

### Context

On 23 May 2025, Fairtrade convened a stakeholder dialogue in Brussels focused on strengthening its Living Income Reference Price (LIRP) model for cocoa. The LIRP is a key element of Fairtrade's Living Income Strategy, designed to enable fair remuneration for smallholder farmers, so they can afford a decent standard of living.

This gathering brought together a diverse group of cocoa stakeholders – producers, civil society organisations, academics, private sector actors, and Fairtrade representatives – for a collaborative exchange. It created a space for shared reflection, critical feedback, and co-learning.

### Why now?

Since its first launch in 2018, the LIRP model has evolved from an innovative concept into a widely applied tool that serves as the *de facto* industry benchmark. With over five years of implementation and refinement, and the announcement of updated cocoa reference prices for Ghana and Côte d'Ivoire in January 2025, Fairtrade sees this as the right moment to undertake a comprehensive review of the model's foundations to ensure it remains fit for purpose in a changing context.

The dialogue was also prompted by valuable feedback from stakeholders, who raised important questions about some of the assumptions and potential of the model to drive real progress towards living incomes. In addition, stakeholders highlighted a lack of clarity around the way inputs from the consultation for the recently updated cocoa LIRPs were used, and called for greater transparency and broader inclusion moving forward. Their perspectives underline the importance of an inclusive and open exchange to further strengthen and future-proof the LIRP model. This dialogue was designed to strengthen its integrity, relevance, and impact – ensuring that it reflects the realities of cocoa producers and the responsibilities of all actors in the value chain.

### Dialogue objectives

- Jointly assess and reflect on key principles, assumptions, and challenges within the Living Income Reference Price (LIRP) model as a central tool in Fairtrade's Living Income Strategy.
- Identify and prioritise areas for improvement to guide the further development and strengthening of the LIRP model.
- Harvest input on the positioning and implementation of the LIRP to ensure it remains relevant and effective for cocoa farmers and market actors alike.

## Key take aways

The stakeholder dialogue reaffirmed the importance of Fairtrade's Living Income Reference Price model as a powerful tool for systemic change. Participants appreciated Fairtrade's leadership in developing the concept of a rights' based reference price and welcomed Fairtrade's role as frontrunner on this topic. At the same time, the dialogue clarified where we must do better: grounding our model more deeply in real-world complexity, communicating with greater clarity, and strengthening inclusive governance structures that drive credibility and impact.

### 1. Clarifying the purpose of the LIRP model

While the dialogue reaffirmed the value of the LIRP, important issues and challenges were raised about the model's design and positioning:

- Is the model based on the reality of a Fairtrade producer, recognizing that these farmers often have better access to support services and inputs, or should it be reflective of all farmers generally?
- There is confusion about the purpose of the LIRP vis-a-vis additional investments needed to enable farmers to earn a living income. A clearer narrative on the purpose of the LIRP is needed.
- The principle of co-responsibility prompted critical reflection, with concerns that it may unintentionally shift too much burden onto farmers, particularly where productivity assumptions were not considered to be realistic.
- Stakeholders urged Fairtrade to consider the diversity of farmer realities - including part-time farmers and agro-ecological differences.

### 2. Grounding the model in evidence and farmer realities

Data and insights from producers underscored the need for a context-sensitive model built on strong evidence.

- Income diversification is essential for many farmers and often a rational response to market and climate pressures - cocoa income alone is rarely sufficient.
- There is a clear link between higher productivity and investment, but also a persistent question: why are many farmers not able (or not willing) to invest more? Barriers such as risk, labour shortages, climate volatility, and cultural preferences are central here.
- Participants emphasized that not all farmers aim to maximise yield. Models should acknowledge a broader set of motivations and indicators of well-being.
- There was strong support for strengthening shared data systems to allow for more representative, multi-year data that reflects diverse realities - not just those of high-performing farms.

### 3. Market realities and the role of LIRP in corporate practice

Companies confirmed that the LIRP has strategic value: it helps demonstrate commitment to responsible procurement, offers a benchmark for fair pricing, and aligns with evolving regulatory expectations. Still, significant operational and systemic hurdles remain.

- Affordability and internal (procurement) alignment are key concerns. Budgeting for LIRP payments within CSR domain and outside procurement processes complicates implementation.
- Credibility and clarity: Stakeholders stressed the importance of realistic assumptions and a model that remains credible under scrutiny - particularly around yield, farm size, and cost of sustainable production.
- There was consensus that price remains central to achieving living incomes. It cannot be seen as just one element among many; addressing historic underpayment requires a continued focus on fair pricing.
- Participants also underlined that clear communication, a predictable review cycle and accountability mechanisms are essential, especially as companies face increasing pressure from regulation and consumers.

### 4. Towards a shared vision for the purpose of the LIRP

Despite differing perspectives, participants agreed on the following definitions for the evolution of the LIRP, echoing the LIRP should function as:

- A sector-recognized reference price defining a fair farmgate price that enables decent livelihoods, assuming adequate productivity and farm size.
- A minimum threshold for decent living, accounting for fair remuneration of all labour, including unpaid household labour, and incentivizing good agricultural practices.
- A rights-based benchmark for what farmers should earn, regardless of current market dynamics or uptake potential.
- A signal of commitment for companies, an indicator of responsible purchasing within their sphere of influence.
- Part of a broader package. The LIRP alone is not sufficient and complementary interventions are needed to support farmer productivity and climate resilience, as well as creating alternative income generating opportunities.

Participants made the following recommendations:

- The principle of co-responsibility requires a shift in framing to ensure farmers are not expected to carry an unfair or disproportionate share of the burden. Greater responsibility lies with those who hold more power in the supply chain.

- Fair remuneration should be the non-negotiable floor and Fairtrade should make LIRP payment mandatory in its standards.
- Governance and credibility must be strengthened; proposals included establishing an independent expert council to help shape future iterations of the model, ensuring broad legitimacy, rigorous oversight, and shared responsibility.

A new, common narrative is needed. The concept of "return on labour" to explain the principle of fair remuneration, resonated strongly and may help reduce misunderstandings without altering the model's core principles.

### Commitments from participants

The dialogue reflected a collective energy and commitment to making the LIRP more grounded, transparent, and fit for purpose - not by defending its current form, but by improving it together. Participants expressed:

- A shared readiness to actively support the process going forward.
- Acknowledgment that while the LIRP is not the only solution, it is a foundational building block that needs improvements to serve its purpose.
- Agreement on the importance of ongoing collaboration, transparency, and stakeholder engagement to maintain momentum and trust.

### Fairtrade's commitment and next steps

Fairtrade appreciates the broad support for the LIRP and the constructive recommendations for improvement. Fairtrade will follow a clear timeline and process to further refine and strengthen the Living Income Reference Price (LIRP). This process will integrate diverse stakeholder inputs to ensure the LIRP is practical, credible, and aligned with the shared goal of improving farmer livelihoods. Based on the outcomes of the dialogue, Fairtrade commits to the following next steps:

#### JUNE 2025 – action planning

- Digest workshop discussions and summarize key outcomes, incorporating stakeholder reflections.
- Develop a transparent action plan that explicitly addresses the above points raised by participants

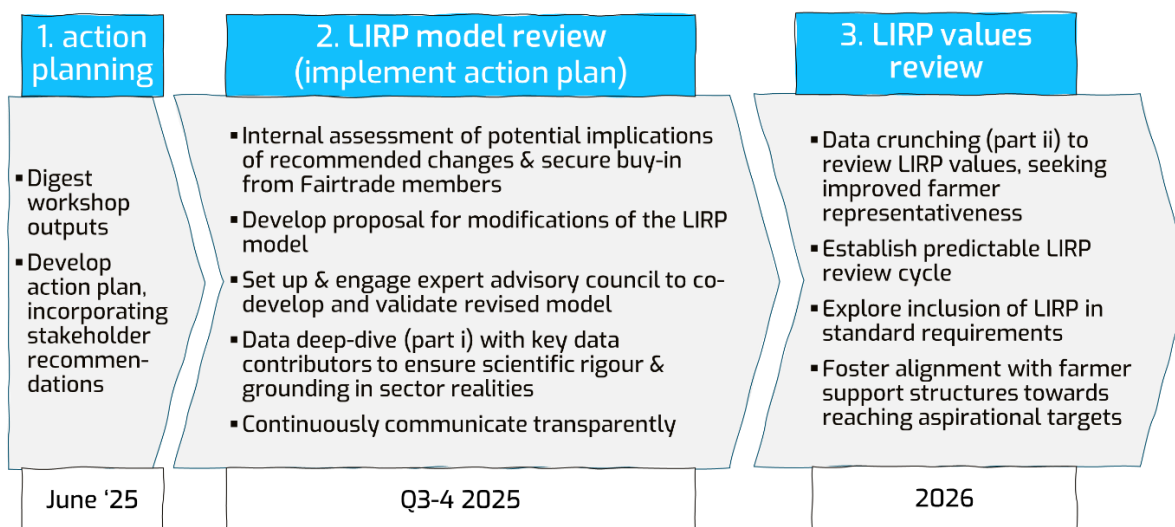
#### Q3/Q4 2025 – LIRP model review

- Implement the action plan incorporating above guidance and stakeholder feedback.

- Conduct an internal assessment of potential implications of the recommended changes and secure buy-in from Fairtrade members.
- Develop a proposal for modifications of the LIRP model.
- Set up and engage an expert advisory council to co-develop and validate the revised model as a first step and to continue supporting the calculation of future cocoa LIRPs.
- Co-organise a first data deep-dive session with key data contributors to test model assumptions and scenarios, ensuring scientific rigour and grounding the model in sector realities.
- Communicate openly and continuously with external audiences about progress and findings.

## 2026 – LIRP values review

- Continue data crunching to review LIRP values, seeking improved farmer representativeness.
- Finalize the calculation of new Living Income Reference Prices for cocoa from Ghana and Cote d'Ivoire, and define a predictable review cycle going forward.
- Explore ways to incorporate LIRP payment into standard Fairtrade practices.
- Foster alignment with farmer support structures to help reach aspirational targets without overburdening households.



## Closing statement

Fairtrade is dedicated to listening, learning, and leading – and we invite all stakeholders to join us on this journey. Together, we can make the LIRP a lever that not only sets a price benchmark for cocoa, but also builds a system towards equity, sustainability, and farmer dignity.