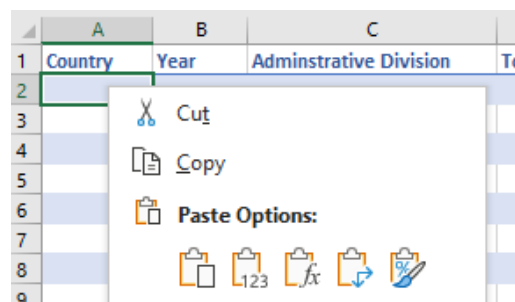
4  Once you open the Living Income Tool:

- 4) Open the Datasheet of the Living Income Tool

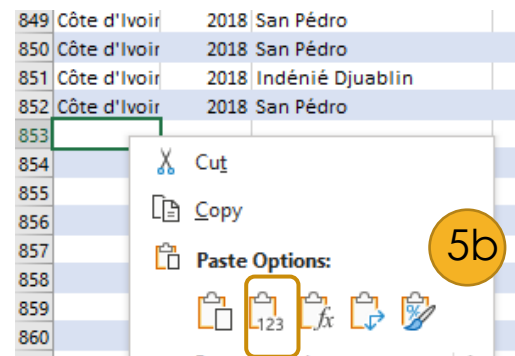


- 5) Paste data into the tool:

- a)  5a  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 data-sheet. 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 year, country and administrative division. The dashboards in the Overview Page and Progress on Living Income Page use the data you input into the tool to graphically represent the information about the farmers in the group.



THE OVERVIEW PAGE

On the overview page, the user can see the proportion of households that live 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.

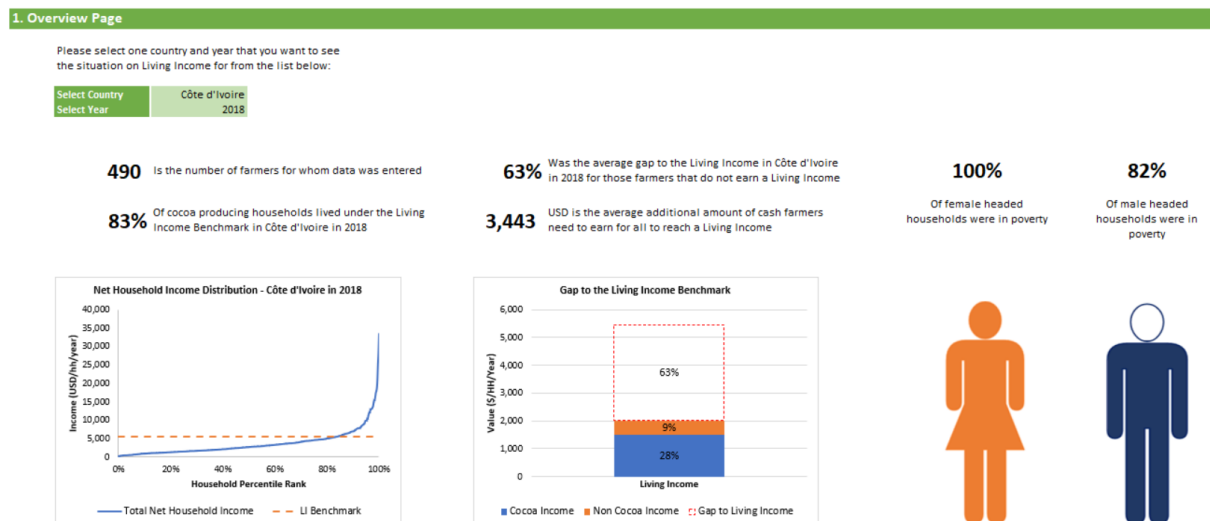
Instructions at the top of the dashboard show the user how to select the country and year for which information is to be graphically presented. Clicking on the cell containing the country name or year, will show a dropdown menu with the available countries and years for which data has been added to the tool. The user selects a country or year by clicking on it in the dropdown menu. By clicking again, the dropdown list disappears 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: The first graph provides a Net Household Income distribution, including the Living Income Benchmark presenting graphically the share of households living below the living income benchmark, as well as the gap to the Living Income for each individual household. The second graph provides an overview of the average gap to a Living Income for those households living below the benchmark. It also indicates for these farmers what share of the Living Income is earned with cocoa and what share is earned from non-cocoa sources. The third graph provides poverty incidence figures by gender.





THE PROGRESS ON LIVING INCOME PAGE

On this page, the user can monitor progress on Living Income metrics over time for a particular country.

At the top of the dashboard page, the user first sets the country for which the overview is to be provided, by ticking 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 USD/MT dry cocoa beans paid to farmers for each season:

Living Income Differential	Sustainability Differential
400	0
0	0
0	0

There is an option to see the effects of paying a Sustainability Differential/ Living income differential to cocoa farmers (step 3).

In some cases, certificate holders and members receive an extra amount on top of the market price for the selling of their produce. This extra amount could be:

- 1) A sustainability differential¹ for the rainforest 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 for quality agreed on with the buyers
- 3) Additional differentials mandated by third parties such as government, eg -The payment of the newly establish Living Income Differential or LID in both Ivory Coast and Ghana. In such a case, users can enter this amount manually.

Setting these differentials is only used where relevant. The user can set these differentials by typing them in the appropriate cells next to the years that are available in the data for the selected country.

Note the following:

- The differentials should be entered in USD/MT dry cocoa beans. This value should represent the equivalent in local currency that is on average paid to farmers for whom data was added to the tool.
- The user should enter the *weighted 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 *ceteris paribus*: The differential is multiplied by the farmers' cocoa harvest volume and added to his/her total income. 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 introduction of the differential.
- 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

¹ The RA sustainability differential is defined as 'An additional cash amount paid above the market price for a similar conventional (non-certified/non-verified) product, because the product is sustainably produced and meets the requirements of the Rainforest Alliance standards. The Rainforest Alliance Sustainability Differential is mandatory and agreed upon between the Rainforest Alliance agricultural farm standard certified group or producer and the first buyer, is net of any deductions for repayment of pre-financed goods or services. The Sustainability Differential is set in line with Rainforest Alliance standard requirements and applicable guidelines.'



the Overview Page, for the country and year for which these differentials were added to the tool.

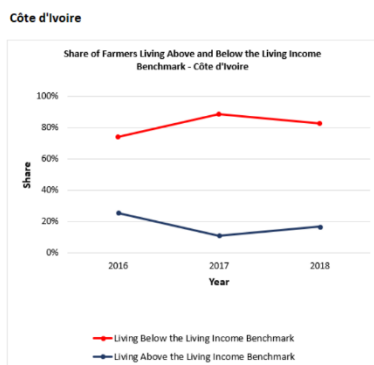
Once the country and years have been selected and the Living Income and Sustainability Differentials are provided, the graphs showing the developments of key Living Income metrics will be automatically updated.

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

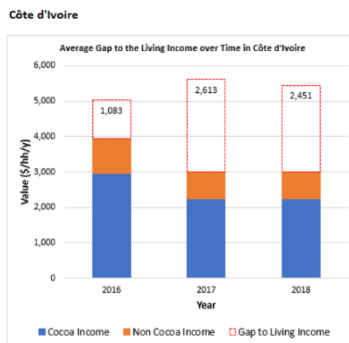
The second and third graphs provide information about changes in the gap between current income and a Living Income (for all farmers and for the farmers below the Living Income benchmark respectively).

The fourth graph shows the net household income distributions for the selected seasons. The

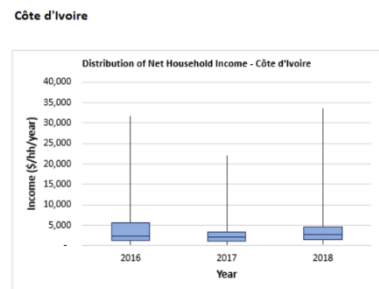
2.1 Share of farmers achieving a Living Income over time



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



2.4 Distribution of Net Household Income over time



first three graphs are accompanied by overview

tables at the administrative division level, providing a within the country overview of geographical variation in poverty incidence and the gap to a Living Income.

Share Results with Rainforest Alliance

The results of the Living Income Tool are shared with the Rainforest Alliance.