First Webinar Living Income for Coffee Farmers in Due Diligence Regulations  
CPPTF /ICO - TWS1, 2, 3  
3rd of May, 14.30 CET – 16.30 CET  

Summary Report

Opening: Gerardo Patacconi, Head of Operations – International Coffee Organization

The ICO Head of Operations, Mr Gerardo Patacconi, opened the webinar by informing that the Coffee Public Private Task force (CPPTF) promoted the online event with the support of workstreams (TWS) TWS 1, TWS 2 and TWS 3, proving the usefulness of cooperation. Pataconi also explained the webinar’s objective was to facilitate the discussion around living income, focusing on farmers and the connexion with the regulatory framework, particularly the due diligence regulations.

He also provided the context regarding ICO’s involvement with the ‘Living Income (LI) debate’. The discussion about Living Income and closing the LI-gap was already part of the London Declaration and the preceding consultations (2018) and was initially driven by the low coffee prices. The resulting roadmap was approved by the private sector and the government ICO members. Consequently, since then, ICO has actively worked to carry out benchmark assessments in some coffee-producing countries.

According to Mr. Patacconi, the EU Commission Corporate Sustainability Due Diligence Directive (CSDDD or CS3D) is an opportunity to look into Living Income, to which ICO is positioned to respond.

Welcome, Context and Objective, Approach, Living Income in CPPTF

Ms Hannelore Beerlandt, TWS3 Facilitator, explained the webinar’s focus lays on possible integration of Living Income into due diligence regulations. This includes conceptual discussions but also considering operational implications to implement the concept. She explained that opinions on this question differ and that we don’t need a total consensus at this moment. The target is to see whether there are any elements of common ground today regarding ‘do’s’ or ‘don’t do’s’ regarding LI in due diligence regulation within the sector.

Ms Beerlandt also asked the participants to consider potential risks for smallholder exclusion or for causing trade patterns that lead to more supply concentration. Mitigating risks and rebalancing the heterogeneity of the sector are aspects that could be addressed as a consequence of the CS3D, according to Hannelore.

The CS3D brings an opportunity for the coffee sector to display the accumulated knowledge, insights and practice available in the sector.
Ms. Beerlandt points out that there are long-term objectives and short-term objectives. In the short term, the meetings allow the sector to understand the arguments and position of all. Moreover, a two-pager with first elements of consensus will be produced by the end of May. The European Parliament will vote its position vs the draft CS3D on 30 May. The two-pager can influence participants of TWS3 IC to dialogue with policy makers. In the long term, the work can contribute to possible positions of the CPPTF or ICC and feed into a High-Level Dialogue.

**Having the EU Deforestation Regulation in hindsight, one notes the general willingness among participants to actively and timely react to the directive and its process.**

Wolfgang Weinmann, CPPTF Coordinator and moderator of the webinar, briefly explained who the core group members were and gave the floor to the first panellist.

Ms Tessa Meulensteen from the Sustainable Trade Initiative (IDH) started her presentation by acknowledging the complexity of the Living Income topic. The speaker also underlined that prosperity is crucial for the sustainability of the coffee sector, as agreed in the roadmap and respective task force. According to Ms Meulensteen, the Living Income Benchmarks are crucial metrics for understanding prosperity and for a joint framework towards Living Income. CPPTF has an advantage that they have identified a validated benchmark calculation method, accepted by the sector.

She understands that the CS3D can be a driver for stable market transformation. The speaker argues that the CS3D can enable a sustainable market transformation; it can also be a pathway to institutionalise Living Income in the coffee sector and, as such, an opportunity to obtain a level playing field and prevent a possible race to the bottom.

**Legislation can be a driver for stable market transformation.**

Ms Meulensteen also highlighted that legislation should never stand on its own; agreements, data and financing should accompany it. Most importantly, it should respect and take on board the local initiatives, regulations and expertise of producing countries by financing and supporting what is already in place.

Ms Meulensteen pinpointed that Living Income cannot be an out of context obligation. Dialogue and agreement on several (economic) aspects would be needed. Examples are: what occurs under context of inflation, what if coffee is not the only source of income, need for transparency in the value chain... Most of all, agreements would need to be made on how much public sector and private sector contribute to fill the gap, certainly regions where producers earn much less than the Living Income Benchmark.

Mr Reint Bakema, on behalf of Café Africa in Uganda, started his intervention by explaining the extension of the NGO operations in the country. Currently, they work with 20,000 farmers and planning to expand to 30,000. This is important as Mr Bakema brings the view on how the regulation will affect those farmers. He provided some details on the farm size, productivity and diversification. He argued that diversification, along with intercropped systems, is a strategy to achieve better income...
and decrease the dependency on coffee. This means that the income of farmers doesn’t depend on coffee only and that it would be difficult that the coffee value chain would need to fill that gap.

According to Mr Bakema, the coffee value chain in Uganda is heavily fragmented at its bottom – which might hinder the calculations for reference pricing – and concentrated at the top. He continued explaining how some benchmarks, despite their limited scope, are helpful tools for policymakers. He also underlined the importance of traceability. For him, traceability is an issue and also an opportunity. The question is how to organise it, considering different local and company systems and double counting. Also the timing is a problem.

Finally, the Café Africa representative argued that higher prices to farmers might result in higher supply, which might create coffee overproduction and crises in the international market.

What is the impact on the balance between supply and demand? If we artificially boost prices, what will happen to the global market?

Justin Archer, representing SUCAFINA, provided the view of the private sector as a global trading company operating in around fourteen producing countries worldwide. According to Mr Archer, Sucafina works with around 200,000 identified farms, and still, the company do not have full traceability of their supply chain, stressing the difficulties in achieving full coverage. Nonetheless, Sucafina works to support farmers and improve their income, focusing on the productivity strategy. This strategy also reflects Sucafina’s interest in the continuity of the coffee value chain.

Mr Archer conceded that legislation has a role to play in this discussion, but he provided a cautionary note against introducing an obligation to address living income through broad brush policy strokes; instead, this very complex problem needs to be approached supply chain by supply chain, region by region, country by country and might need to be started under voluntarily mode.

For him, to rebalance the competitive market, solutions other than the Living income can be more effective to better remunerate farmers like reducing the cost of production, the infrastructure cost, and trade costs – where governments have a role to play and should share the burden related to the economic side of sustainability.

Mr Archer also argued that shortening the supply chain can create more efficiency, but the politics of eliminating intermediaries are challenging in some countries. He pointed out ways to improve farmers’ incomes in the places where it makes sense, as the industry should consider supporting the farmers transition out of coffee and delve into other activities where possible.

The question of Living Income can’t be resolved by a single measure; other ways to remunerate farmers should come into the discussion, like the payment to plant more trees and be good keepers of the environment, ways to earn carbon credits and perhaps including human rights performance indicators. Those measures would also help with the problem of LI-induced deforestation or over-supply.
The question of Living Income can’t be resolved by a single entity; other ways to remunerate farmers should come into the discussion, like the payment to plant more trees and be good keepers of the environment, ways to earn carbon credits and perhaps including human rights performance indicators.

First Q&A session

During the first Q&A session, Ms Meulensteem pointed out that there is some common ground to discuss and that the challenges we are addressing are very similar. She stressed the importance of the diverse origins of coffee for the sector, so we cannot rely only on Brazil and Vietnam for production, despite their high productivity.

She also underlined the EU’s central role as a significant coffee buyer. She argued that to make living income work, we do not need more isolated projects but to make structural changes to close the gap.

Mr Bakema deepened his argument on the direct implications of the regulation and how farmers and associations might address it. Transition and diversification will be the strategies adopted in some farms in Uganda that are not about increasing coffee but building diverse, sustainable farms. According to Mr Bakema, farmers will make different economic choices; their efforts and money regarding investment follow a rationale of mixing different crops to get an optimal yield and, ultimately, an optimal outcome. And that outcome is a combination of money, food, security and things they like to grow.

Stephanie Daniels, Sustainable Food Lab and the TWS 1 coordinator, argued that very few other sectors have this architecture of dialogue to discuss Living Income and to calculate and use Living Income Benchmarks. Ms Daniels sees the debate as an opportunity to educate the policymakers in the EU about the tools and knowledge accumulated within the CPPTF. Ms Daniels stresses the importance of also having National and Regional Coffee Platforms in which these issues can be discussed with all stakeholders involved. We can encourage the European Union to refer to this architecture and benchmark methodology that are already in use.

Ms Daniels also pointed out that a living wage is already included in the CS3D and reminded that if farmers are required to pay a living wage to hired labourers, their farm needs to be profitable.

Mr. Archer reaffirmed that the private sector cannot carry all the burden and responsibilities for every economic problem within the coffee sector. The industry is committed to finding solutions, but this should be part of a larger smart policy. Moreover, if the private sector were the only one to contribute to the Living Income Gap, then traders would concentrate in regions where the Living Income Gap is smaller, like in Brazil.

Isabelle Lemmens, from ECF – European Coffee Federation, started her intervention, informing that ECF’s position is not validated by members yet, so she is instead bringing a general reflection. This reflection is built upon supporting farmers’ prosperity, but there are challenges.
Lemmens from ECF argued that the benchmarks developed by the technical workstreams need to cover more producing countries, as well as needing to deliver the tools to promote the gap closure.

Regarding the regulatory framework, ECF representative sees it as problematic if the CS3D text continues to have responsibility fall only on the company and the company’s directors. The responsibility to create conditions under which farmers can earn an income that allows them a decent level is a shared responsibility of companies, public sector, consumers and NGOs. (It might also be an issue for the sector; a shared responsibility as highlighted in the UN Guiding Principles on Business and Human Rights).

She is also slightly less enthusiastic about the timing of the regulation. There are many pieces of legislation coming in at the EU level, including deforestation and forced labour regulation. Food systems...

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**UN guiding principles and international standards portray responsibilities not only for enterprises but also for states and other stakeholders.**

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Mr Bakema echoes the timing issue; for him, it would be positive if slowed down a bit to think through carefully.

**Joao Mattos, CLAC – Farmers’ Organisations Fair Trade Latin America,** provided a Latin American view of the debate. While explaining CLAC operations and broadness, Mr Mattos pointed out the practical challenges of measuring social aspects of sustainability. For example, while deforestation can be measured via satellite images, measuring/monitoring due diligence and social aspects generally require multidimensional tools. To respond to the measurement challenge, Joao illustrated that CLAC coffee pilots start with risk analysis and prioritisation, then comes mitigation, prevention and remediation mechanism, followed by monitoring, communication and remediation.

Joao argues that training cooperatives to address social risks and promote social rights is fundamental but will not solve all the issues. According to Mr Mattos, the state has a role in promoting labour and social rights. He illustrated examples of creating a kindergarten with care workers, which could be supported by the state. This support would help increase efficiency as more women could work on the farms, addressing, at least partially, income problems. According to Mattos, without the state's participation in producing countries, it is impossible to guarantee conditions under which farmers can earn an income that allows them a decent standard of living.

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**Without the state’s participation in producing countries, it is impossible to guarantee conditions under which farmers can earn a living income.**

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Mattos echoed the argument that the EU should be mindful of local regulations and coordinate better with national regulations. As it stands, EU regulation conflicts with regional and local regulation in numerous aspects. (i.e. cooperatives’ size, internal regulations – EU organic X cooperative).

Closure at 16.30h. The next webinar is on May 24th. The coregroup will meet before the next Webinar.
Annexes

1- Agenda (Original)
2- Attendees list
3- Chat + Q&A
4- Recording - The recording is now uploaded to our webpage – please see link below

1- Agenda (Original)

First Webinar Living Income For Coffee Farmers in Due Diligence Regulations
CPPTF /ICO - TWS1, 2, 3
3rd of May, 14.30 CET – 16.30 CET

Agenda

Facilitator: Gerardo Patacconi, Operations Director, ICO

- 14.30h – 14.50h: Welcome, Context and Objective, Approach, Living Income in CPPTF
- 14.50h- 15.30h:
  - Tessa Meulensteen (IDH)
  - Reint Bakema, (Café Africa, Uganda)
  - Q&A among speakers and to speakers
- 15.30h- 16.25h: Two speakers
  - Isabelle Lemmens, (ECF – European Coffee Federation)
  - Joao Mattos (CLAC – Farmers’ Organisations Fair Trade Latin America)
  - Q&A among speakers and to speakers
- Closure at 16.30h
2- Attendees List

TWS3 - First Webinar on Living Income for coffee farmers in due diligence regulations

Name (Original Name)
TOGO-Celestine SOKPOR
TOGO-Safoura
Reint Bakema
Isabelle Lemmens
Tessa Meulensteen
Mick Wheeler
Simon Gmeiner
Juan Mesa
Dea Melina
Stephanie Daniels
Wolfgang Weinmann - ICO
Nicolas LÉGER - LDC
Janina Grabs
Yao Amecy
Justin Archer
Colman Cuff - ECOM
Marcelo Burity - Nestle
Sylvia Calfat - TWS2-COSA
Camilo Sanchez - OFI (Olam Food Ingredients)
Leif Pedersen
Francesca Pellis - Illycaffè
Liam Brody
Wytze Marinus - Sucafina
Fanny Gauttier - RA
Daniel Viviers-Rasmussen - NewForesight
Karmen Yoong
Paula Mejia - Neumann Group
sui
Jeremy Lefroy
Gerardo Pataconci - ICO
Christopher Wunderlich
VICOFA
Togo Yolande
Jose Andrade
Yanerit Morgan
Heitor Granafei
Gazani Fihabrina
Melissa Salazar
Omar Funez - Conacafe
Beatrice
Junie
Joao Mattos
3- Chat

15:57:23 From Justin Archer to Hosts and panelists:
https://in-confectionery.com/hershey-launches-income-accelerator/

15:58:02 From Justin Archer to Hosts and panelists:
Above is a good example of how other sectors are addressing LI by incentivising farmers to meet obligations - in this case conforming to human rights

16:27:39 From Stephanie Daniels to Hosts and panelists:
And Isabelle - the way the ICO living income benchmarks and costs of production studies are being done is with the leadership of national coffee authorities with strong private sector support.

16:32:14 From Justin Archer to Hosts and panelists:
Thank you for a very open and interesting discussion.

16:32:41 From Tessa Meulensteen to Hosts and panelists:
Yes, thank you very much. Very valuable.

16:33:36 From Reint Bakema to Hosts and panelists:
Thank you very much, and let’s continue talking.

16:34:19 From Stephanie Daniels to Hosts and panelists:
Indeed, thank you to all of you for your helpful and clear contributions

### Question & Answer

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<tr>
<th>Question</th>
<th>Asker Name</th>
<th>Answer</th>
<th>Answer Name</th>
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<tbody>
<tr>
<td>Hello friends! Thank you for organizing.</td>
<td>Liam Brody [he/him]</td>
<td>Good to have you with us Liam</td>
<td>Wolfgang Weinmann ICO CP</td>
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<tr>
<td>Hannelore, can you list the members of the core group?</td>
<td>Hannelore,</td>
<td>She will share them in next slide</td>
<td>ASRAFS</td>
</tr>
<tr>
<td>Thank you Hannelore, could you please confirm who or which organizations are part of the Core Group?</td>
<td>Paula Mejia [Neumann Group]</td>
<td></td>
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<tr>
<td>Hi Tessa, Brilliant as always—thank you! Wonder if you can reflect more specifically on what you called a shared responsibility to finance/clo ...; because the devil is definitely in the details here. And, if we could start giving the private sector a real method to begin pricing this change into out-year forecasts.</td>
<td>Liam Brody [he/him]</td>
<td>Hi Liam, Thanks a lot. One of the things that we are doing now is to - together with GCP and Solidaridad - build a value distribution model in the coffee sector. I believe that will inform us about where costs and margins sit in the supply chain, but also if there is enough value in the supply chain to actually provide everyone with a decent income. That will inform about mechanisms to consider. Happy to further discuss with you.</td>
<td>Tessa Meulensteen</td>
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<td>Fantastic, I am aware of the work to a small degree related to the collaboration in Rwanda with NAEB. Would love to dig in more and hear where you are all taking the work globally and how I can be helpful!</td>
<td>Liam Brody [he/him]</td>
<td>Super. Sounds great!</td>
<td>Tessa Meulensteen</td>
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### 4- Recordings

The recording is now uploaded to ICO webpage - Please scroll down to bottom to find it.
[Link to ICO webpage](http://icocoffee.org)