

<b>Project Assignment</b> <b>Cocoa Economic Model Farmer Income</b> <b>(09.11.2015)</b>	
<p><b>Rationale for and justification of need for the project</b></p> <ul style="list-style-type: none"> <li>- Worldwide, many cocoa producers live in poverty. Even despite relatively favourable world market prices for cocoa, many producers are not able to move out of poverty.</li> <li>- Fairtrade offers two economic tools to Small Producer Organizations (SPO's), the Fairtrade Minimum Price (FMP) and the Fairtrade Premium (FP). The FMP and FP are defined on the FOB level and they are supposed to improve the prices received by the SPO.</li> <li>- However, there are many steps between the individual producer selling his cocoa beans, and the FOB level at which the Fairtrade prices are defined. For this reason, it is not always clear whether the benefits of the FMP and FP actually trickle down and cause a positive impact on producer income. Besides, in some countries cocoa prices are heavily influenced by the government price interventions. These government regulations can strongly influence producer income.</li> <li>- The objective of this project is to gain a better understanding of the income of cocoa producers and the drivers for improving the income on the farm gate level. By gaining better understanding of producer income, we would be able to adapt Fairtrade's economic interventions (FMP and FP) more effectively.</li> <li>- The project requires in-depth investigation and data gathering on the farm level. Considering the labour intensity and costs of the data gathering, the project will initially focus on Cote d'Ivoire. This region was selected because of the prevalence of government interventions in cocoa pricing and the relatively high levels of poverty among cocoa producers. If the project is successful, it could be replicated in other regions.</li> </ul>	
<p><b>Risk assessment</b></p> <p><u>Risk:</u> One of the risks in this project is a possible lack of field data. For this project, it is very important to have robust data on farmer income. It might be difficult to gather this data on the farm level, due to high travel costs, or due the lack of availability of this data at the farm level.</p> <p><u>Mitigation:</u> This project will plan for sufficient time and budget for collecting data from the field. Besides, the project will also have to dedicate a considerable amount of working time to the collection of data from the field.</p> <p><u>Risk:</u> Cocoa prices in Cote d'Ivoire are influenced by government price interventions. These interventions might have considerable impact on producer income.</p> <p><u>Mitigation:</u> As part of this project, a short desk study shall be done, to map these price interventions and their possible impacts. This desk study will enable us to understand the impacts of price interventions on producer income, which allows us to give better direction to the research project.</p>	
<p><b>Project Start Event</b></p> <ul style="list-style-type: none"> <li>- Approval of the PA</li> </ul>	<p><b>Project Start Date</b></p> <p>05/11/2015</p>
<p><b>Project End Event</b></p> <ul style="list-style-type: none"> <li>- Presentation of the final report</li> </ul>	<p><b>Project End Date</b></p> <p>30/06/2015</p>
<p><b>Project Goal and Objectives</b></p> <p><u>General goal:</u> Gain a better understanding of income of cocoa producers in Cote d'Ivoire and the drivers that can help to improve incomes at the farm gate level.</p> <p><u>Specific objectives:</u></p> <ul style="list-style-type: none"> <li>- Identify the factors that influence farmer income.</li> <li>- Collect data on income at the farm gate level.</li> <li>- Collect the Costs of Sustainable Production (COSP) for individual farmers.</li> <li>- Understand how Fairtrade's economic mechanisms (FP and FMP) influence income on the farm level.</li> <li>- Develop a detailed and dynamic model for farmer income (i.e. that also considers possible investment strategies for farmers and the risks and returns on those investments)</li> <li>- Deliver a final report that will enable us to:</li> </ul> <p>1. take an informed and critical approach to the 2016 price</p>	<p><b>Out of the scope</b></p> <ul style="list-style-type: none"> <li>- Analysing producer income in other origins than Cote d'Ivoire</li> <li>- Review the FMP and FP for Cocoa</li> </ul>

<p>review, 2. offer credible (evidence-based) input to the industry discussion around sustainability and livelihood improvement strategies, 3. develop economic interventions and sustainability solutions appropriate to commodity and context.</p>			
<p><b>Project scope</b> - This project will focus on producers in Côte d'Ivoire. After the evaluation of this project, it will be assessed whether the project can be replicated in other countries.</p>	<p>Resource type</p>	<p>Quantity / type</p>	<p>Costs (EUR)</p>
	<p>Consultancy (economic model)</p>		<p>TBD</p>
	<p>Data collection by GPM/S&amp;P</p>		<p>TBD</p>
<p><b>Project timelines</b> <b>Nov 2015</b> Prepare and publish call for proposals for consultancy on strategy for collecting data on the economic model for producer income <b>Nov 2015</b> Desk study government price interventions <b>Dec 2015</b> Evaluation and selection of proposals for external consultancy on data collection <b>Dec 2015</b> Kick off consultancy project <b>Dec 2015</b> First draft of economic model <b>Jan-Apr 2016</b> Collecting field data on producer income and COSP <b>May-Jun 2016</b> Presentation of final report, including recommendations for economic interventions to improve producer income.</p>	<p><b>Decision making process</b> Because this project consists of research and investigation, any changes to the Standard or prices for cocoa are not in the scope of the project. Therefore, the results of this project do not have to be presented for decision making. The outcomes of this project will be used as an input in the price review for cocoa in 2016.  The decisions on the selection of consultants and the approval of the final report of the consultants will be taken by the project owner.</p>		
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<p><b>Project Team</b> GPM Cocoa, Caitlin Peeling <a href="mailto:Caitlin.Peeling@fairtrade.org.uk">Caitlin.Peeling@fairtrade.org.uk</a>  Project Manager Pricing, Joost Hamelink <a href="mailto:j.hamelink@fairtrade.net">j.hamelink@fairtrade.net</a></p>	<p><b>Project Environment</b> - FT Africa - Global Product Management - Monitoring &amp; Evaluation - National Fairtrade Organisations - Standards and Pricing</p>		