(In)action is a choice:

Guidance on multi-stakeholder action towards a living income for all smallholder farming households in cocoa, coffee, tea and palm oil sectors

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Preface

Towards a living income for all smallholder farming households in coffee, cocoa, tea and palm oil sectors

This guidance for multi-stakeholder action to close the living income gap of the poorest majority contributes to the literature on living income gaps for smallholder farming households. We concentrated on four agricultural commodity sectors — cocoa, coffee, palm oil, and tea — due to their significant economic impact, supporting around 189 million people globally, of whom about 25 million are smallholder farming households. Many of the smallholder farming households in these commodity sectors remain poor, despite decades of investments to lift them out of poverty. These sectors are also relatively well-documented in terms of data compared to others. The document provides a comprehensive analysis of the factors affecting income disparities, while offering practical recommendations for bridging these gaps, supported by case studies that illustrate successful interventions in diverse contexts. By also synthesizing existing research, highlighting emerging trends, and fostering a deeper understanding of the complexities surrounding living income disparities among smallholder farming households in the selected commodities, this document aims to serve as a valuable resource for policymakers (in all types of organisations including companies), researchers and organizations striving to address this critical socioeconomic issue.

A collaborative effort

IDH, WUR and the Steering Committee of the Living Income Roadmap teamed up with the Living Income Community of Practice (LICOP) in the journey to develop this paper. However, the result remains the full responsibility of IDH and WUR.

Why IDH and WUR?

IDH facilitates partnerships and financing for inclusive, sustainable solutions that benefit both people and the planet. Its Living Income Roadmap addresses the living income gap for smallholder farming households, with a strong focus on business action. IDH collaborates with private and public partners in sectors like coffee, cocoa, tea, cotton, and spices to develop strategies for closing this gap, with sustainable procurement as a key focus for 2024. It also engages in multi-stakeholder dialogues with partners like LICOP and GIZ (The Deutsche Gesellschaft für Internationale Zusammenarbeit) to clarify roles and responsibilities related to living income.

Wageningen University & Research (WUR) strives to advance the UN Sustainable Development Goals (SDGs) by generating and sharing knowledge that informs effective policies and interventions. In collaboration, WUR connects academia with real-world practice, emphasizing scientific rigor, independence, and value creation. WUR translates research into actionable recommendations, aiding partners in evidence-based decision-making. Its goal is to help millions in agriculture attain a living income, aligning with SDGs like poverty reduction, zero hunger, decent work, reduced inequalities, and partnerships, all while safeguarding nature.

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Executive summary

Large living income gaps in cocoa, coffee, palm oil and tea sectors
Despite significant efforts to improve the incomes of smallholder farming households, a majority of these households still remain in poverty[i]. This issue affects millions of people worldwide, particularly those engaged in the commodity sectors like cocoa, coffee, palm oil, and tea. These sectors collectively support the livelihoods of millions, constituting around 2% of the global population. Many of these households fall short of earning enough to cover basic needs and achieve a decent standard of living. The gap between their actual earnings and a living income is substantial, for instance, the average annual living income gap for cocoa producing households in Côte d'Ivoire is about USD 3000.

Towards potential remedies for substantially reducing and closing living income gaps based on root causes of smallholder farmer poverty
This pattern of income disparity extends across various commodities and countries, especially the low and middle-income countries (LMICs). The widening living income gap, which is skewed against smallholder farming households in LMICs, has spurred discussions around its origins and potential pathways. This paper, which draws insights from various sources, takes a systems view, outlining the root causes of poverty across farming households, whilst seeking the remedies for substantially reducing and closing the living income gap.

Proposed individual action and collaborate effort in six strategy areas
We conclude that stakeholders can contribute much themselves by doing things differently and doing different things, and that they can amplify their impact by collaborating with others to create a synergistic effect that leads to bigger and sustainable improvements in standards of living for the poorest majority. A key outcome that we seek is the alignment and coordination of strategy implementation by multiple stakeholders, across six key strategy areas (Figure E1). We also stress the potential for swift implementation of the recommendations by individual organizations and the need to address unmitigated risks, diminishing shares of value, and limited resources for expansion and growth for smallholder farming households.

Figure E1 *Six strategy areas for action (source: IDH)*

[i] The term smallholder farming household in the commodity sectors discussed in this paper is not defined specifically in most literature sources. Definitions explain that smallholder farming households have a family farms up to 10 hectare with a specific group of smallholders producing on less than 2 hectares (Heifer International, 2022; Ritchie, 2021). The empirical data and literature in this paper is based on the definition of smallholders from the sources itself; we did not verify the farm size of the smallholder farms in those sources. Smallholder farming households can both be land owners or sharecroppers/tenants.

Different roles and responsibilities for different stakeholders
We argue that to effectively close the living income gap, a full comprehension of the distinct roles and responsibilities of different stakeholders involved in agriculture sectors and beyond must be made. Our paper summarises this per actor (see Table E1 below). This understanding, the authors say, is crucial to identifying and optimizing their contributions towards reducing and closing the living income gap.

Enabling conditions to catalyze change and safeguard effectiveness
We also outline the enabling conditions necessary to implement their proposed actions, ultimately leading to a future where smallholder farming households can attain a living income, natural resources are conserved or enhanced, and socio-economic equality dominates (Figure E2).

A guidance document for inspiration, that can be contextualised for specific sectors, geographies and communities
While we purpose this guidance document to be a valuable addition to the expanding literature on living income, we caution that it should not be regarded as a definitive action plan. This is because the pathways they provide should be contextualised for specific sectors, geographies, or communities.

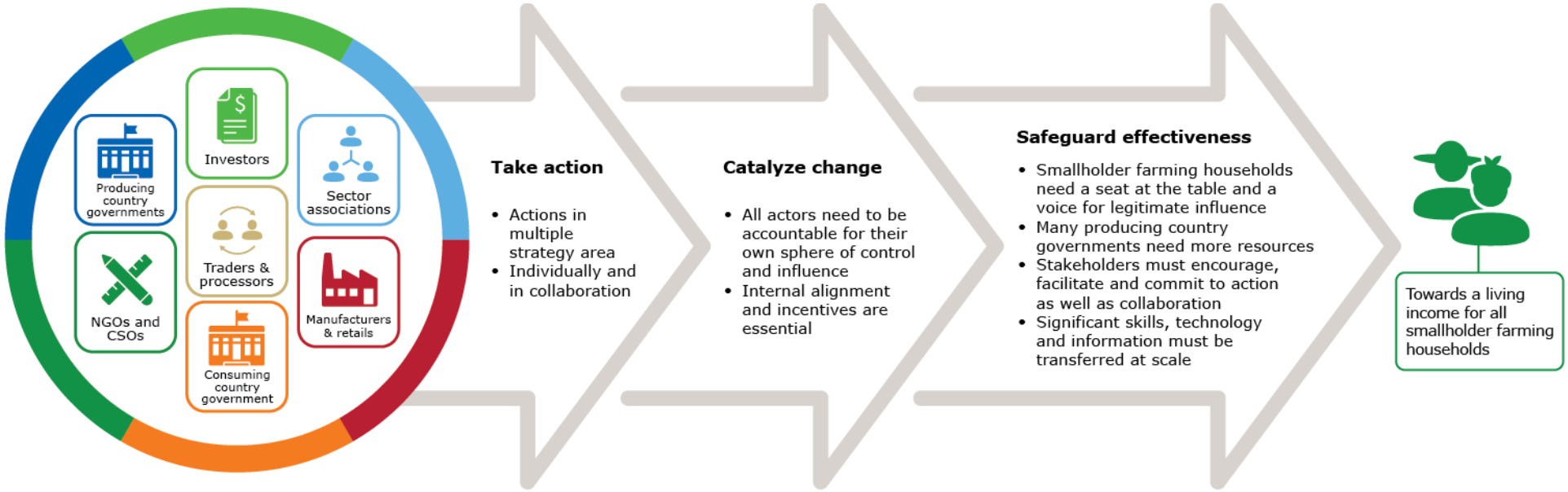


Figure E2 *Enabling conditions for action*

Table E1 *Stakeholders, their general role and responsibility towards change*

Stakeholder	Consuming country governments	Producing country governments	Investors	Sector associations	Traders & processors	Manufacturers & retail	NGOS and CSOS
General role in the system	• Lead global governance and legislative mechanisms[1] • Multilateral and bilateral debt holder • Gatekeeper for imports and citizen consumers	• Lead national strategies, institutions and legislation across sociocultural and economic sectors and geographical landscapes • Manage sociocultural, economic and environmental investments	• Provision of debt and equity • Use finance and/or business ownership structures to determine portfolio-and company-level performance targets	• Coordinate and facilitate sector actors and information	• Source raw and processed material at origin • Process, export and sell (semi-finished) products per buyers' product & marketing specifications • Service provider to and data collector from targeted smallholder farming households and aggregators	• Test and transform products to create or meet consumer demand • Market, prepare and sell products to consumers • Lobby governments for advantageous legislation	• Donor, intervention designer and implementer/trainer • Multi-stakeholder agreement facilitator • Watchdog, analyst & advocate
Responsibility towards change	• Revision and democratization of global governance and legislation, especially related to finance and trade • Global debt restructuring • Sustainability compliance including investments to enable such compliance	• Influence global governance and legislation[2] • Develop/revise national economic strategy, including and beyond land-use and social protections • Coordinate sustainable and inclusive landscapes	• Mainstream sustainability performance into portfolio and investee performance metrics • Integrate double materiality and sustainability performance in investment processes, decisions and offers • Provide affordable and responsible financial products to smallholder farming household segments	• Facilitate new ways of doing business through pre-competitive collaboration - Transaction and income data sharing - Multi-stakeholder dialogue and action	• Reorient to a stakeholder-driven business model and treat supplying households as equals • Use traceability and procurement to reverse extraction-orientation by sharing more value, risk and resources with smallholder farming households • Choose collaboration and transparency over competition with actors	• Reorient to a stakeholder-driven business model and treat supplying households as equals • Use procurement, product innovation and consumer and stakeholder engagement to leverage market position and share more value, risk and resources upstream • Communicate honestly with consumers and other stakeholders, and eliminate green- and fair-washing	• Channel grant funding towards business models and public sector transformation actions targeted at reaching the poorest smallholder farming households • Provide data-driven evidence and up-to-date information to inform decision making and measurement of change across stakeholder groups • Ensure the poorest households are actively engaged in, legitimately influencing, and benefiting from change processes

[1] Here the authors acknowledge the current reality of the global geo-political context in that consuming country governments, or high-income countries, often have more influence and decision-making power than that LMIC peers in global governance processes and decisions.
[2] Here the authors acknowledge that while producing country governments, or LMICs, might already be active participants and influencers of global legislation and governance; the reality is that the power is now often consolidated among consuming country governments and the role of LMICS may become more robust when power in the global geo-political context is further distributed.

1 Context, objective and scope

1.1 Decades of interventions with minimal scalable results: what is missing?

Interventions to improve smallholder farming household incomes have historically focused on poverty reduction related to the achievement of SDG 1, which aims to ensure that all household earnings are above the World Bank's $2.15 extreme poverty line, based on the 2017 PPPs[1]. Even with this ambition, which is lower than achieving a living income for all, we see from impact evaluations that poverty-reduction interventions of the past were sometimes effective for small groups, but not substantial enough at scale for several reasons, including the fact that past interventions focused on changing smallholder farming household and/or farmer group behaviour without significantly changing the systems they function in. They, therefore, did not address the root causes of poverty such as path dependency arising from historical colonialism, shareholder-driven business models entrenched in capitalistic structures, and the financialization of society (see more on root causes in Chapter 3). In addition, most interventions have been small in terms of the number of households involved and scope, and many addressed one or a few root causes of poverty, even though multiple root causes pose barriers to a significant increase in income for most households.

Assumptions in popular interventions that do not hold in reality

Empirical evidence further shows that popular interventions have been based on assumptions that do not hold in reality, especially when a living income for all is the aim. Below are five common assumptions that have led to the minimal success of many interventions.

- **The living income gaps of the poorest households can be closed primarily through their own behaviour change, yet they choose not to invest in growing their income** - Evidence shows that often, such households do not change their behaviour because they face multiple system-level barriers to behaviour change, many of which are covered in Chapter 2.
- **Interventions focussing on one or two income drivers[ii]- often volumes or income diversification** - would deliver substantial income increases for the poorest households - Evidence shows that multiple income drivers need to be addressed at the same time due to interdependencies between them[2]. See Figure 1 for the five income drivers that significantly affect household income.
- **Substantial income increases will benefit all household members equally, and they will trickle down to other households that were either partly involved in a program or not at all** – Evidence shows distributional effects of interventions which typically accumulate to those with relatively more power, wealth and resources such as larger landholders, men and older generations.
- **Largescale benefits can be achieved at low cost** - This is yet to be observed in reality.
- **Yield and income increases would decrease the pressure on forests** - This is yet to be observed in reality.

[ii] Income drivers are the factors that have a significant influence on household income e.g. Land, Price, Volume, Cost of Production and Diversified Income.

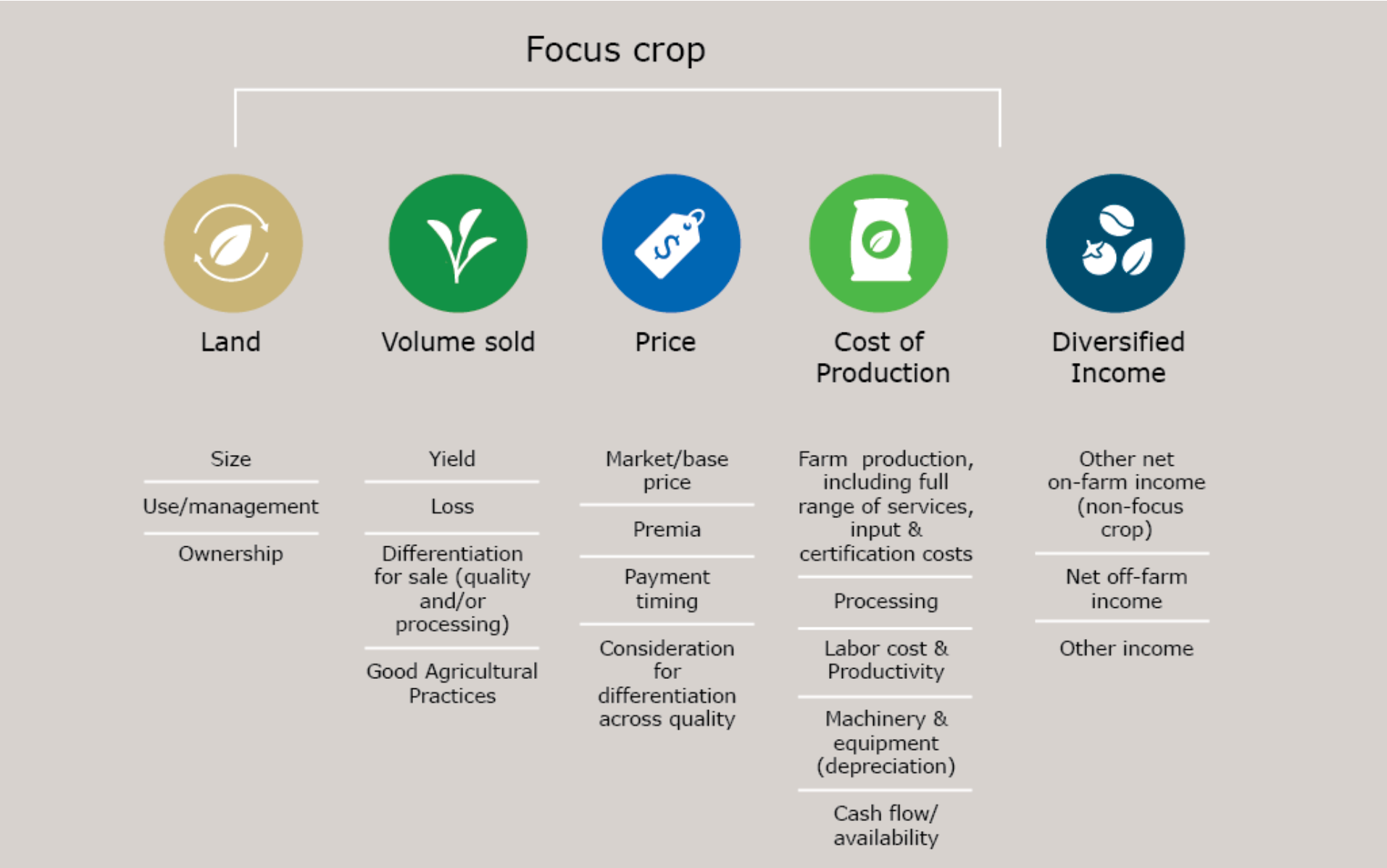


Figure 1 *Income drivers (source: IDH)*

Need for evidence-based, individual and co-ordinated interventions

Evidence-based and data-driven actions by all actors are needed to address the root causes of poverty, to enable fairer value distribution, risk distribution, and value creation, such that all, and especially the poorest farming households, are enabled to substantially increase their incomes, and achieve or exceed a living income. As with smallholder farming household poverty, when persistent sustainability problems in a certain sector, country or landscape arise from structural weaknesses, actions by both individual companies and organisations are needed, as well as coordinated and aligned approaches by multiple actors to make significant progress, especially for the poorest households. We believe that a different system can be created with a decent standard of living for all, and in which the natural environment is conserved or enhanced.

1.2 Vision and objective of this paper

Our vision is for all smallholder farming households[iii] to have sufficient opportunity to achieve or exceed a living income either from farming, and/or through non-farm income sources, while maintaining or enhancing environmental resilience. We believe that this vision can be reached through measures implemented by multiple actors, by themselves, and in collaboration with other actors.

With the creation of this guidance for multi-stakeholder action, we aim to trigger serious reflection, and inspire action based on what is possible for the poorest farming household segment to close the living income gap.

This includes an understanding of the roles and responsibilities of different types of actors, and what each can do by themselves and/or in collaboration with others to close the living income gap. This improved understanding should feed into the design of policy and strategy by individual actors, who can take immediate action to substantially increase incomes. A further outcome is the coordination and alignment of strategy implementation by multiple actors.

1.3 Approach

Our approach has been to take a systems lens. We summarise the current situation of smallholder farming households and the reasons and root causes why so few of them earn a living income in Chapter 2. In Chapter 3 we raise three significant system-level issues that prevent substantive income increase for households. This is followed by Chapter 4 in which we present six strategy areas for action (see Figure 2) and the most important actions individual actors can take (individually or in partnership with others) to contribute to significant changes in smallholder farming household incomes. These strategy areas are derived from key food system activities that influence incomes of smallholder farming households[3]. A living income for all smallholder farming households is the key socio-economic system outcome that the different actions in these strategy areas contribute to.

These strategy areas were therefore chosen as a way to represent the systemic nature of agriculture value chains, and are not considered to be fully mutually exclusive. Three strategy areas are often not presented as such and therefore we would like to explain why we present them separately. The Traceability and Transparency strategy area goes beyond procurement and value chain actions; we intend to legitimately raise issues on full transparency by all actors, that are far beyond traceability and chain of custody. This is why we do not include traceability and transparency actions in the Procurement Practices strategy area. The actions identified in the Product Innovation and Consumer Engagement strategy area are so far removed from production, services and sourcing that these downstream activities are often ignored in the literature and by actors, while they are critical for actions to enable the distribution of value and risk. Finally, the Sector & Landscape management strategy area is important to address issues and grasp opportunities around collective action which cannot be done otherwise.

We share systems-level pathways in these strategy areas and unpack the actions that individual stakeholder and stakeholder groups can implement towards the pathway in Chapter 4. We selected key actions to be presented per

[iii] Where smallholder farming households are mentioned, farm workers are also included. The evidence presented in this paper focuses on smallholder farming households and not on farm workers. That said, workers in commodity sectors often do not earn a living wage, which should also be addressed in living income strategies when smallholder farming households or plantation owners hire workers, or in other value chain activities beyond primary production such as processing and manufacturing.

pathway in this guidance based on their potential for substantial income increase, and chose not to focus on actions that solely de-risk or stabilize incomes, even though such actions are important as well. The key actions presented are therefore not exhaustive, but are considered the most relevant for policy and strategy design, based on the lessons learnt during various impact evaluations, as well as literature and expert knowledge from the authors.

Figure 2 *Six strategy areas for action (source: IDH)*

The actions presented in this guidance document were selected based on: i) whether substantial evidence exists for the effectiveness of the actions on income increase for specifically the poorest smallholder farming households and ii) the stakeholders' perception of the potential effectiveness of actions if such evidence does not exist yet. The latter were harvested from the various stakeholder discussions we organised or took part in, or were based on a thorough examination of the intervention logic for planned policies and interventions for which solid evidence on its effectiveness does not exist yet. The introduction to the actions identifies whether it is based on evidence documented in the literature or not.

The intention is to trigger actors to design and implement high-impact interventions at scale, as well as inspire collaboration in tackling system-level issues in a way that honours the roles of each actor, and inspires robust action within their sphere of control and influence. In most strategy areas, we find that multiple actors can lead by creating and implementing actions within their span of control, and that all actors have the possibility to influence and collaborate with others. Chapter 5 presents enabling conditions for systems change to materialise and the roles of different actors to drive change. We conclude the paper in Chapter 6.

The information in this paper is based on an extensive body of literature reviewed by the authors (up to 2022 with some relevant sources from 2023), which is presented in the References section. If we present specific information from a certain source, such as datapoints and quotes, we provide a number for that source; more information for such sources can be found in the Endnotes section and the source itself is also included as a reference.

Co-creation process

IDH, WUR, and the Steering Committee of the Living Income Roadmap teamed up with the Living Income Community of Practice (LICOP) in the journey to develop this guidance for multi-stakeholder action to close the living income gap for the poorest majority. To achieve our objectives, we used evidence from the wider literature pool, and discussions with stakeholders in one-to-one meetings or group sessions, where a standard set of questions was asked to most stakeholders, both virtually and in-person (more details in Annex 1). This evidence was used to provide background information on the root causes of poverty for the poorest smallholder farming households, and the relevant actions for the poorest households to earn a living income. Please find more information on the approach as well as the engaged stakeholders engaged in Annex 1.

1.4 Scope of this guidance document

This guidance for multi-stakeholder action is designed to close the living income gap for smallholder farming households in tree-crop commodity sectors encompassing cocoa, coffee, palm oil and tea. The actors targeted for action in this paper were selected based on their system-level influence and leverage, and they include consuming country governments, producing country governments, investors, sector associations, traders, processors, manufacturers, retailers, and non-governmental and community service organizations. Table E1/Table 2 provides an overview of each stakeholder group, including a brief indication of the general role they play in the agricultural and food systems, and their summarized responsibility towards change. Chapter 4 and Annex 2 provide more depth and breadth for specific actions.

This guidance also focuses on value chains linking producing countries to high-income markets such as the European Union. It does not cover value chains linking smallholder farming households and consumers within producing countries (e.g. tea in India), or value chains between producing countries and lower/middle income countries, even though the strategies we present could also be relevant for the aforementioned value chains. Finally, the focus is on smallholder farming households in these commodity sectors, and not wage workers. The writers acknowledge living wage gaps but do not delve into them.

Target audience

In addition to the actors targeted for action, this document may be of relevance to consumers, smallholder farming households, communities and smallholder farming household organisations, who are significant actors in the system. However, their roles have been excluded because of their fragmentation and other limitations related to information, power and resources. Such limitations inhibit their ability to use collective action as a means to drive change at system level, especially in a way that will deliberately close living income for the poorest, for example through system-level mechanisms.

Contribution of this guidance document compared to other initiatives

Several organisations are working on finding and documenting pathways for achieving or exceeding a living income for smallholder farming households[iv]. We believe our work adds to this body of literature through:

- The identification of actions that multiple actors can implement themselves within their own spheres of control, but also in collaboration with or through influencing other actors;
- A focus on the strategies and actions that have the potential for substantial income increase to achieve or exceed a living income for the poorest household segment, that is, the poorest one-third to half of the households;
- The identification of actions that are tied to commodity value chains, as well as other agriculture and economic sectors, with evidence showing that large groups of households will not be able to earn a living income from farming even when several barriers to substantially increase incomes are addressed;
- The inclusion of the role of NGOs and investors;
- The highlighting of strategies and related concrete actions per actor that are expected to address the root causes of smallholder farming household poverty, and positively influence income drivers at household level (see Figure 1 for information on the income drivers);
- The presentation of new information on the root causes of poverty and actions or enabling conditions to address them.

[iv] See References with the relevant reports.

2 Reality for smallholder farming households

2.1 Closing the living income gap is a critical imperative

Despite significant investments in improving smallholder farming household incomes, the majority of these households continue to live in poverty[v]. This issue affects millions of people worldwide; specifically, smallholder farming households in the commodity sector including 3.5 million in cocoa, 8-10 million in coffee, 3 million in palm oil, and 9 million in tea[4]. From cultivation to processing, these sectors provide income for around 45 million, 125 million, 6 million, and 13 million people respectively, accounting for approximately 2% of the global population[5].

Many of these households do not earn enough to meet their basic needs, and a large proportion does not earn a living income, which is the amount needed to afford a decent standard of living (Table 1[vi]). In addition, the difference between a living income and what households actually earn is often large in absolute terms; in the cocoa sector, for example, an average annual living income gap of about USD3000 is documented per cocoa farming household in Cote d'Ivoire[6].

Meanwhile, it is estimated that USD10 billion would be needed every year to close the living income gap of 75% of the cocoa farming households in Cote d' Ivoire and Ghana combined[7]. This situation is similar across different commodities and countries although exceptions do exist; for instance, amongst the cocoa and coffee farming households in certain areas of Brazil, and coffee farming households in some regions of Vietnam. The average living income gap[vii] related to coffee is also estimated to be in the thousands of dollars per year for nine countries[8] while in Mexico, and Colombia about 25% of the households are earning a living income and in Cote d'Ivoire and Indonesia less than 10% does[9]. These income gaps are averages of whole populations, noting that while there are large inequalities in income; the maximum living income gaps are, therefore, much higher for the poorest households.

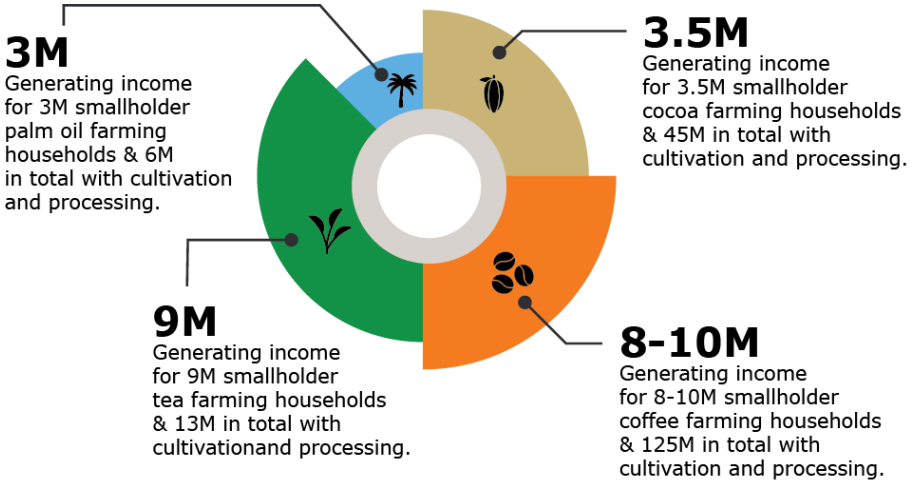


Figure 3 *Income generation for smallholder farming households (source: Waarts et al., 2021 which is based on various other sources)*

[v] The term smallholder farming household in the commodity sectors discussed in this paper is not defined specifically in most literature sources. Definitions explain that smallholder farming households have farms up to 10 hectares with a specific group of smallholder farming households producing on less than 2 hectares (Heifer International, 2022 Ritchie, 2021.). The empirical data and literature in this paper is based on the definition of smallholder farming households from the sources itself; we did not verify the farm size of the smallholder farms in those sources. Smallholder farming households can both be land owners or sharecroppers/tenants.

[vi] For more information on what a living income is and the difference with the international extreme poverty line, please see page 22.

[vii] The living income gap is the difference between the living income benchmark and net actual household income.

Table 1 *Information on living income status of smallholder farming households in cocoa, coffee, tea and palm oil sectors*

Sector	Country/Season (Season per study)	% Earning a living income	Net household or commodity income as proportion of the living income benchmark (on average)
Cocoa	Ghana (2019)	Not available	68%[10]
	Cote d'Ivoire (2019)	Not available	56%[11]
	Cote d'Ivoire (2020	18%[12]	Not available
	Cote d'Ivoire (2018-2021)	8%[13]	Not available
Coffee	Brazil (2022 / 2018-2019)	About 90%[14]*	101%[15]**
	Vietnam (2022 / 2018-2019)	About 95%[16]*	44%x [17]**
	Colombia (2021 / 2018-2019)	About 25%[18]*	29%[19]**
	Indonesia (2022 / 2018-2019)	Less than 10%[20]*	24%[21]**
	Honduras (2022 / 2018-2019)	About 40%[22]*	31%[23]**
	Ethiopia (2018-2019)	Not available	9%[24]**
	India (2018-2019)	Not available	49%[25]**
	Peru (2018-2019)	Not available	18%[26]**
	Uganda (2018-2019)	Not available	2%[27]**
	Guatemala (2018-2019)	Not available	9%[28]**
	Mexico (2022)	About 25%[29]*	Not available
	Côte d'Ivoire (2022)	About 25%[30]*	Not available
	Kenya (2022)	20% and 19%[31]***	Not available
Tea	Kenya (2014)	10%[32]	Not available
	Kenya (2022)	20% and 24%[34]***	48%[33]
Palm Oil	Mexico	Not available	64%[35]**

* The Rainforest Alliance (2023) report does not state precise proportions; they are estimated from the visuals in the report. Their data represents the situation for the 2022 season except for Colombia (2021).[viii]

**For two studies, the numbers presented are only for the commodity income and not the total net household income as that information was not available. This could mean that such households earn a larger proportion of the living income benchmark than currently presented. The information on commodity income as a proportion of the living income benchmark presented in Cordes, Sagan and Kennedy (2021) are estimations by those authors, based on average price, volume, and cost of production per country.

*** Data for intended beneficiary group and control group, respectively.

[viii] We assume this is for Dak Lak province based on expert interview with Michiel Kuit from Agri-Logic because smallholder farming households in other provinces can have lower living income gaps from coffee production due to higher yields and larger farms.

2.2 Smallholder farming household variations

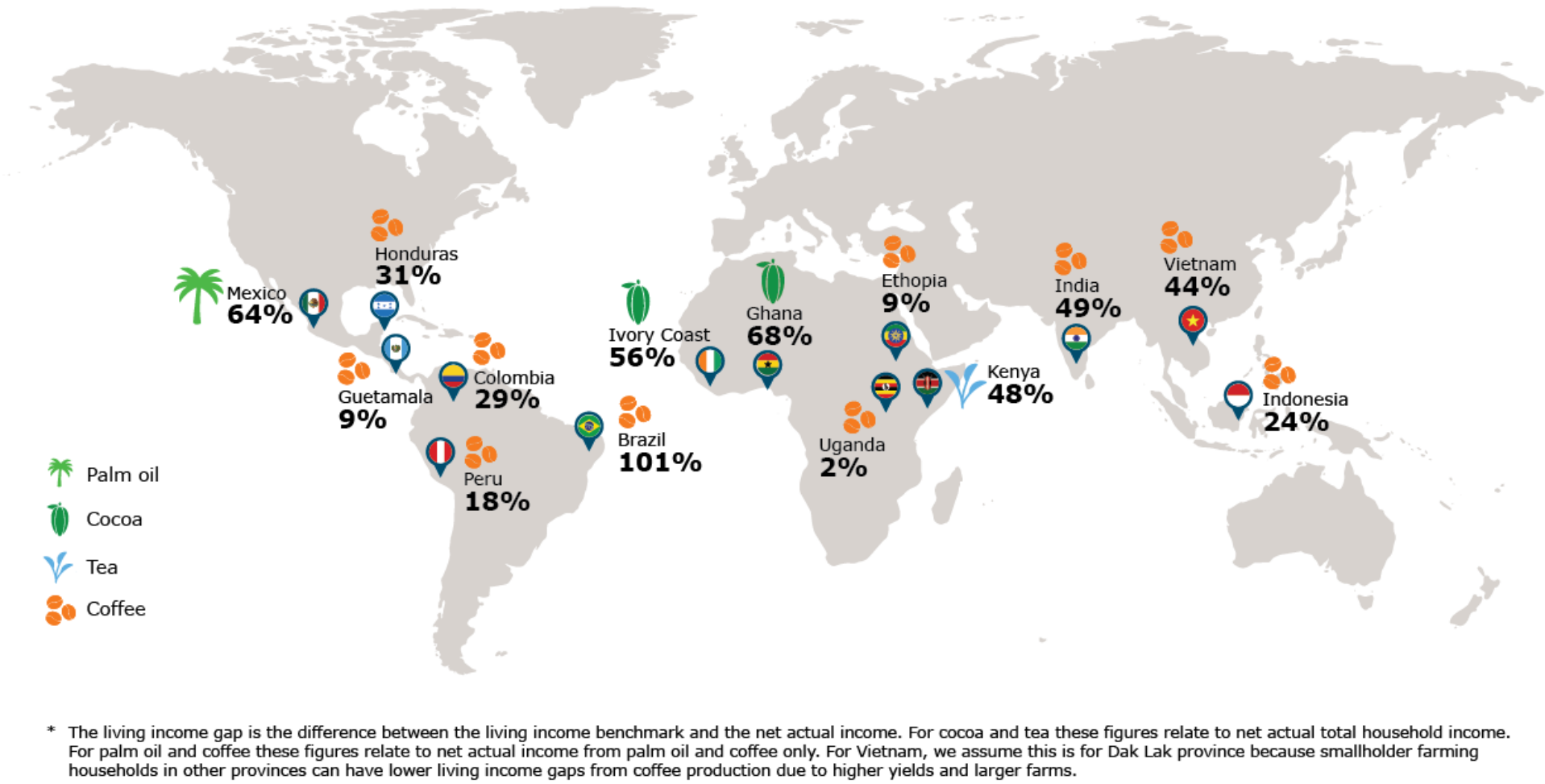
There is huge variability in income levels, and farm and household characteristics among smallholder farming households. Specific variations include farm size, degree of household income diversification or level of dependency on commodity income, availability of capital for investment, yields and total commodity volumes produced, the number of household members, and net household income. Households, therefore, face different opportunities and barriers in achieving a living income based on their situation and context. Because of these different characteristics and barriers, understanding the distribution in the population is imperative for appropriate supportive action to the different groups. This is especially the case for the poorest households, which make up a large proportion of the study group, and face multiple barriers in substantially increasing their incomes. Below we describe four broad groups of households based on the literature and new empirical evidence from the cocoa, coffee and tea sectors (Figure 5).

A small group of households are doing relatively well

This group earns a living income or an amount that is relatively close to one. This group produces above- average or high total commodity volumes, and earns a high or above average income from non-commodity income sources. Most likely, these households produce on larger farms.

Another small group of households faces small barriers to achieve a living income

They produce average amounts of commodity volume coupled with average income from other sources or produce above average commodity volumes combined with low income from other sources. Most likely these households produce on larger farms; but also, smaller farms can generate a relatively high income - when households can invest money and time to ensure yields are high while production is organized efficiently - leading to a good return on investment.



* The living income gap is the difference between the living income benchmark and the net actual income. For cocoa and tea these figures relate to net actual total household income. For palm oil and coffee these figures relate to net actual income from palm oil and coffee only. For Vietnam, we assume this is for Dak Lak province because smallholder farming households in other provinces can have lower living income gaps from coffee production due to higher yields and larger farms.

Figure 4 *The living income gap is the difference between the living income benchmark and net actual income*

A relatively large group of households face sizeable barriers to achieving a living income

This group produces low or average total commodity volumes, and earns average or low incomes from non-commodity sources. Most likely they have smaller farms, and can invest some money in trying to increase yields, but not very much.

A vast group of households face large or very large barriers to achieving a living income

Such households produce very small to average commodity volumes coupled with low or no incomes from non-commodity sources. Generally, these households work on small farms and have the living income gap of more than half of the living income benchmark. They can also work on average-sized farms producing very low yields if, for instance, there is limited adult labour availability in the household to invest in farm management activities. This means they need to double or triple their current incomes to close the living income gap. These households are so poor that they cannot invest much because they do not have a sufficient income base, and, therefore, entrepreneurial growth in income cannot be expected. The recommended 5% - 10% of total household income saved for unforeseen events is a big challenge for this group as are investments with uncertain returns.

2.3 Widening income gaps

Looking at the functioning of food systems globally, inequality is on the rise, between and within countries, and across value chains. In addition, the economic effects of the covid pandemic and the war in Ukraine, climate change, high price volatility, and an unequal distribution of risks and value continue to place undue pressure on farming households in the commodity sectors.

In 2022, the living income gap increased because of the rising food, energy and input prices. The average median inflation rate in sub-Saharan Africa was 9.6%, and "about 75% of the countries in the region registered double-digit year-over-year inflation rates by the end year, with the fastest increases experienced in Zimbabwe, Sudan, Ghana, Rwanda, Sierra Leone, Burundi, Malawi, and Ethiopia"[36]. In many countries of East Asia and the Pacific, inflation remained high and surpassed the targets set by central banks in 2022. In Latin-America and the Caribbean, consumer prices increased to 7% by the end of 2021, against averages of 4% per year between 2015 and 2019[37]. This while farm gate prices generally did not increase.

Because of this continuing, and even worsening, of poverty levels, different approaches that address the root cause of poverty are required to close the living income gap. Root causes of poverty are the economic, social and systemic barriers that limit upward mobility (See Chapter 3), and whose remediation requires multiple strategies to be implemented concurrently, and with the likely need for coordination of different actors.

What is a living income?

A living income is 'the net annual income required for a household in a particular place to afford a decent standard of living for all members of that household. Elements of a decent standard of living include: food, water, housing, education, healthcare, transport, clothing, and other essential needs including provision for unexpected events'[38]. A 'living income' is the term used by many actors for 'a decent income', which is a human right according to the Universal Declaration of Human Rights (Articles 23 and 25[39]). A living income is seen as a milestone on the way to prosperity.

The difference between the living income concept and the World Bank's extreme poverty line of 2.15 (2017 PPP) is that the latter communicates the amount needed to meet basic needs, while the living income benchmark[40] communicates the amount needed to afford a decent standard of living. From available information we estimate that, on average, the World Bank extreme poverty line is about 40-50% of the living income benchmark.

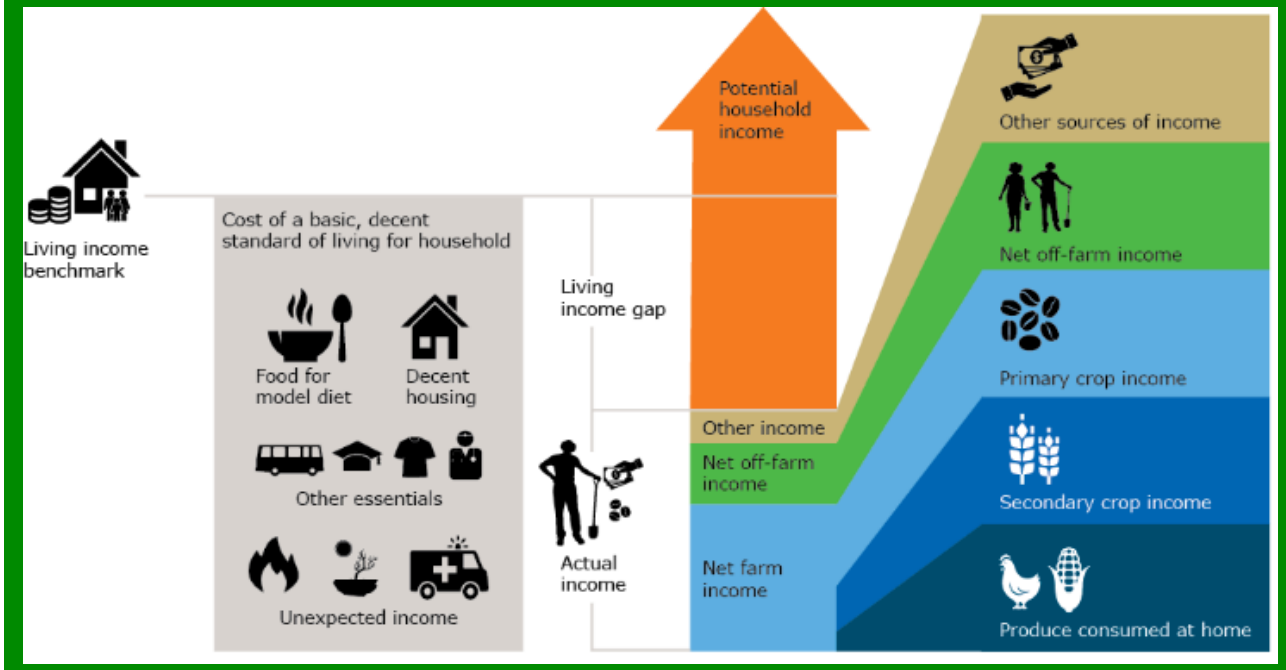


Figure 6 *The Living Income Story (source: LICOP)*

Multiple income sources make up the actual household income, which should cover the costs of a decent standard of living. The living income benchmark (top left) differs per country and sometimes even within a country. More and more living income benchmarks are becoming available. The average monthly living income benchmark per household as reported by ALIGN is USD466 for an average household of almost five members in lower and middle-income countries, but the benchmark differs greatly between and within such countries, up to a monthly living income benchmark of about USD1,100 per month[41] (analysis based on 56 regions in 32 countries, after removing four outliers). To establish the gap to a living income (the income gap), the living income benchmark is deducted from the actual income earned from farming, off-farm income and other income (e.g. remittances).

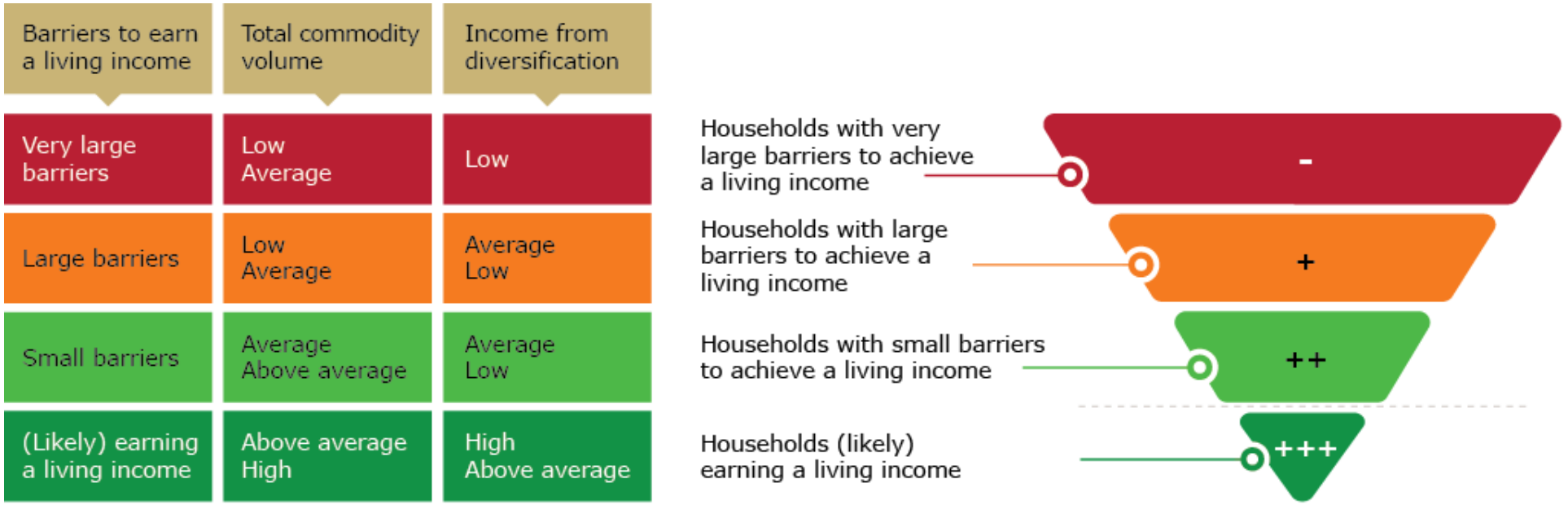


Figure 5 *Different household groups, their proportions and barriers to earning a living income based on current characteristics*[ix]

[ix] Farm size is not included as a barrier in this overview as it is included as an underlying factor related to the total commodity volume produced and/or the income from diversification. The total volume can be produced on small farms with high(er) yields, or on large farms with low(er) yields. For intervention design, the farm size is important to know, but as smallholder farming households can generate large volumes on small farms, resulting in high yields per hectare, we do not include farm size in this overview of segments as it would overcomplicate the categorization. That said, land fragmentation is a real concern in agriculture sectors in lower and middle countries as farm sizes are decreasing over time, and small farms do have a biophysical limit to production and thus ability to earn a living income. Even with high yields and small yield gaps, small farms can generate a certain maximum volume and therefore likely have challenges to earn a living income from farming even if higher prices would be paid.

3 System analysis

3.1 Root causes of persistent poverty

The root causes of poverty can be categorized in many different ways and can influence the actions of all types of actors. In defining these root causes, we focus on aspects that can actually be addressed through current and future strategy development or a change of current strategies. The presented root causes may be consequences of earlier developments in history, which might be considered the real root causes. However, we only focus on those that can be addressed by present-day actors. Some of the root causes can be addressed in the short term, while others are more complex and take longer to resolve. In this section, we describe three overarching and influential root causes of persistent poverty in the commodity sectors, although several more do exist. Our focus was to present significant system-level root causes that prevent substantive income increase for households. These three overarching root causes are: path dependency because of colonialism; shareholder-led business models based on capitalistic structures; and the financialization of society.

Path dependency from colonization

Today's commodity value chains and related food systems are significantly shaped by the colonial project, which was built to accumulate wealth in colonizing countries through human dominance over nature, and the dehumanization of non-Europeans. This project and its ongoing results perpetuate the extraction of natural and human resources from colonized countries for the benefit of the colonizing countries. Most former colonies are now low and middle-income countries (LMICs), whereas colonizing countries are high-income countries, and indeed, the evolution of global dynamics over time is evident across various dimensions. For example, in terms of manufacturing, the global share held by LMICs decreased from 77% in 1750 to 13% by 1900, paralleling the rise of European capital[42]. Also, the real per capita income gap between high-income countries and LMICs is now four times larger than at the end of colonialism[43].

The centuries of "path dependency" from colonization until today perpetuate the exclusion of many actors from the LMICs from exercising legitimate influence over global geo-political, economic, financial and trade processes embedded in the governance structures and agreements of the World Trade Organization, International Monetary Fund, United Nations and other multilateral and bilateral organizations and agencies[44]. These processes shape international agreements, socio-economic policies, ideologies and resource control often for the benefit of the high-income countries, and to the detriment of the LMICs by excluding their national interests and local preferences[45]. Specifically, trade rules of the World Trade Organization, which are considered to be unfair by some authors, are estimated to leak over $1.5 trillion in annual export revenues from LMICs[46]. Meanwhile, taxation-related discrepancies persist, as around $1 trillion generated within LMICs finds refuge in offshore tax havens, largely facilitated by multinational corporations[47]. This dynamic has also reinforced the LMICs' dependency on their high-income counterparts for economic and financial resources, which are often channelled through markets and a range of financial instruments.

Trade agreements, access to markets and debt repayment in the LMICs are also shaped more in the interest of high-income countries rather than as a result of national interest or local preferences[48 49]. Indeed, during the COVID-19 crisis, more than 60 LMICs[50] paid more to service debts than healthcare systems, and as of 2022, over 90 LMICs held debt that required budget cuts to social services and protections. The interaction of trade and aid further unveils a disparity, where net outflows from the LMICs[51] to the high-income countries outweigh inflows, surpassing the $630 billion[52] influx of aid and investment from affluent countries into the LMICs, when considering various resources.

The consequences of this global dynamic show up in figures on global income and wealth inequality. The real per capita income gap between high-income nations and their LMIC counterparts is four times larger today than at the

conclusion of colonialism[53]. More recently, nearly 50% of global income gains since 1980 are channelled towards the wealthiest 5% compared to a meagre 5% of those gains spread across the world's poorest 60%[54]. This divergence in income distribution is mirrored in wealth distribution, with the wealthiest 1% amassing nearly half of the world's total wealth, increasing from 43.9% in 2019 to 45.6% in 2021[55].

Consequently, at the global level, the distance[x] between consumers, corporations and investors in the high-income countries from smallholder farming households and primary processors in the LMICs remains wide. And when these actors do meet, deeply embedded historical assumptions and expectations of "the other" can limit opportunities for mutual understanding, trust and benefits. Among commodity-producing countries in the LMICs, the need for revenues, and hence markets, has created race-to-the-bottom scenarios as countries often compete for buyers rather than opportunities for collaboration[56]. This dynamic results in a continued focus on commodity production where resources and opportunities for advancing economic development remain limited beyond commodity sectors.

At the national level, many former colonies grapple with multiple impacts of colonization that influence local production and trade dynamics as well as social, economic and environmental outcomes. These include the inability to invest in development of the economy and alternative income sources, border disputes and land dispossession originating from land seizure and redistribution schemes before and during independence[57]; systems and expectations of forced labor[58]; commodity crop taxation systems targeted at smallholder farming households[59]; soil degradation linked to transitions towards monoculture production systems[60]; input dependency on external actors, and the reduction or elimination of social services[61].

Overall, the combination of path dependency with its resulting exclusion and dependency has re-produced unequal terms of trade between high-income governments, corporations and consumers on the one hand; and low/middle-income governments, businesses and farming households on the other. This system solidifies unequal wealth, power and information at scale.

[x] Distance here is meant in physical, geographical terms as well as experiential, informational and economical distance. Overall, the realities of downstream and upstream actors are not known or well understood about the other due to significant differences in local contexts and opportunities for exposure to the others' context.

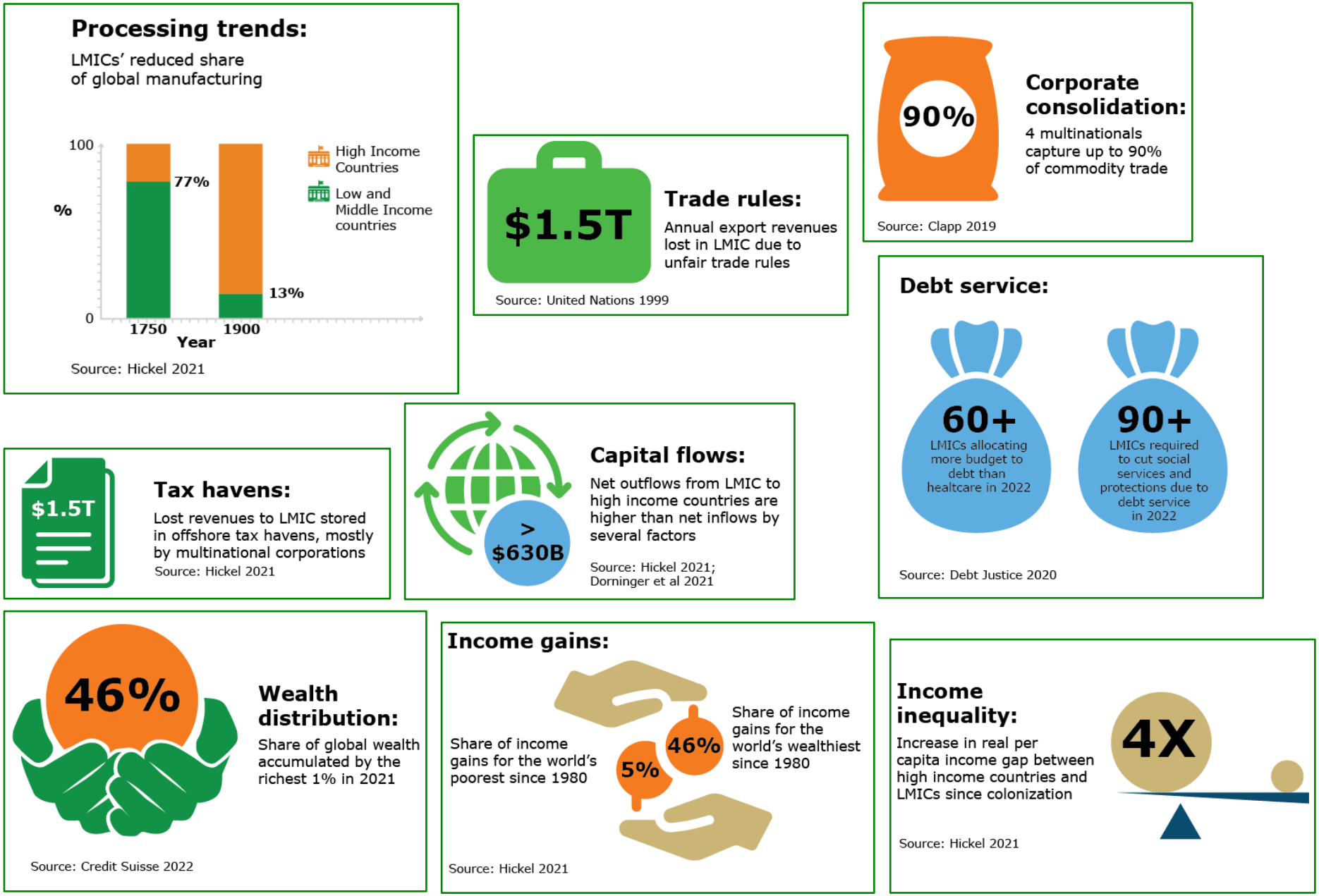


Figure 7 *System-level data snapshot: Who is the system working for?*

Shareholder-led business models based on capitalistic structures

Agriculture value chains are currently dominated by a few highly-concentrated businesses[62] whose model appears predominantly to maximize shareholder or owner value[xi]. Shareholder primacy is a challenge for corporate leadership in steering change[xii] because changing business strategies towards long-term, sustainable, and stakeholder-driven business practices are or may be assessed as a threat to shareholder returns. Expectations around dividends and share buy-backs, paired with the need for other forms of debt and equity financing required for business operations, perpetuate targets that limit risk and maximize profits in the short-term, and make it difficult for business leaders to act towards longer-term, stakeholder-driven targets.

Business performance is, therefore, often measured and managed in terms of short-term shareholder returns, as a result of the maximization of value creation and/or extraction, while minimizing risks and costs in service of the individual entity's profitability[63]. In the commodity sectors of interest, shareholder primacy often translates into transactions rather than relationships between trade partners[64]; often limited product and smallholder farming household-level traceability[65]; a concentration of value, power and downstream reinvestment in the value chain towards consumer markets[66]; and divestment from the direct ownership of primary production and often also processing assets and operations. Today, just a handful of multinational corporations, numbering no more than four, hold a 70%-90% grasp on the realm of commodity trade (which also includes more raw materials than those we focus on in this paper[67]). When factoring in food and beverage production and sales, a mere 10 companies command a 40% market share[68]. This domination shows the extent of corporate power in reshaping consumer choices and market dynamics on a global scale.

Like the case of colonial path dependency, capitalist structures contribute to extractive behaviors and expectations that are embodied in the economic concept of externalities, which is when a business or organisation may cause or contribute to a positive or negative result that is not included in that entity's business model and pricing and sales strategy[69]. Poverty, inequality, human rights violations, deterioration of natural resources and adverse climatic conditions because of climate change are the commonly known externalities in the coffee, cocoa, tea and palm oil sectors[70] [71]. By separating externalities from core business functions and responsibilities, the shareholder-led business model requires governments, communities and individuals to deal with the negative consequences of the business actions at little to no cost to the business.

> "Traditional procurement practices, designed to maximize short-term profitability, are proving incapable of improving farmer incomes – instead increase risk, depressing prices, and discouraging farmer investment in farms."
>
> Source: Farmer Income Lab (2022)

The above expectations and decisions combine to create a business norm that accepts poverty and environmental destruction as a result of business operations. In many ways, development aid and corporate social responsibility programs reinforce this norm by financing mostly small-scale projects that often only marginally improve the economic and environmental outcomes for a minority of farming households and communities[72]. Evidence from corporate smallholder farming household "projects" siloed from procurement shows a maximum 50% increase in income for individual farmers, with more marginal results in most[73]. These projects do not require substantive change in the core business model, whose negative externalities are inevitable given how business performance is managed and measured. This situation results in differences in value and risk distribution between smallholder farming households on the one side, and manufacturers and retailers on the other (see Figure 8).

[xi] A number of major agriculture and food companies are family-owned businesses.

[xii] This also holds for other organisations such as NGOs and governments, who have to justify their actions towards their donors and constituents.

"[…] the way innovative financial instruments, in the form of futures and options contracts, swaps, derivative instruments and so on, have allowed a handful of market speculators to influence the price of key commodities, such as food and energy, is clearly apparent in the current context. The vulnerability of developing countries is exacerbated by the lack of global safety nets to cushion the blow and repair the damage from unexpected shocks […] and by the lack of policy coordination to ensure their vulnerabilities are taken into account when systemically important countries are pursuing their own policy agendas."

Source: UNCTAD Trade & Development Report, 2022

The financialization of society

Financialization – in short, the growing significance and influence of the financial sector relative to other "real" sectors that focus on the creation of tangible and productive value – consolidates wealth and income inequality between and within societies, while driving short-termism, and a widening chasm between financial markets, products and shareholder value on the one hand; and physical realities in nature and society, and stakeholder value and impact, on the other[74 75].

Financialization influences numerous business practices as well. The prices of coffee, tea and cocoa, for instance, are often determined by global financial commodity markets, which reflect aggregate supply and demand, and the speculative, non-trade behavior of financial actors. However, prices are volatile and de-linked from production costs and environmental risks and damages. As a result, many procurement departments use sophisticated hedging strategies on futures markets to minimize their risk exposure to price fluctuations.

However, producing country governments and smallholder farming households themselves often lack an understanding of these financial instruments, and/or have no access to such financial instruments. In contrast, consuming country governments, which host global commodity markets, limit the regulation of commodity markets to maximize their own benefits from these systems[76] for either the national interest or the personal gain of legislators[77 78].

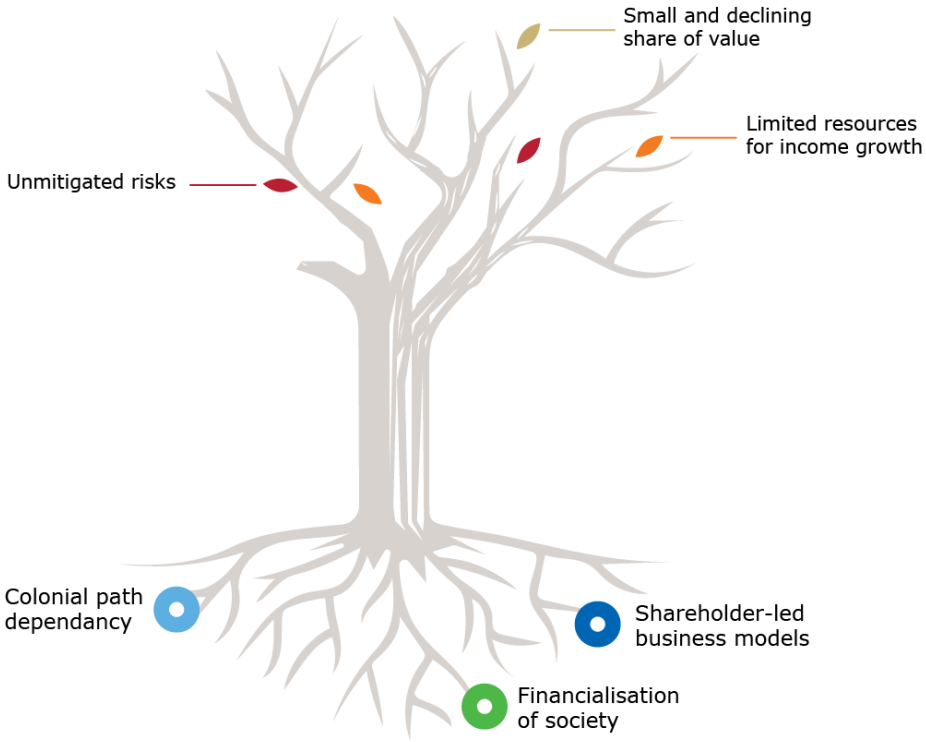


Figure 8 *Root causes of poverty and their consequences for smallholder families*

3.2 Impact of root causes on farming households

The three overall root causes of poverty described above limit the ability of smallholder farming households to earn a living income by exposing them to unmitigated risks, a small and declining share of value and limited access to resources for income growth and expansion. The section below expounds on these impacts for which we propose pathways in Chapter 4.

Unmitigated risks

Most of the poorest coffee, cocoa, palm oil and tea smallholder farming households are dependent on these commodities for income as they lack lucrative alternatives. At the same time, they lack the bargaining power and ability to influence the terms of trade at the global or national levels, which create considerable market and price risks[79]. Smallholder farming households are often not seen as equal trade partners of other actors in the value chain, and they often lack purchase guarantees or contracts for their production, and access to data and information about downstream transactions and consumer markets[80 81].

Meanwhile, although they contribute little to climate change, smallholder farming households are on the front line of its effects and other environment-related risks. Heat waves, droughts, floods, pests and diseases regularly destroy cropped fields, and products in storage, with most farming households receiving little to no recourse.

Small and declining share of value

As risks continue to accumulate, smallholder farming households often operate at a loss or break-even scenario, and in seasons with decent profitability, it is difficult to sustain those results year-on-year[82 83]. The distribution of value in value chains is often skewed against smallholder farming households when compared to their counterparts such as manufacturers and retailers, in the following ways:

- Smallholder farming households earn a very small proportion of the value of the end product compared to manufacturers and retailers.
- Smallholder farming households earn very little profits in absolute terms, if any, especially when taking into account the time spent on producing the raw materials.
- Smallholder farming households earn a very small proportion of all the profits earned throughout the value chain.

As shown in Figure 9 below, the share of end consumer price getting to smallholder farming households for select agricultural produce in various LMICs as of 2015 was 5.9%, in comparison to 49.5% for supermarkets[84]. This leads to a situation in which most smallholder farming households are very poor and cannot build up assets including savings to grow their annual incomes, while many companies can. The high risk combined with the low profits earned poses a problem because households do not have the assets and savings to withstand shocks.

Limited resources for income growth

Many smallholder farming households have limited access to resources to improve their situation, be it savings and assets including land or alternative income streams; production, processing and price information; affordable, high-quality products and services including access to finance; or opportunities for land expansion. And when they do have access to these resources, low or uncertain return on production investments triggers a rational response to limit financial and labour investments, inevitably perpetuating large yield and income gaps between households and production regions.

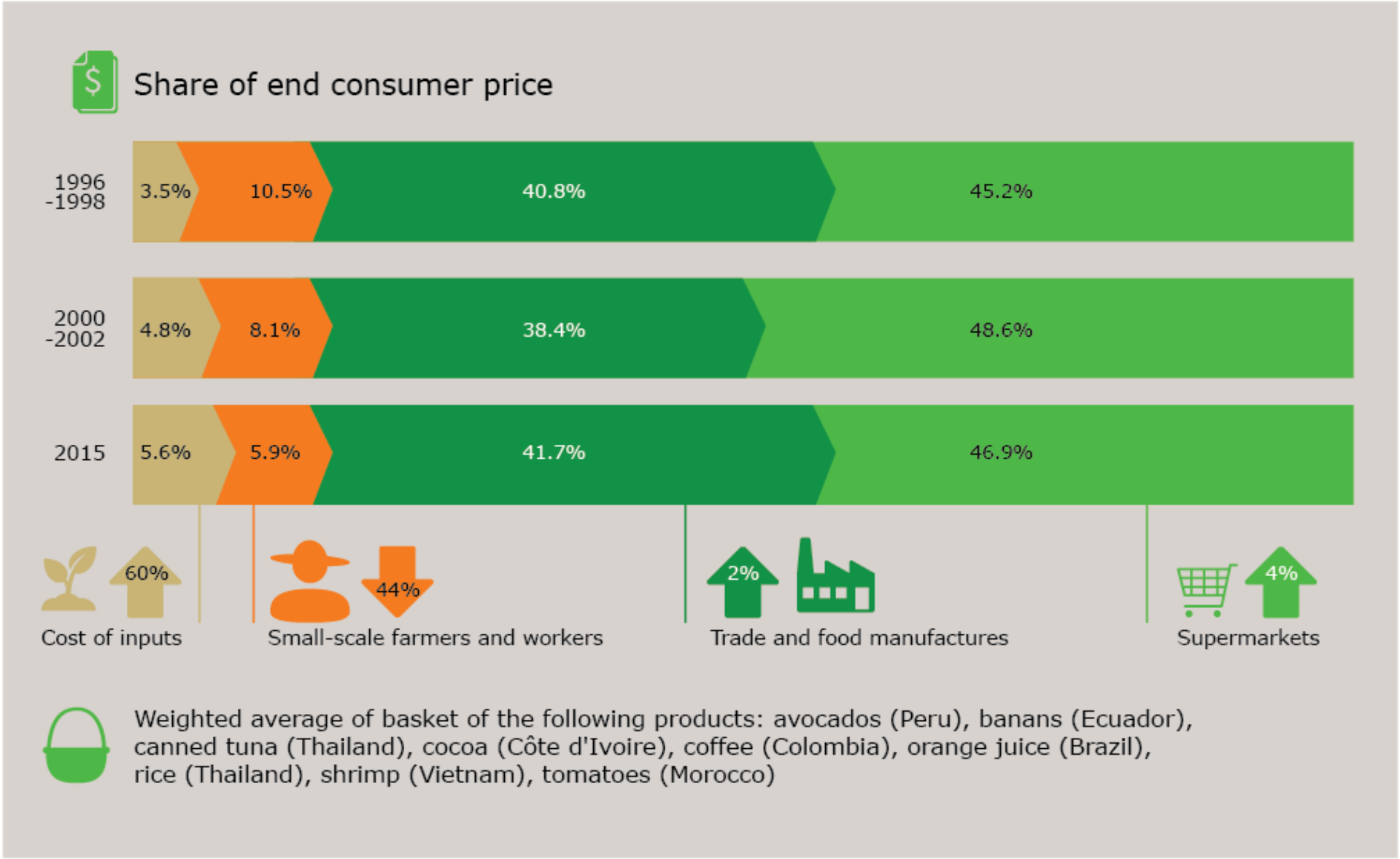


Figure 9 *Smallholder farmers' decreasing value share (source: Oxfam, 2018)*

4 Strategy area ambitions, development pathways and expected outcomes

4.1 Unlocking the potential to elevate standards of living

In this chapter, we explore six strategic areas as entry-points for systems change: Enabling Environment, Procurement Practices, Traceability and Transparency, Sector and Landscape Management, Consumer Engagement and Product Innovation, and Production and Processing. These strategy areas are derived from key food system activities that influence incomes of smallholder farming households[85]. A living income for all smallholder farming households is the key socio-economic system outcome that the different actions in these strategy areas are meant to contribute to.

For each strategy area we indicate the ultimate ambition of that strategy area, and offer development pathways towards achieving that ambition. Within each pathway, a set of actions is presented according to actor to clarify how each actor can contribute towards that ambition. Actions by the most influential actors are presented first per pathway, but all actions should be implemented to drive the required system change[xiii]. See Chapter 1 (Table E1/2) for an overview of prioritized actors and their responsibilities towards change.

The proposed actions are generic and cannot be seen as blueprints for each actor, as practical action plans require further contextualization and specificity, from value chain and product category, to roles in value chains and geographical location, to other more specific opportunities and constraints related to economic development, markets, finance, culture and more. Pathways and actor actions could, however, serve as inspiring examples for policy and programme design that requires the most recent thinking on sustainable and inclusive economic growth.

For more information on actions collected during this research, see Annex 2. In addition, some actions can be linked to different strategy areas. For instance in the Enabling Environment strategy area some actions that enable thriving agricultural sectors are linked to actions in the Production and Processing strategy area. We minimized the duplication of actions as much as possible.

Figure 10 *Six strategy areas for action (source: IDH)*

[xiii] All policies and strategies proposed should respect human rights and address potential direct and indirect social and environmental impacts. It is important to note that where household individual choices lead collectively to poor outcomes, including low incomes (of themselves, their children, or others) and environmental degradation, these families should be empowered to make choices that lead to desired sustainability outcomes.

Alongside pathways and actor actions, each strategy section will also indicate how the proposed changes are meant to manifest into higher incomes for the poorest households. As discussed in Chapter 1 (see limitations), pathways and actions should not be seen as always directly solving root cause issues or delivering impact on income.

Ultimately, this chapter should be read as a prioritized, non-exhaustive set of major actions available to significant actors based on how each actor may interact with root cause issues and use their role and leverage to directly influence how the system functions in order to increase benefits and raise incomes of the poorest commodity farming households.

4.2 Enabling environment

An enabling environment includes multiple interdependent and overlapping systems, processes and structures that influence and react to global market systems, geopolitics, socio-cultural norms and preferences, and natural resources. The ultimate ambition of a well-functioning enabling environment is for good government, private sector and investor practices to promote fair value and risk distribution, while protecting the most marginalized and poorest communities, as well as the environment. The attainment of this ambition includes and goes beyond agriculture and food sectors. Find below three pathways to inspire actors in actions towards the enabling environment that will reach the aforementioned ambition, and ultimately close the living income gap for the poorest.

Pathway 1: Optimize land use governance while stimulating other economic sectors in combination with social protections

National socio-economic development strategies should balance income-generating opportunities in agricultural, industrial and service sectors alongside social protections to enable the poorest smallholder farming households to run a profitable agriculture enterprise and/or transition out of agriculture.

Evidence tells us that agriculture can be a vehicle to sustainably transition farming households out of poverty when agriculture is part of a broader national economic development plan that includes strategic development of other sectors alongside the deployment of social services and protections. Evidence also tells us that LMICs often don't have control over their own resources and budgets, which are necessary for developing and executing national development and growth strategies. When these resources are freed, through debt restructuring, loosening of austerity or otherwise, pro-poor economic development plans can materialize. Agriculture will likely play a significant role in national income generation, and relatedly, so will land use governance from national to household levels. Through land use governance policies either land can be distributed to landless or smallholder farming households from previously large land owners, or land consolidation can be promoted to allow for much bigger family farms, or nature can be protected. Through other investments in agriculture, smallholder farming households can become more efficient and/or add more value to the product, which will increase their incomes. With investment in other sectors and industries, households can add new income streams or manage risks when transitioning out of farming by accessing new jobs, training and/or other resources.

Figure 11 *Three development pathways for strategy area Enabling environment*

Consuming country governments

Consuming country governments, as debt holders, can enable many producing country governments to access and utilize the value of their nations' wealth. Measures such as debt forgiveness or debt restructuring would unlock revenues earned from their national resources[86] [87] [88]. Among former colonial powers, reparations may be paid to former colonies to compensate for historical events and the structural socio-economic inequality present today that results from the colonial process. Where desired, consuming country governments can share technology, information and other resources beyond capital to enable producing country governments to learn from their experiences.

Producing country governments

Producing country governments have sufficient political and financial independence, and can create (or enhance) national strategies and institutions to plan, manage and regulate land use and ownership in accordance with pro-poor national socio-economic strategies inclusive of but beyond agriculture[89] [90]. From this, producing country governments can develop, deploy and coordinate a local and foreign direct investment strategy for national and localized economic production, trade and services with clear investment and implementation plans for different actors. Depending on the current and future socio-economic significance of different sectors, producing country governments can better assess and instigate regulatory requirements ranging from supply and demand management to pricing mechanisms, and can coordinate actors to optimize results for the poorest households. These strategies are inclusive of, and go beyond agriculture — It could take a mix of strategies across raw material production, industrialization and services to create sufficient income-generating opportunities for all households.

Public investments: who decides?

Producing country governments are predominantly servicing significant debt towards consuming country governments. Debt repayment integrates structural adjustment programs that require austerity – in short, producing country governments are required to prioritize national-level income generation that facilitates access to foreign currency and hence debt repayment rather than investments in public goods such as infrastructure and education, or social protections such as subsidies and pensions. Producing country governments are thus debtors and highly dependent on their lenders' terms to free their budgets to invest national income based on national need and preference, not the lender's. However, Taiwan offers a lesson for what is possible when countries control their own resources.

In the mid-20th Century, land reform and rural infrastructure investments in the '50s and '60s boosted the productivity of monocropped rice production systems. And in the '70s and '80s, national strategies targeting growth in labor-intensive manufacturing spurred off-farm employment and increased the demand for diversified and processed foods. Production systems diversified, as did household income sources, and the government offered technical and financial support for households to transition out of agriculture. Government-led investments and regulations for the protection of smallholder farming households and local industry were employed in various agriculture and meat production and trade systems, from price guarantees to research and development in processing machinery, to large-scale training programs supplying technicians and managers to small and medium-sized enterprises and large corporates[91].

It is expected that many households will require support through more robust investment in agriculture and agricultural value chains, in the transition away from it, and/or in the assurance that when they cannot earn a just and favourable remuneration from their work, they can still live a dignified life. This will require an introduction or expansion of support to facilitate investment, including extension and centralized fertilizer purchasing and distribution and input subsidies (see Production and Processing); or measures to compensate for living costs, like pension schemes, to which all actors can contribute. This has worked in Colombia, where the government launched a voluntary savings program for citizens that are unable to contribute to typical pension schemes, in part targeting coffee farmers. To build up a retirement savings pool, Nespresso and the Colombian government top up coffee farmer's voluntary contributions[92]. Or measures to facilitate employment creation in agricultural value chains beyond primary production (midstream SMEs) and other sectors.

Traders, processors and NGOs
Traders, processors and NGOs have the proximity to farming households and the persistent collection of smallholder farming household and production data, allowing them to contribute their data inventory on farm size, land use and production activity and output to support the producing country governments in enhancing their datasets, triangulating their data and/or creating knowledge and nuances to inform their land and investment strategies, inclusive and beyond agriculture.

Manufacturers, retailers and investors
Manufacturers, retailers and investors are brand owners with proximity to consumers and can access sophisticated market analysis, therefore retaining significant intelligence on consumption and investment trends, which is vital for production forecasting and investment planning. This precious data can be directly shared with producing country governments through sector and landscape initiatives, and/or via trade partners to enable an equal playing field among governments in managing their natural resources. The shared data is also influential in defining plans to meet market and consumer demand across sectors and industries, based on their national resources in the present and future.

Pathway 2: Adjust global legislative mechanisms related to competition, tax and due diligence

Multiple independent yet interrelated laws, regulations and directives exist for business practices. These tend to reinforce unsustainable behavior and create legal loopholes for doing so, yet there is ample opportunity for global legislative mechanisms to facilitate socio-economic sustainability for the poorest farming households.

Evidence tells us that large sums of money that, from a moral/ethical perspective, best be channelled to, or remain in, low-income countries, currently benefits actors in high income countries instead. By changing laws and regulations in individual countries and globally, producing country actors, mainly governments, would have more money available to invest in their pro-poor economic development strategies covered in the previous pathway. Unsustainable corporate practices could be curbed, including those triggered by incomplete EU due diligence directives that may trigger procurement teams to source away from high-risk sourcing areas. Ultimately, more resources from corporates can be channelled in the form of continued market access at minimum, and more ambitiously: increased investments, prices and value transfers, all contributing to closing the living income gap of the poorest farming households.

Consuming country governments
Consuming country governments like the United States and those in the European Union influence most global legislation on competition, taxation and due diligence giving them the most responsibility to adjust their laws and enforcement mechanisms to enable the corporate integration of sustainability in their business practice rather than often enabling the use of loopholes and sophisticated legal and accounting tactics to manoeuvre away from sustainability.

This should be done in consultation with producing country governments, especially, as well as other business and third-sector actors, who can represent the concerns and needs of fragmented communities and households.

- Regarding antitrust legislation, prosocial and environmental sustainability movements have offered new articulations of consumer protection. In short, if sustainability is for the benefit of consumers, and ignoring sustainability reinforces systemic risks to businesses, investors and consumers, then coordination between actors and even competitors is required for socio-economic and environmental sustainability[93] [94]. Thus, antitrust legislation could become a tool for responsible data-sharing and coordination.
- Meanwhile, the elimination of tax havens in consuming countries or protectorates could retain revenues for producing country governments[95], which are currently leaked through sophisticated (and often legal) offshore accounting mechanisms[96] [97].
- And in relation to social and human rights, due diligence legislation can become more concrete in the following three areas: 1) specific language around corporate responsibility related to poverty, 2) ensuring the legislation is not promoting risk-averse behaviour by corporates such as sourcing away from or reducing investment in high- risk areas, and 3) balancing the need for continuous improvement with concrete evidence of that improvement, and expected phasing or timelines for progressive results.

Investors
Investors can refrain from speculatory behaviour on commodity markets[98], including in reaction to legislation or ahead of it.

Manufacturers, retailers, traders, processors and investors
Manufacturers, retailers, traders, processors and investors can see the opportunity in shifting multiple legislative mechanisms for a level playing field among private sector actors, and can support these adjustments. At minimum, these actors should not lobby against changes that can benefit producing country governments and smallholder farming households. They also have a role in minimizing the negative consequences of currently-legal practices, such as committing to continued sourcing and investments in high-risk areas, and to end their use of tax havens.

NGOs
NGOs can invest in and conduct research on the aforementioned legal mechanisms, part of which should include consultation with producing country governments and farming households, to ensure that the risks and desires of the low- and middle-income countries are adequately integrated and represented. Together, they can share results with and lobby consuming country governments to integrate the research findings into regulatory adjustments.

Pathway 3: Integrate social purpose with business purpose in business models and value chains

Most business models in agriculture value chains are driven by traditional business purpose and have a focus on optimizing shareholder and owner profitability. To distribute value and risk more equitably with smallholder farming households, business purpose and governance structures will need to expand to include other critical stakeholders, such as smallholder farming households, as decision makers and legitimate stakeholders who have material positive and negative impacts from the business.

Currently in many value chains, smallholder farming households earn only a fraction of the total profits generated by all value chain actors combined. When business models adequately reorient towards stakeholders, especially farming households, these stakeholders can directly influence business decisions that will have an effect on them, including how production and processing is valued in terms of product price and other compensation, and even how upstream investments are made in production processes and environments. Evidence confirms smallholder farming households directly or indirectly benefit when they are made shareholders; while dividends per smallholder farming household can be small, if paid out at all, other investments in production and processing are evident. Business models can also be adjusted, by decreasing costs, increasing sales revenue and decreasing dividend paid out to shareholders (family members or dividend holders) if farming households are not shareholders. This could generate more funding to pay higher farmgate prices including premiums, increase payments such as for social protection or environmental services, or to invest in production and processing and environmental preservation, which could directly or indirectly lead to household income increases.

Consuming and producing country governments
Consuming and producing country governments can create legislation and take direct action to create more equitable value distribution in order to lift the burden for producing countries and farming households in particular. One entry-point is shifting from shareholder to stakeholder-based business models. Specific regulatory changes may include: requiring the legal purpose of the company to deliver benefits to smallholder farming households, due diligence obligations on smallholder farming household impacts, and/or requiring smallholder farming households to be represented in the companies' ownership.

Evidence of rising social purpose in business

From citizens Global citizens expect businesses to step up on social issues
- 49% expect business to do more about inequality
- 76% expect CEOs to influence job and economic policy
- 80% expect business to invest based on values[99]

From business leaders Nearly 7k registered Benefit (B) Corporations in over 90 countries[100]

From institutions Proliferation of guidance on responsible and sustainable business practices, including by the OECD, WBCSD, ILO and others.

From governments Upcoming European Union directives on Corporate Sustainability Reporting and Corporate Sustainability Due Diligence.

Inspiration can be taken from the EU's Human Rights Due Diligence legislation, the UK's Better Business Act, and Public Benefit Corporations (B-Corps). Corporate reporting is another entry-point, and governments can raise the bar on corporate reporting through the integration of continuous actor materiality analysis, actor financial benefits and other verifiable sustainability data that obliges companies to prove their investment and impact on smallholder farming households, which is partly underway with the EU's Corporate Sustainability Reporting Directive[101]. Additionally, all governments can take direct action around value or profit-sharing. To free existing value for distribution, governments can limit share buy-backs and CEO payments, eliminate tax havens and corporate accounting loops in global tax mechanisms, and employ progressive fines for violators (see Enabling Environment Pathway 2).

Investors

Investors can revise investment requirements and reward mechanisms through:

- Integration of actor and impact materiality into investment decisions and investee performance expectations with explicit interest in smallholder farming household income and the value retained at farm/household level. These datapoints may be included in due diligence processes, and positive results by investees can be rewarded over time.
- Incentivization of stakeholder-inclusive adaptations of business models by rewarding investees for such integration, as suggested above in the legislation section.
- Reduced pressure on investees for aggressive financial performance, be it in growth or margins or duration, contingent on proving socio-economic benefits to smallholder farming households.

All businesses

All businesses can take note of the growing social discontentment of their consumers for their contributions to poor environmental and health outcomes the world over [102]. Given this reputational risk and opportunity, businesses can proactively test new business models and methods to share more value with smallholder farming households. Value chain companies can directly improve value-sharing through improved purchasing practices (see Procurement Practices section); through investments in smallholder farming communities that smallholder farming households self-identify, such as dairy processing units or irrigation technology (see Production and Processing section); and through contributions to service delivery and social protections (see Enabling Environment Pathway 1). All businesses can also re-organize their ownership structures to include smallholder farming households and farmer groups in core business decisions. Numerous examples exist from the niche to the mainstream, including UK's retailer Waitrose, US-UK brand Divine Chocolate, UK beverage trader Cafedirect, and Indian dairy processor Amul. These four food companies have been operating for decades with a combined turnover of over $36bn as of 2016[103]. Each of these businesses is partially or fully owned by smallholder farming households (or workers in the case of Waitrose), creating an opportunity for structural change in who is involved in business decisions and how value is distributed across value chains[104].

NGOs

NGOs can conduct research on profit, wealth and risk distribution in value chains[105], share data and results to feed the adjustment of shareholder and stakeholder returns policies and company investments in households[106], and lobby for such adjustment in company policies and through regulations.

Potential impacts of these pathways on smallholder farming households[xiv]

The pathways presented in this section could contribute to a higher inflow of funds and greater control of existing financial, physical and human resources in producing country economies. Coordinated strategies and investments across economic sectors in each producing country can clarify opportunities in agriculture as well as improved land-use governance for land dedicated to agriculture and how that land is distributed between sectors and actors. At the same time, alternative industries can create income opportunities through employment in industrial and services sectors. Social protections and investments can fill gaps and facilitate change, especially as some smallholder farming households transition out of agriculture.

[xiv] Disclaimer: the analyses on the impact of the pathways in this section on smallholder farming households is not meant to predict future outcomes but to present a simplified picture on the potential direct effects and first indirect effects on producing country and smallholder farming household incomes. Exploring effects and consequences for all Stakeholders is outside the scope of this paper.

Government and businesses can co-ordinate actions and investments to maximize impact for the poorest smallholder farming households, especially when those households are represented in governance groups and processes and can contribute directly to strategies and decisions. In summary, these pathways may contribute to smallholder farming households:

- More resources
  - influence in political processes and business decisions
  - investments in production and processing
  - other income and wage opportunities
  - social services and social protection including cash transfers and pensions
- Higher value
  - accumulated at household level from production and processing because of increases in volumes, prices, and/or the share of export value and/or end-product value
  - through off-farm income diversification related to wage work and social protection
- Less risk in
  - farm investments
  - price
  - switching to / accessing other economic activities
  - securing markets

4.3 Procurement practices

Procurement practices are sourcing principles and actions taken by any actor that is procuring raw or processed products. Alongside companies, governments also procure products. The ambition is for procurement practices to become a legitimate and effective channel for reducing and closing the living income gap by integrating the sustainability agenda and smallholder farming household supplier realities in purchasing decisions and procurement performance assessment.

Pathway 1: Integrate sustainability into procurement practices

The procurement function has significant potential to break the silos between sustainability or socio-economic goals on the one hand, and material sourcing on the other. By mainstreaming sustainability with procurement, actors have an opportunity to deliver better returns on collective investments across core business functions and assets, sustainability and socio-economic development. Evidence is limited on procurement practices and their direct impact on income due to limitations in data sharing and availability of case studies. Yet the expectation is that household incomes can be significantly increased when procurement practices are designed to also achieve sustainability targets. Implementing sustainability strategies through activities part of the core business of a company or organisation has a better chance for impact than CSR activities because of the scale of implementation.

Three areas where sustainability and procurement can more effectively integrate are value chain management, value distribution and risk distribution. Value chain management relates to long-term, mutually beneficial relationships that prioritize traceability and transparency alongside delivery of products to buyers' specifications. Eliminating transactional interactions and unnecessary actors in a legitimate partnership between all parties in the value chain can increase trust and improve performance of all actors; in particular, downstream actors can better understand the context of smallholder farming households including their pain points and needs. Mutually beneficial, trusting relationships enable downstream actors to then contribute to smallholder farming households' needs and desires by sharing more value and risk with smallholder farming households that are known suppliers. Value can be shared through, for example, higher farmgate prices as well as value-generating upstream investments in production and processing and payments such as for environmental preservation or social protection. Risk can be shared through, for example, symmetrical contracts and risk-related upstream investments in insurance and hedging. Higher value capture by smallholder farming households and value transfer to smallholder farming households can reduce the living income gap, while better risk mitigating among smallholder farming households can protect those income gains from unnecessary losses.

Figure 12 *Three development pathways for strategy area Procurement practices*

All businesses

All businesses can fully integrate sustainability into their core business purpose and especially within their procurement function. Such a transition requires capacity-building across the organizations, and new mandates for senior leaders and departments. For procurement teams in particular, performance metrics related to cost-efficiency and cost-cutting are too narrow and tend to drive negative socio-economic results for smallholder farming household suppliers, and their surrounding environment. New performance metrics for procurement teams need to incorporate both business efficiency and appropriate value and risk distribution with smallholder farming household suppliers in value chains. New ways of working between procurement, sustainability, marketing, finance, operations and R&D teams are expected.

With a more expansive mandate, procurement teams across all businesses can make different procurement decisions, including:

- Prioritizing direct trade, or some degree of vertical integration, which can eliminate excessive numbers of actors between consumers and smallholder farming households. Preferably sourcing from the smallholder farming households and/or producer organisations that process and trade is also an example of responsible vertical integration. The effect could be to simplify and scale traceability, increase the likelihood of information transmission across the chain, and limit unnecessary actors from taking a cut of the farmgate price when they are not adding significant value.
- When traceability is a sourcing norm, value chains will have information about their suppliers and production contexts, including production and livelihood data.
- Price discovery and price setting practices can incorporate sustainable cost of production and the living income gap for smallholder farming households, such that all transactions along the chain can facilitate the delivery of remunerative farmgate prices (see Pathway 3 of Enabling Environment).
- Additional compensation to smallholder farming households and farmer groups for their contributions towards the ecosystem and environment, marketing and branding, and management and coordination of special projects or segregated products, can be used to transfer more value to smallholder farming households via the procurement function (see Pathway 2 of Consumer Engagement and Product Innovation).
- Strategic, procurement-related sustainability and corporate social responsibility investments. Projects and investments de-linked from smallholder farming households and communities, or which do not serve some type of procurement function, should be phased out. This creates efficiency and alignment within businesses for where and with whom investments are channelled. It increases the chance of success when linking socio-economic "interventions" and short-term projects with long-term business interest and investments, and it enables other actors to step in where businesses step out. In addition, investments with or without a connection to public grants and donations are channelled towards smallholder farming households and communities at highest risk or need.

Investor as catalyst for change: Case in point

"Investors are privileged to occupy a position of significant influence to ensure that the benefits of capitalism are realised and shared, and its harms mitigated[107]."

A consortium of banks led by Rabobank, closed on a credit facility with the Mercon Group in 2018 to administer USD450 million in sustainability-linked loans for sustainable coffee practices. The credit facility's interest rates are linked to sustainability outcomes that include social and environmental issues, including deforestation, child labour, and pest and pesticide management. Achieving sustainability targets would reduce Mercon's financing costs and would free funding to support the coffee exporter's service delivery program to smallholder farming households.

The Mercon illustration is geared towards smallholder farming households, although banks and investors can modify and utilize the same approach for their own investees[108][xv].

Investors

Investors can reward investees whose procurement practices directly contribute to reducing and closing the living income gap through, among other ways, value chain consolidation, transparent contracts, and alternative pricing and payment mechanisms. Such rewards require reduced pressure on investees for aggressive financial performance, be it in growth, margins or duration, contingent on proving socio-economic benefits to smallholder farming households.

All governments

All governments have procurement functions that can apply the numerous actions mentioned above in their own procurement practices.

Governments and NGOs

Governments and NGOs that provide grants or technical assistance to businesses sourcing from smallholder farming households can stop funding sustainability and CSR projects that are de-linked from procurement. They can also mandate that any grant-funding and technical assistance is justified based on the relationship between the target supplier community and their value chain counterparts; that the socio-economic and environmental risks and desires of communities are appropriately prioritized, and the significance of the role that communities and their production plays in the businesses' sourcing goals. Moreover, governments and NGOs can require grant-recipients to document their procurement practices vis-a-vis smallholder farming household outcomes to provide NGOs and academics with information to fill evidence gaps in literature around best practices for procurement-driven sustainability and how it can be scaled.

Pathway 2: Normalize long-term, mutually beneficial relationships between trade partners

Building trust and mutual understanding takes time and commitment, especially when actors have large distances between them; geographically and otherwise. When trust and understanding exist, actors can work towards concrete mutual benefits including a collective approach to mitigate collective risks, and means to improve alignment and efficiency between actors, including putting more focus on the needs of smallholder farming households. Such mutual collaboration is an important enabler for providing smallholder farming households with better terms of trade through procurement practices and household support.

All businesses

All businesses can build long-term, mutually beneficial buyer-supplier relationships, from smallholder farming households to retail, by prioritizing open dialogue, continuous improvement, and process efficiency between parties. Transparency in one's own challenges and priorities, integrity in fulfilling agreements and willingness to nurture a balanced relationship between parties will enable trust-building and more reliable and resilient trade partnerships. Improved relationships, trust and mutual understanding between smallholder farming households or farmer groups and traders can create more loyalty between smallholder farming households and their buyers, when traders address their suppliers' needs by reducing the market risks and creating supply security and process efficiency for all downstream actors. More balanced, long-term contracts can be the norm between traders and manufacturers, or

[xv] Unfortunately *"Mercon Coffee Corporation and 10 affiliated debtors each filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court"* in December 2023 (Mercon, 2023). We do not know what this means for the implementation of the example we provided.

manufacturers and retailers, which formalize more equality in their trade relationships through these contracts. Traders can thus apply the same standards to their direct suppliers, be they farmer groups, aggregators or smallholder farming households; by formalizing relationships and legitimizing their trade partners in balanced, negotiated contracting.

Manufacturers and retailers

Manufacturers and retailers can ensure that traders design, sign and deliver on balanced contracts by including this requirement in contracts with their own suppliers, and by supplier performance incentives. Contracts between downstream and midstream trade partners can require onward contracts down to the smallholder farming group or household level, including: product characteristics and quality parameters; farmgate prices covering costs of production and margins; duration of relationship; purchase volumes, and timing of payments. Suppliers to manufacturers and retailers can be benchmarked on the terms provided to smallholder farming households, their performance on the delivery of these terms, and other more traditional supplier performance criteria such as product quality and delivery time. Manufacturers and retailers can further incentivize competition and performance improvement through transparent and incentive-led supplier benchmarking by offering rewards such as larger volumes, additional investment capital, shorter payment terms and more.

All governments

All governments have procurement functions that can apply the numerous actions mentioned above in their own procurement practices and relationships. They should also create grievance and remediation mechanisms, which when well-managed at the local and global levels, can contribute to trust-building and accountability between parties to fulfil their responsibilities and obligations. The OECD offers detailed guidance on the development of grievance and remediation mechanisms [109].

Potential impacts of these pathways for smallholder farming households[xvi]

The pathways in this section can end independent sustainability projects so that procurement decisions and processes directly improve the terms of trade for smallholder farming households, for instance through increasing farmgate prices, and fair compensation to households for the ecosystem services they deliver. The risk for smallholder farming households could also decrease with long-term relationships between buyers and households with good terms for the households. If payment terms are adjusted such that smallholder farming households are paid soon after sales, it allows them to make timely investments in farm management practices during the growing season for a good return on investment or to send their kids to school. In summary, these pathways may contribute to smallholder farming households:

- Higher value
  - higher farmgate prices
  - income diversification compensating on and off-farm value-addition such as ecosystem services and contributions towards marketing materials
  - process efficiency could reduce cost of production
- Less risk
  - formal agreements for secure, long-term markets with product and transaction details including prices
- Additional resources
  - more information to improve choice, potential value capture and negotiation, such as commodity price information, additional compensation opportunities and clear product specifications
  - more information for self-advocacy and protection, such as grievance mechanisms

[xvi] Disclaimer: the analyses on the impact of the pathways in this section on smallholder farming households is not meant to predict future outcomes but to present a simplified picture on the potential direct effects and first indirect effects on producing country and smallholder farming household incomes. Exploring effects and consequences for all Stakeholders is outside the scope of this paper.

4.4 Traceability and transparency

Traceability and transparency refers to efforts and technologies that enable the sharing of information across the value chain, and among actors. The ultimate ambition of traceability and transparency is to achieve multi-directional transparency between actors about their strategies, behaviors, performance, partnerships, and results related to smallholder farming household production, trade and living conditions, applying to all households sourced from. This will enable all actors to make informed decisions and investments that deliver more equitable value and risk distribution for the benefit of smallholder farming households. Find below two pathways to inspire actors in catalyzing change through traceability and transparency, ultimately, closing the living income gap for the poorest.

Pathway 1: Normalize broad traceability as a way of doing business

Traceability is often used as a narrow concept that typically refers to tracing the chain-of-custody of a product from primary production to retail. Traceability as a concept should be expanded to incorporate production information alongside farming household standards of living to enable more effective and efficient production and household data discovery. This is expected to improve the efficiency and effectiveness of social and environmental interventions. The sharing of information on all smallholder farming households sourced from, their production and landscape reality and barriers and opportunities for them to earn a living income, as well as the impact (or non-impact) of policies and interventions, is expected to be an important enabler for designing effective strategies and actions. Both within value chains as well as more widely between actors. When actors are clear where and with whom raw materials and primary processing occurs, actors can conduct due diligence on production and household realities, build relationships and trust among each other, and build their strategies and actions accordingly. Also smallholder farming households could benefit from support based on such knowledge and information when it is transferred adequately. Sharing of such data and information could also lead buyers and consumers to change their buying behaviour.

Figure 13 *Three development pathways for strategy area Traceability and transparency*

Producing and consuming country governments

Producing and consuming country governments can require companies to collect, verify and disclose household-level traceability data about where and from whom they source their raw materials (adhering to the GDPR)[xvii] including requirements for the monitoring of reports on progress related to changes in production and the household standard of living for a company's entire supplier base. The EU Corporate Sustainability Reporting Directive could be instructional for non-EU governments[110]. The pre-competitive normalization of traceability and related disclosures can trigger more transparency in a sector, landscape and value chain; and closer relationships and trust-building between primary suppliers and buyers.

[xvii] EUs General Data Protection Regulation.

Governments
Governments can also directly invest in national or sector-level traceability systems with, ideally, producing country governments to own, operate and/or coordinate national-level systems. An upcoming example is the Ghana and Cote d'Ivoire Cocoa Initiative which is implementing the Living Income Differential amongst others. Centralizing national and sector-level information can create efficiencies for alignment and coordination among actors although data and system interoperability between new and existing systems of partners, and within landscapes, is essential. Producing country governments and NGOs can use this information to encourage more collaboration amongst actors, including competitors, service delivery coalitions and market actors, concentrated in a specific landscape, and consuming country governments, and to enhancing investments in sustainability plans.

All companies
All companies can invest in their own traceability and management information systems that include but go beyond information on production to capture supplier demographics, standards of living, natural resource use and landscape realities. Responsible disclosure of such information (adhering to the GDPR) within the company and outside the company enables informed decision-making. They can also invest in farmer group ownership and management of digital traceability systems in order for smallholder farming household groups to more professionally and efficiently fulfil their often-essential intermediary role between farming and buyers. System interoperability between value chain partners and other actors can create efficiencies and trust between partners in the long-run.

Manufacturers and retailers
Manufacturers and retailers can trigger the above changes through the inclusion of traceability in product specifications, supplier agreements and benchmarking practices towards traders and processors, such as is the case in cocoa[111] (see also supplier benchmarking in Pathway 2 of Procurement Practices).

All companies and producing country governments
All companies and producing country governments managing their own traceability systems can systematically verify changes in production and standards of living over time. They can share back all data with smallholder farming households and farmer groups in a way that supports them to better understand the value chain, their role in it, how they perform compared to other armers, and how they can maximize their own income potential.

NGOs
NGOs can fulfil their role as coordinator and watchdog by verifying data and analysis across actors, monitoring action and results, sharing findings and lobbying actors for improvement, where necessary. NGOs can also play a role in supporting smallholder farming households to take action on the information they receive from partners' traceability system output, be it in improving production, negotiating with partners for better terms, or data and technology upskilling.

Enabling transparency through data sharing: data must be fair

Data Sharing can be a key enabler of traceability and transparency in multi-actor partnerships while creating more efficient systems. Through data-sharing, actors can co-invest in and reduce individual costs associated with data collection, storage, management, and analysis rather than duplicating efforts. The benefits in the form of reduced costs can be leveraged for fuelling innovation or transferring value to smallholder farming households. However, for data sharing to be successful, it is critical to have:

- Common data standards and a commitment to adhere to them;
- Data that is FAIR: Findable, Accessible, Interoperable, and Reusable;
- Well-informed consent of smallholder farming households to share their data along with smallholder farming household-centric data governance mechanisms;
- Strong data-sharing agreements that clearly specify the purpose of sharing data, the key actors that will form a part of the agreement, the roles and responsibilities of these actors, and the binding principles under which data would be shared. Such binding principles should include guarantees that personal data is protected, and should address who has access to competitive and sensitive data.

Pathway 2: Normalize transparency of data that is relevant and influential for trade and value chain investments

Minimal concrete and quantifiable information is available about business practices, relationships and results aside from the financial performance of a company or governmental organisation. The imperative to normalize data sharing and transparency around trade information and value chain and country-level investments is to create opportunities for actors to build trust, mutual understanding and accountability between each other in order to enhance the capacity and effectiveness of each actors' actions. Such information sharing can be done in an anonymous way not to disclose competitive information. It is expected to be an important enabler for informed decision making by all parties on their own activities but are also important in designing and implementing multi-stakeholder.

Traders, processors, manufacturers and retailers

Traders, processors, manufacturers and retailers can disclose information on where and from whom they source their raw material in addition to their production and landscape-level investments, while adhering to the GDPR and antitrust legislation. Companies can choose to publicly disclose the volume, price and other transaction data, especially through initiatives that will anonymize and aggregate that information for all actors. At minimum, companies can share transaction and investment information back with smallholder farming households in their supply base.

Producing and consuming country governments

Producing and consuming country governments can participate in data-disclosure, sharing information related to inventory like strategic reserves; agriculture-related revenue and spending via taxation, commodity exchanges and auctions, and price controls; and funding and delivery of subsidies and social security programs.

For the benefit of all actors, and contributing to a reduction in inefficiencies and duplications, while maximizing coordination and the complementarity of transactions and investments. Between new legislation and governments' own disclosures, value chain partners, governments and entire sectors could be equipped to re-envision value and risk distribution for the benefit of smallholder farming households.

Producing and consuming country governments

Producing and consuming country governments can mandate transparency by regulations requiring companies to disclose the data required to facilitate information-sharing and coordination of sourcing, services and investments for and with production areas and smallholder farming households. They can also require transaction-related disclosures throughout the value chain, related to volumes sourced; price discovery, price setting and payment verification; and production and landscape-level investments linked to sustainable procurement. Governments can revise antitrust legislation as suggested in Pathway 2 of Enabling Environment, though examples exist in the coffee sector of anonymized and aggregated data disclosures that enable data-sharing and analysis in compliance with the current boundaries of antitrust legislation. The Taskforce on Coffee Living Income[112] and the Specialty Coffee Transaction Guides[113] can provide practical inspiration for governments to require private disclosures for the purpose of publicly sharing aggregated analysis.

Sector associations, NGOs and academics

Sector associations, NGOs and academics can play an intermediary role in converting individual disclosures of actors into aggregated and anonymized data and information. Earlier examples in the coffee sector required individual companies to agree to confidentially share their own transaction data; sector organizations like the International Coffee Organization, the Specialty Coffee Association, and NGOs like IDH to facilitate the process, and academics and consultants to analyze and deliver aggregated and anonymized data.

NGOs

NGOs can also play a role in monitoring and verifying transaction data, and using data analysis for holding all actors accountable while lobbying for data democracy. NGOs can also support value chain actors in sharing back their data to farming households in an understandable and actionable format.

All of the above efforts towards transparency can help producing country governments to coordinate and channel investments by offering a more holistic view of where buyer and government investments are already going versus where they might be needed more. With closer relationships between buyers, governments and smallholder farming households, investments can also serve households and landscapes based on their own self-identified needs and desires

(See Pathway 1 of Enabling Environment, and Pathway 1 of Sector and Landscape for more details).

Potential impacts of these pathways for smallholder farming households[xviii]

The pathways in this strategy area could lead to evidence-based decision-making regarding investments and strategies across actors that affect farming households. In particular, shared information could lead to more collaboration and more efficiency in implementation, generating more funds to invest in smallholder farming household income improvement strategies, especially when funds are redirected from financial products and assets, towards production and household support. Such implementation and collaboration would be based on actors having a better understanding of the farming and production context, reducing the "distance" between these actors for the benefit of mutual understanding. In summary, these pathways could lead to:

- Additional resources
  - Timely channelling of investments to where they are most needed
  - use of own production data for benchmarking and own improvement
  - more intelligence on prices, markets and so on to make informed marketing and production decisions
  - improved access and use of data and information systems
  - self-advocacy for opportunities

4.5 Sector and landscape management

Sector and landscape management is where market, production and ecological systems converge in practice. These are the composite of strategies and actions requiring alignment, coordination and/or collaboration across a sector and a particular production jurisdiction. The ultimate ambition for sector and landscape management is for good and coordinated governance and business practice across a sector or jurisdictional area to lead to thriving communities while conserving landscapes and biodiversity. Find below two pathways to inspire actors in catalyzing change in sector and landscape management to reach the aforementioned ambition, and ultimately close the living income gap for the poorest.

Pathway 1: Joint visions, action plans and accountability frameworks for landscape management

Each landscape where production occurs could benefit from deliberate integration of social, environmental and economic sustainability in visions and actions plans such that maximize benefits for the poorest households. Evidence tells us that it is important to coordinate activities within a production landscape to achieve environmental and social ambitions, even if multiple value chains sourcing from that landscape implement sustainability activities. To ensure effective implementation of such a landscape or jurisdictional approach, a joint vision, an evidence-based action plan including adequate funding and financing mechanisms, and an accountability framework are needed per landscape.

Producing country governments

Producing country governments can use national strategies mentioned in Pathway 1 of the Enabling Environment strategic area to guide jurisdiction-level strategies and activities for production, processing and natural resource management. Production could be structured around regenerative agriculture principles to protect the long-term health of soils and biodiversity. They could also use strategic processing units, zones or directives according to landscape to promote national competitiveness and maximize the benefits to smallholder farming households. Strategic production and processing units could also integrate forest protection, where forest encroachment is a risk.

[xviii] Disclaimer: the analyses on the impact of the pathways in this section on smallholder farming households is not meant to predict future outcomes but to present a simplified picture on the potential direct effects and first indirect effects on producing country and smallholder farming household incomes. Exploring effects and consequences for all Stakeholders is outside the scope of this paper.

Figure 14 *Three development pathways for strategy area Sector and landscape management*

Consuming country governments
Consuming country governments can invest in the implementation of landscape-level activities. Through trade agreements and trade facilitation, they can also promote the importation of products produced in landscapes that significantly reduce the living income gap to smallholder farming households.

All businesses
All businesses can directly invest in landscape activities and source multiple products from the same jurisdiction. They can also appropriately compensate households for delivering eco-system services based on the effort required of them, and the benefits accumulated by businesses, such as increased brand value and carbon credits.

Manufacturers and retailers
Manufacturers and retailers, through supplier benchmarking and incentives (covered more thoroughly in Pathway 1 of Procurement Practices), can use their market leverage to deliver upstream investments in landscape approaches and to guide their own multi-product sourcing strategies. Consumers could be engaged on manufacturers' and retailers' sourcing commitments directly from the company vis-a -vis pre-competitive sector-level communications about the reality of smallholder farming household systems and outcomes (see Pathway 2 of Consumer Engagement and Product Innovation).

Traders and processors
Traders and processors, working more directly in landscapes, can work in coalitions to implement sustainable and inclusive landscape management activities such as reforestation. They can share data and knowledge to inform decision-making by buyers, investors and governments for such activities.

NGOs
NGOs can facilitate the implementation of inclusive multi-stakeholder agreements, or "compacts," within a landscape, including laying out specific goals, action plans, and measurable accountability frameworks for all actors in the landscape. They can also conduct and share research on landscape risks and opportunities across social, environmental and economic dimensions to inform decision making for such activities. This is in addition to a role in verifying the results to protect against "green" and "fairwashing" while ensuring companies fulfilling their commitments can make public claims. Meanwhile, through their analytical and verification processes, NGOs can add assurance that data becomes available in landscapes and can be used for calculating the living income gap, developing alternative pricing mechanisms or other purposes. See the pathway below for more on alternative pricing mechanisms.

Investors
Investors can adapt their portfolio composition through investments in companies that implement and facilitate sustainable and inclusive landscape management activities by smallholder farming households, and which collaborate with peer sourcing companies to achieve landscape objectives, including sourcing multiple products from the landscape.

All businesses and governments

All businesses and governments can invest in data and technology systems that enable data comparison, sharing and interoperability, while respecting the GDPR guidelines for data privacy of individuals.

Pathway 2: Deploy sector-level pricing mechanisms for fair value distribution and short payment cycles[xix]

Eliminate competitive race-to-the-bottom pricing behavior by deploying new pricing mechanisms at sector-level to make fairer value distribution and shorter payment cycles a pre-competitive norm. This would lead to higher farm gate prices and premiums paid at scale increasing household incomes directly, and could lead to externalities being tackled through true price payments at a pre-competitive level. In addition, it could lead to earlier payments to households helping them to better invest in farm management and education and eliminate unnecessary processes and fees related to access to finance.

NGOs

NGOs, including sector associations and academics, can lead sector-wide data collection and analysis on costs of living and sustainable production to facilitate new sector-level price discovery processes[xx]. These organizations can anonymize and aggregate this data and offer analyses on sustainable production and living income reference prices. FairTrade's Living Income Reference Price model is an example of the integration of sustainable production and living income in the calculation of reference prices for a specific sector and production context. Alternatively, the Sustainable Coffee Buyer's Guide is a tool that uses similar data inputs to showcase multiple origin-specific reference prices for users: poverty price, legal price, living (income) price and prosperous price.

Sector associations

Sector associations often circulate data around aggregated supply, demand and market prices, and could incorporate the above examples from FairTrade and the Sustainable Coffee Buyer's Guide in the industry intelligence they circulate to maximize data sharing and alignment and further influence value chain actors to integrate multiple datapoints in their price setting practices rather than market price or differentials alone.

The value smallholder farming households contribute to end-products

Raw or processed materials with specified attributes including all production, processing and segregation required for supplying all other actors according to their specifications.

Personal and production data that builds product value through traceability, certifications and "single origin" brand value used in trade and consumer engagement.

Environmental services from soil preservation to protection of biodiversity and forests, and carbon capture often claimed in CSR to promote brand value and ESG funding.

Personal and production stories and images that build brand image and value for manufacturers and retailers.

Risk absorption for all other actors, especially climate, production and currency risks. Yet in the last 20 years smallholder farming households' have received a declining share of value of the end-product compared to other value chain actors, earning very low incomes - sometimes not recovering cost of production, - and a very small proportion of all profits earned in the value chain.

Traders and processors

Traders and processors often collect production and cost of living data from farming households. They can share that anonymized and aggregated farming household data with NGOs to facilitate the above-mentioned actions. They can even integrate price tiers in their purchase agreements with onward buyers to expose buyers to the impact of their price decisions on the income of farming households. Where significant gaps exist among farming households in production or processing performance, or perhaps in knowledge or access to resources, traders and processors can invest in and/or deliver services to

[xix] Pricing mechanisms here refer to interactions between price discovery processes (see description below), price-setting behaviors and decisions, and regulations on price.

[xx] Price discovery here refers to the source(s) of information taken into account for price-setting between trade partners which ultimately determines the potential price at farmgate. Often price discovery for farmgate price is a result of daily financial and commodity market price fluctuations that are determined by aggregate supply and demand of a single or composite of origins.

farming households (see Production and Processing pathway) alongside improved price setting.

Brands, manufacturers and retailers
Brands, manufacturers and retailers can reward farming households for the value they deliver to consumers by adding environmental and marketing considerations, on top of information on sustainable production costs and the living income gap, to their price discovery and price setting practices. Especially when downstream actors are informed by NGOs, sector associations and traders on how different prices link to income-related results with regard to reducing and closing the living income gap downstream buyers can commit to paying prices that more adequately share value in the value chain with primary smallholder farming households. In traceable, digitized and short value chains, downstream buyers may even transfer premia or other compensation to smallholder farming households directly.

All businesses and governments
All businesses and governments can directly contribute data when they have it, and/or can contribute to data collection and analysis costs. Like in the case of The Sustainable Coffee Buyers Guide, which was launched by coffee companies Azahar and Cropster, any business can launch a pre-competitive tool that can be adopted by other actors.

Producing country governments
Producing country governments can implement minimum prices for smallholder farming households that can reduce and close the living income gap by guaranteeing an adequate profit margin for reasonably efficient households and/or reducing farmgate price volatility. The Living Income Differential required by Cote d'Ivoire and Ghana is one example of collaboration between the largest cocoa exporters using their production leverage to increase farmgate price in cocoa. In tandem, producing country governments can implement measures to avoid oversupply as price increases may result in increases in production which could lead to a downward pressure on prices or on households not being able to sell all their produced volumes. Such increases in production could also lead to deforestation and/or forest degradation.

Consuming country governments
Consuming country governments can set higher minimum requirements for companies importing raw materials or processed foods, which enable better terms and conditions for households in origin countries. Limiting the accumulation of power and leverage of downstream market actors, especially when their power is a consequence of corporate consolidation like a merger or acquisition, can shorten repayment periods between manufacturers and processors and, therefore, enable quicker payments, and a higher proportion of value, to reach the farmgate.

Consuming country governments
Consuming country governments that host global commodity exchanges can also regulate these exchanges in a variety of ways, from promoting more transparency and limitations on speculative actors and positions, to prohibiting mutual funds and certificates for commodities, to taxation on derivatives trades and commodity index funds, which can be distributed to countries of origin and/or directly to smallholder farming households.

Potential impacts of these pathways on smallholder farming households[xxi]

Improved coordination across production regions for production systems, market transactions and support towards households can make investments and trade more efficient for all and more targeted and impactful for households, such as through targeted investments in processing facilities and market security for multiple products. Improvements in price discovery, price setting and payment delivery times across a sector can secure more value and reduce market and price risk for farming households. Negative externalities could be addressed by these measures if the true cost and true price of production is known and addressed adequately, generating more funds to ensure negative externalities are mitigated and avoided. Earlier and higher payments and lower price volatility could lead to more investments in farm management and could

[xxi] Disclaimer: the analyses on the impact of the pathways in this section on smallholder farming households is not meant to predict future outcomes but to present a simplified picture on the potential direct effects and first indirect effects on producing country and smallholder farming household incomes. Exploring effects and consequences for all actors is outside the scope of this paper.

lead to a better return on investments because investments can be implemented at the appropriate time in the growing season. All this could lead to higher farm output and incomes when it is ensured that supply and demand are balanced. In summary, these pathways could influence all income drivers for smallholder farming households in the following ways:

- Higher value
  - through higher commodity prices
  - reduced transaction and finance costs
  - increased and/or stabilized volumes across multiple farm products
  - income diversification for on-farm activities including: multiple farm products, ecosystem services, and contributions to marketing materials
  - income diversification for off-farm activities such as wage work at processing facilities
- Lower risk
  - in generating multiple income streams
  - by less volatile prices, and quicker, more reliable payments
  - for farm investments
  - in accessing multiple markets for diversified farm production
- Additional resources
  - in production and processing for the whole farm
  - in price protection and price negotiation
  - through targeted investments in processing within the landscape
  - opportunities to influence actor action plans and decisions.

4.6 Consumer engagement and product innovation

Customer engagement entails a broad range of efforts around consumer-centric sales, marketing, and branding. Product innovation is the creation or improvement of a product to enhance consumer experience and/or make the production process more efficient. The purpose of these strategies and activities is often, if not always, to gain market share, increase margins and/or change the behavior or attitude of consumers towards products and manufacturers. The ambition for consumer engagement and product innovation is to create more value at the product and consumption level which would be channelled towards farming households increasing their incomes directly. In addition, it would to inform and empower consumers at scale to make purchasing decisions that either reinforce fair risk and value distribution without "fairwashing" or "greenwashing," or consumer choice/goodwill dictating value and risk distribution.

Pathway 1: Communicate honestly and transparently to consumers about sector and production realities

Consumers are only informed about production realities in rare cases when they experience it themselves or when they are informed through the media and marketing channels. All actors can commit to more honest communication to consumers about production realities so consumers can be better informed about their purchasing decisions.

Figure 15 *Three development pathways for strategy area Consumer engagement and product innovation*

When an entire sector communicates pre-competitively to consumers and citizens about the realities of socio-economic and environmental sustainability, the risk of reputational damage is reduced for individual companies and governments. This can result in lower cost for managing public or legal discussions on sustainability challenges, or to consumers willing to pay more leading to more money to be available for investing in farming households.

Sector associations

Sector associations can lead or be leveraged for pre-competitive, cross-sector communication about the production realities for different products in sustainability-driven markets. Sector-wide transparent communication to consumers about challenges and risks in production contexts and value chains levels the playing field across companies. This can reduce the risk of a single actor losing market share or brand value for the disclosures suggested in the Traceability and Transparency pathways, as well as in more honest marketing and/or public relations-related communications.

Manufacturers, retailers and standard-setting bodies

Manufacturers, retailers and standard-setting bodies, being consumer facing are at the forefront of consumer engagement, and can stop green and fair-washing their manufacturers and products and openly disclose traceability and transparency data (see both pathways in that section) to substantiate the degree and scale to which their procurement and investment decisions improve conditions in production areas and between households, and where improvements will be made. When many consumer-facing companies communicate based on a level-playing field, transparent disclosures of individual companies can future-proof their brand value and market share as the share of consumers committed to sustainability grows over time.

Producing country governments

Producing country governments can encourage agriculture and eco-tourism in their national strategies[xxii][xxiv]. First by investing in necessary infrastructure for consumers to comfortably reach farms, landscapes and processing facilities. Second, by supporting tourism skill-development in rural areas allowing smallholder farming households to host agri-tourists, and finally by marketing directly to tourists about their territories as destinations for agri-tourism. Attracting consumers to directly meet smallholder farming households and experience the process, effort and production context can influence their purchasing preferences and behavior, such as a willingness to pay more and an increased commitment to purpose-driven purchasing.

All governments

All governments can create rules against misleading claims on consumer labels and marketing, like the EU's Directive on empowering consumers for the green transition[114]. Such a directive can correct the market failures and policy gaps that mislead consumers and disadvantage companies that are actually delivering on their claims[115].

All companies and NGOs

All companies and NGOs can support smallholder farming household groups to upskill towards hosting agri-tours for local and international consumers visiting their countries or regions, and to provide tourists with an impactful experience. They will need a better understanding of tourist expectations and behavior, knowledge and, possibly, processing equipment so that tourists can experience various forms of the product, including the end-product where possible. They will also need connections to the tourism industry as well as marketing support to draw tourists and tour operators to their farms.

NGOs

NGOs can step up their accountability efforts towards companies' persistent green and fair-washing. With the exception of cocoa, all the sectors covered in this paper are missing influential activists or campaigning organizations that can serve as continuous watchdogs and informants on the sector. This is despite significant campaign successes in the past linking palm oil to deforestation and cocoa to child labor, which triggered significant consumer backlash and changes in sustainability perceptions and actions in both sectors. Data, stories and various forms of media, performance and legal action could help in creating pressure for more honest and transparent marketing and public relations content directed towards consumers without accountability or third-party verification.

[xxii] Note that local and regional travel in many countries is common, and tourism. If this leads to additional travel to producing countries, it may lead to more GHG emissions compared to if tourism would not have been encouraged, and therefore negative environmental outcomes while improving socio-economic outcomes.

Next generation of consumers are sustainability-driven

- 85% consumers globally shifted towards sustainable purchase behaviours in the last 5 years[116]
- Roughly 40% of young consumers are willing to pay more than 30% premia for products claimed to be sustainable[117]
- Consumers prioritize sustainability claims over brand, to the surprise of retail executives[118]
- 58% of global citizens report a preference for value-based brands[119]

Pathway 2: Share value created through consumer engagement and product innovation to smallholder farming households

Through this pathway, product innovation and marketing takes place that entices consumers to pay more for their products or for manufacturers or processors to decrease the cost of production. Such innovations will generate additional funding that can be channelled to increase incomes of smallholder farming households directly through prices or payments, or indirectly through household or community support.

Manufacturers and retailers

Manufacturers and retailers regularly invest in innovations around product recipes, consumption formats and consumer experience to expand the consumer base, increase per capita consumption, and/or steer consumption towards certain product categories and formats.

- Manufacturers and retailers can choose to share the new value created back with smallholder farming households through higher prices, additional (compensation) payments, and investments in production and processing. (For more on higher prices, see pathway 3 of Enabling Environment, and pathway 2 of Procurement Practices).
- Additional (compensation) payments, for social protection or for ecosystem services, contributions to branding and marketing materials, and data-sharing can be utilized outside of typical procurement transactions. Sometimes, this value-share is referred to as a conditional or unconditional cash-transfer, as is the case in Nestle's Income Accelerator Program. Ultimately, such payments should institutionalize value-sharing at scale as a normal way of doing business between downstream companies and their suppliers.
- Numerous analog and technology-enabled channels exist for manufacturers and retailers to send direct payments to smallholder farming households in traceable value chains (see pathway 2 of Procurement Practices, and pathway 1 of Traceability and Transparency) and/or to verify payments that have been received by those smallholder farming households. Manufacturers and retailers can also earmark a portion of the new value created for production and processing investments for smallholder farming households, farmer groups and/or landscapes. Such investments could be targeted at highest-risk communities and be based on their own needs assessment and future goals.

Traders and processors

Traders and processors, when investing in product innovation, can use the same strategies as manufacturers and retailers discussed above. In addition, they can commit to eliminating behaviors that capture value between upstream and downstream actors which, as intermediaries, they do not directly contribute to creating. In short, if a brand innovates on the end-product format, widens its margins, and shares part of those margins back to smallholder farming households, then a trader will not take a cut of that margin-transfer whether in the form of price increases, additional compensation or investment capital.

Traders, processors and NGOs

Traders, processors and NGOs can play a role in verifying the delivery of the value-share among smallholder farming households; where digitization is mature, technology can facilitate ease of verification.

Potential impacts of these pathways for smallholder farming households[xxiii]

The pathways presented in this section may lead to the generation of more value through sales to consumers that can be transferred to smallholder farming

[xxiii] Disclaimer: the analyses on the impact of the pathways in this section on smallholder farming households is not meant to predict future outcomes but to present a simplified picture on the potential direct effects and first indirect effects on producing country and smallholder farming household incomes. Exploring effects and consequences for all actors is outside the scope of this paper.

households as higher prices for their products, and increased incomes. Based on the information, consumers can choose to buy products with low or no negative externalities instead of products connected to many negative externalities, that could lead to higher incomes for companies creating positive impact. Innovation can furthermore reduce costs and increase the margins of companies, allowing them to invest more in increasing the incomes of the supplying smallholder farming households. In summary, these pathways could contribute to smallholder farming households:

- More value
  - as a result of increased sales to consumers and consumer loyalty
  - from higher farmgate prices and reduced value leakage to other actors
  - through reduced production costs
  - via income diversification through tourism and/or additional compensation
- Additional resources
  - seat at the table to engage and influence resource allocations by actors
  - more investments in production and processing

4.7 Production and processing

This strategy area is all about engagement between the private sector or government and smallholder farming households at origin, focusing on improving value from production and processing. The main ambition of "Production and processing" is the optimization of value retention and creation, closest to farming households, to achieve fairer value and risk distribution through service delivery and production-level investment. This intervention area does not focus on specific commodities, but addresses farming systems and market potential.

Pathway: Invest in households at scale through support in production and processing

Investments in production and processing for and with smallholder farming households should be mainstreamed as a procurement norm with the expectation to reach both depth and scale and with a focus on multiple farm activities and climate resilient production. This will allow farming households to increase their income from the commodity, from other farm income sources, but also from job creation in processing and other midstream activities when relevant. It will also allow for decrease the risk of climate change effects on income.

Figure 16 *Three development pathways for strategy area production and processing*

Traders and processors

Traders and processors can use business assets to expand their offering to smallholder farming household suppliers for product procurement as well as service delivery that is affordable and accessible. On the procurement side, traders and processors can purchase multiple crops from households that do not compete with the primary crop of interest, or apply business assets for the benefit of smallholder farming households e.g., warehousing, vehicles, and employment opportunities. Traders and processors can also prioritize the purchase of products that are processed or semi-processed by smallholder

farming households and/or farmer groups in order to maximize the value captured by farming households. To support efficient, climate resilient production and processing at the smallholder farming household or group level, traders and processors can deliver services for diversified farm production at scale to all smallholder farming households in networks or within an origin. Each company can deliver services independently, or in coalition with other actors and across numerous products. Traders and processors can also share investment capital and knowledge, for farming households to reach higher levels of processing at required specifications. Either smallholder farming households or groups could directly manage additional processing, or they could become shareholders to the trader/processors' local processing entity.

Manufacturers and retailers

Manufacturers and retailers can utilize procurement practices to facilitate investments and improvements in production and processing through upstream investments, and using their market leverage to influence norms around smallholder farming household service delivery. Upstream investments in R&D budgets can improve production technology and information, where gaps exist or significant improvements can be made. Technology here means digital and non-digital technology, from improved seedlings, to mechanization equipment and intercropping practices that protect biodiversity while improving soils and overall farm resilience and productivity. To circulate the results of research and development investments, and to distribute more value towards smallholder farming households, manufacturers and retailers can also invest in services that improve farm management for diverse production systems. Downstream companies can incentivize their suppliers to deliver services for diverse systems, as well as offtake multiple products, by using their leverage as buyers in the form of purchase agreements for multiple products, and by including these activities as criteria for supplier performance, which also creates competition for better performance towards farming households.

Producing country governments

Producing country governments can retain more value at origin by promoting more local value addition, for example through processing at household level or more aggregated centralized processing, led by farmer groups. To be successful, producing country governments must ensure that additional assets and tools related to processing are available and affordable; smallholder farming households and farmer groups have the skills required to manage the process and equipment to deliver the intended product specifications; and that the market is secure and rewarding.

A practical way to organize this approach is through centres of excellence for diversified production per agro-ecological zone or landscape, focussing on knowledge development and transfer regarding different types of food products produced in a certain area. On the production side, this can create aligned knowledge and resources for diversified farm production including location-specific recommendations on soil, water and biodiversity management, crop mixes, processing opportunities and market realities. For service delivery, the landscape or zoning approach could enable producing country governments to coordinate service providers in creating efficiency and maximizing results and accountability per region. For trade and marketing, centres of excellence can be used to brand national or jurisdictional production to buyers and consuming country governments, while inspiring and upskilling smallholder farming households.

Consuming country governments

Consuming country governments can cancel or restructure the debts of producing country governments, which would enable the producing countries to invest in the above recommendations (see pathway 1 of Enabling Environment). If perceived useful by producing country governments, consuming country governments can invest in knowledge development and sharing.

Investors

Investors can acknowledge smallholder farming households as a legitimate investment class with significant yet unmet demand for affordable and accessible products that can meet their production, processing and cashflow needs. Investors can decide on different returns on investments for this asset class given their low-income status, rather than positioning them as a high-risk segment charged with significant premia for their cashflow constraints or ignored altogether.

NGOs and academia

NGOs and academia can conduct research on production and processing, indicating where substantial opportunities exist to increase household income, and the conditions required for long-term effectiveness. NGOs can also share

data and knowledge to inform decision making for such activities. They may also act as service providers in service delivery coalitions and share knowledge and services with households.

Service delivery coalitions for holistic coverage

Services for diversified farm production can include:
- Training /coaching (i.e. on regenerative agriculture)
- Information (i.e. market and price information)
- Access to inputs (i.e. on affordable credit)
- Access to finance (i.e. working capital)
- Access to markets
- Value adding services (i.e. storage, processing)

The abovementioned services can be offered through a service coalition. Such a coalition is formed by a diverse set of service providers, for example an input provider, a set of off-takers, a financial service provider, a technology provider. By partnering within a coalition, a holistic service package can be offered for the whole farm system at scale.

Potential impact of this pathway for smallholder farming households[xxiv]

Deep investments into primary production and farm or farmer group-level processing can lead to higher agricultural outputs, and higher household incomes if the increased returns are larger than the increased cost of production. Deep investment in processing in producing countries instead of in consuming countries can lead to job creation in producing countries, higher tax earnings, and, ultimately, the national income of those countries. Such additional national incomes can again be invested in national development plans while job creation offers opportunities for households to earn a better income.

For farming households, the aforementioned pathways could, in summary, yield:
- More value
  - high level processing captures more value of the (exported) product
  - higher farmgate price for delivering to product specifications
  - job opportunities
  - higher volumes produced and sold
  - efficiency gains in cost of production
- Lower risk
  - related to climate
- Additional resources
  - access to affordable information, services and products for a diversified farm system
  - access to other smallholder farming households and communities for peer learning

[xxiv] Disclaimer: the analyses on the impact of the pathways in this section on smallholder farming households is not meant to predict future outcomes but to present a simplified picture on the potential direct effects and first indirect effects on producing country and smallholder farming household incomes. Exploring effects and consequences for all stakeholders is outside the scope of this paper.

5 In practice

5.1 Enabling conditions for the desired system to materialize

In our outlook towards a future state of a system where smallholder farming households earn a living income, natural resources are conserved or enhanced, and socio-economic equality is the norm, we identify three enabling conditions required to achieve the desired impact. First, is for individual actors to choose to change their behavior and take action towards improving the system. Second, is meeting a set of minimum conditions required for those choices to be implemented. Third, is safeguarding the effectiveness of implemented actions. As the information on root causes and how to address them also contains information on enabling conditions, we focus here on those that have not been specifically mentioned before, and yet are key in substantially reducing and closing the living income gap.

(In)action is a choice

This paper has explored numerous opportunities across stakeholder groups to change individual actor's behavior and instigate change for others to close the living income gap for the poorest commodity farming households. There is no question that context, interdependencies and a variety of constraints influence what specific opportunities exist and can be acted on for each actor, and set of actors, operating in a given sector, value chain or geography. At the same time, it is all too common for debates about data and information, roles and responsibilities of others, and other issues, to prevent substantive action and investments. Ultimately, there are changes every actor can undertake immediately individually, whereas other actions are significantly interdependent on other actors' actions and may require coordination and/or longer-term planning. It should also be noted that inaction and disregard for one's own role and responsibility in the system can impede one's own objectives as well as impair other actors, stakeholders and the system as a whole.

Below we present is a simplified and summarized table of the actors targeted for undertaking action in this paper, including the general role they play in the agricultural and food systems, and their responsibility towards change (Table 2). This summary can be used as a guidepost for actors on the strategic direction of their own new strategies and actions, as well as their collaboration with other actors. Chapter 4 and Annex 2 provide more depth and breadth for specific actions.

Enabling conditions to catalyze actions

When individual actors take ownership of their role in the system and choose to take action on their own also in the hope to catalyze others, there is a set of minimum conditions within each department, company or institution that is required for those choices to be implemented. Below is a shortlist of such minimum conditions:

All actors need to be accountable for their own sphere of control and influence.

Each actor must maximize efforts and investments in their own institutions, value chains and sectors, while also reaching beyond the agriculture sector and specific value chains to find pathways.

Internal alignment and incentives are essential.

Each actor must have internal alignment across its institutions, departments and functions to channel adequate resources and incentives that will change their own practices and outcomes, and to effectively and efficiently influence others. Critical incentives include corporate or institution-level and departmental-level key performance indicators alongside compensation packages, especially for senior leadership, that link personal performance with team and corporate or institutional performance (economic, social and environmental performance; sometimes referred to as double materiality).

Enabling conditions to safeguard effectiveness

When individual actors have chosen to change their behaviour and are able to turn their commitments into actions, additional conditions should be met to safeguard their effectiveness in actually delivering the intended impact. Four essential conditions are detailed below.

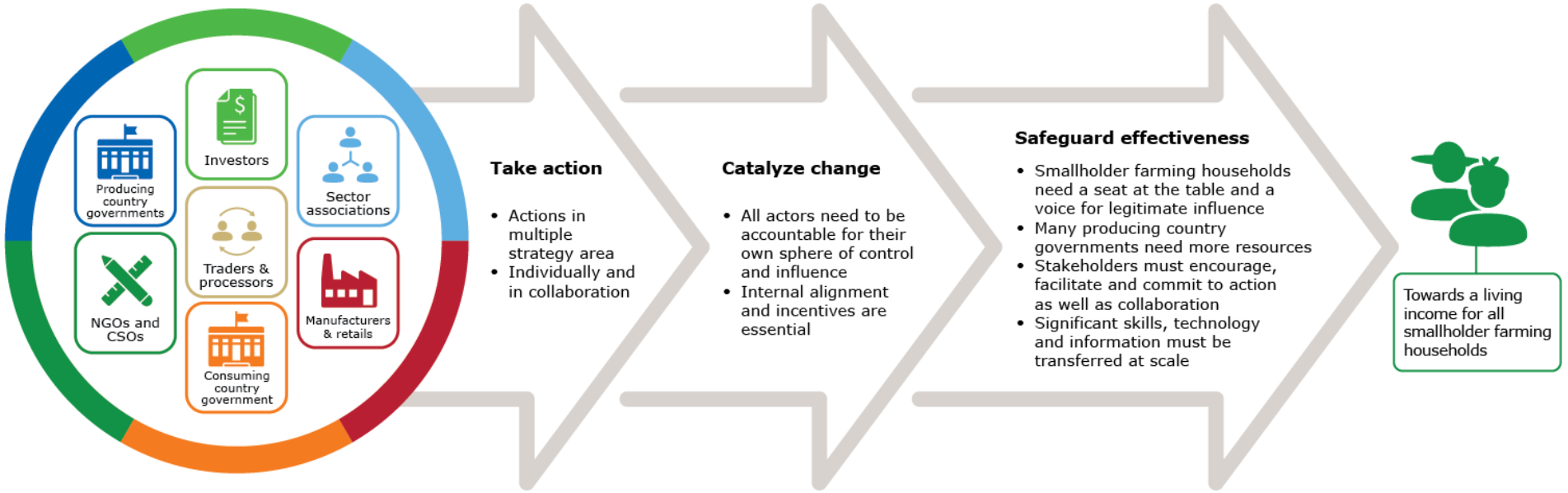


Figure 17 *Enabling conditions for action*

Smallholder farming households need a seat at the table and a voice for legitimate influence.
Smallholder farming households must be involved in all strategy design and policy development. Stronger smallholder farming household representation and farmer groups, paired with a genuine influence over the outcomes of any process are important enablers of success. Attention to representativeness of the poorest is imperative given the diversity of characteristics across different groups of smallholder farming households. Other elements of diversity should also be taken into account, e.g. gender, age and indigeneity.

Many producing country governments need more resources.
Significant political and financial resources must be channelled towards producing country governments to enable them to build and implement the strategies and institutions necessary for pro-poor development, and retention or optimized use of their own resources.

Stakeholders must encourage, facilitate and commit to action as well as collaboration.
This despite ingrained competitive structures, behaviors and mindsets.

Significant skills, technology and information must be transferred at scale to low-and-middle-income countries
And also this needs to be done across these countries' populations. Both are important to enable sustainable and equitable economic development in and outside of agriculture. Knowledge and technology sharing is most effective if done across the stakeholder ecosystem, but is especially important between direct partners and smallholder farming households. Technology and knowledge transfer can enable decision-making at the household and farmer group level because of better information sharing and connectivity to markets, stakeholders and companies delivering services. This can increase their terms of trade, implementation of farm management practices, and return on investment.

Table 2 *Stakeholders, their general role and responsibility towards change*

Stakeholder	Consuming country governments	Producing country governments	Investors	Sector associations	Traders & processors	Manufacturers & retail	NGOS and CSOS
General role in the system	• Lead global governance and legislative mechanisms[1] • Multilateral and bilateral debt holder • Gatekeeper for imports and citizen consumers	• Lead national strategies, institutions and legislation across sociocultural and economic sectors and geographical landscapes • Manage sociocultural, economic and environmental investments	• Provision of debt and equity • Use finance and/or business ownership structures to determine portfolio-and company-level performance targets	• Coordinate and facilitate sector actors and information	• Source raw and processed material at origin • Process, export and sell (semi-finished) products per buyers' product & marketing specifications • Service provider to and data collector from targeted smallholder farming households and aggregators	• Test and transform products to create or meet consumer demand • Market, prepare and sell products to consumers • Lobby governments for advantageous legislation	• Donor, intervention designer and implementer/trainer • Multi-stakeholder agreement facilitator • Watchdog, analyst & advocate
Responsibility towards change	• Revision and democratization of global governance and legislation, especially related to finance and trade • Global debt restructuring • Sustainability compliance including investments to enable such compliance	• Influence global governance and legislation[2] • Develop/revise national economic strategy, including and beyond land-use and social protections • Coordinate sustainable and inclusive landscapes	• Mainstream sustainability performance into portfolio and investee performance metrics • Integrate double materiality and sustainability performance in investment processes, decisions and offers • Provide affordable and responsible financial products to smallholder farming household segments	• Facilitate new ways of doing business through pre-competitive collaboration - Transaction and income data sharing - Multi-stakeholder dialogue and action	• Reorient to a stakeholder-driven business model and treat supplying households as equals • Use traceability and procurement to reverse extraction-orientation by sharing more value, risk and resources with smallholder farming households • Choose collaboration and transparency over competition with actors	• Reorient to a stakeholder-driven business model and treat supplying households as equals • Use procurement, product innovation and consumer and stakeholder engagement to leverage market position and share more value, risk and resources upstream • Communicate honestly with consumers and other stakeholders, and eliminate green- and fair-washing	• Channel grant funding towards business models and public sector transformation actions targeted at reaching the poorest smallholder farming households • Provide data-driven evidence and up-to-date information to inform decision making and measurement of change across stakeholder groups • Ensure the poorest households are actively engaged in, legitimately influencing, and benefiting from change processes

[1] Here the authors acknowledge the current reality of the global geo-political context in that consuming country governments, or high-income countries, often have more influence and decision-making power than that LMIC peers in global governance processes and decisions.
[2] Here the authors acknowledge that while producing country governments, or LMICs, might already be active participants and influencers of global legislation and governance; the reality is that the power is now often consolidated among consuming country governments and the role of LMICS may become more robust when power in the global geo-political context is further distributed.

6 Conclusion

This guidance document is designed to drive action towards closing the living income gap, that disproportionately affect smallholder farming households in the LMICs. It extends beyond analysis to categorize diverse household contexts, specify the roles of various actors, and shed light on the expansion of income disparities attributed to a complex interplay of historical legacies, economic dynamics, and emergent influences. In a comprehensive effort to tackle vulnerabilities head-on, the authors have outlined six strategic pillars—namely, Enabling Environment, Procurement Practices, Traceability and Transparency, Sector and Landscape Management, Consumer Engagement and Product Innovation, and Production and Processing —each underpinned by 1-3 pathways for development including specific actions for a range of actors. These pathways and actions, which were derived from a combination of scholarly analysis and insights from stakeholders, go beyond surface-level remedies, and instead aim to address the root causes leading to large living income gaps for a large number of households, while providing the essential conditions for effective actions.

The root causes of poverty amongst the target demographic have been identified to arise from path dependency linked to the effects of historical colonialism; shareholder-centric business models that are woven into capitalistic frameworks, and the financialization of society. Besides the need of individual actions by all actors, collaboration amongst governmental bodies, corporate entities, investors, non-governmental organizations (NGOs), and local communities has been shown to be integral to counteract the aforementioned root causes. Implementation of the actions presented in the six strategy areas discussed in this document, are poised to pave the way for a fairer allocation of value, resources and risks, and, ultimately, an elevated standard of living for smallholder farming households, particularly in the LMICs.

7 Information about the authors

Ashlee Tuttleman has 20 years' experience as a business practitioner and social impact strategist striving to tackle inequality through changing business practice, with a focus on the bottom of the pyramid, gender and applied heterodox and behavioural economics. She has worked in cash and food crops grown and consumed in Africa, Latin America and Asia, as well as US and EU consumer markets. For a decade Ashlee worked directly with and in smallholder farming communities in East and West Africa where she partnered with smallholders who were suppliers, consumers and co-designers of products, services and business models. Until 2023, Ashlee served as IDH's global lead on smallholder farmer insights, innovations and impact, with particular focus on increasing and stabilizing smallholder income in an equitable way. She holds a MA in International Development and MSc in International Business.

As a human-centered design practitioner, Ashlee strives to continuously center smallholder realities in all innovation and impact strategies. Having worked in smallholder communities, she also strives to challenge commonly-held assumptions about what works to sustainably improve smallholder livelihoods and this group's relative power and influence in food systems. To these ends, Ashlee developed IDH's Living Income Roadmap process and methodology to be a practical and integrated set of frameworks and toolkits that utilize data and evidence to directly improve smallholder income while emphasizing the role businesses and other stakeholders play in changing the system to benefit smallholders. Related to business action, Ashlee built IDH's procurement agenda in collaboration with Iris van der Velden and the Farmer Income Lab.

Iris van der Velden has been working for 20 years on improving smallholder livelihoods and during recent years also focused on climate change mitigation and adaptation, living wage, gender equality and technology as an enabler. She holds a MSc in International Economics and Economic Geography from Utrecht University. Iris worked for nine years for Rabobank Foundation to strengthen farmer organizations and enhance access to finance for smallholder farmers. Iris worked for 10 years for IDH, until 2023, where she was the Senior Innovation Manager for Smallholder Inclusion and the Global Director for Innovation & Insights. She then joined Olam Food Ingredients (OFI) to continue her journey to use data-driven insights for sustainability outcomes.

One of the key topics that Iris has been working on at IDH was "service delivery" to farmers to improve their livelihoods. She developed a data-driven methodology to analyse the ROI for companies that provide services to farmers and the ROI for farmers that make use of such services. This has led to the establishment of the FarmFit Intelligence Center.

The FarmFit Intelligence Center uses advanced analytics to understand under which conditions service delivery to farmers is cost-efficient, effective and commercially viable. They also drive an innovation agenda by directly working with companies to improve their business model. The key insights are available through the FarmFit Insights Hub. At IDH she also worked on the procurement agenda, together with Ashlee Tuttleman and the Farmer Income Lab, to build the business case on how procurement practices can contribute to improving farmer livelihoods. Iris has been working together with the private sector, the public sector, investors, technology providers, knowledge organizations and NGOs in both cash crops and food crops, across Africa, Asia and Latin America.

Yuca Waarts has 20 years of experience in enhancing the incomes of smallholder farming households and workers while also promoting nature protection. She holds a MSc in Agricultural and Environmental Economics from Wageningen University (2003) after which she worked as a project officer and manager at the European Centre for Nature Conservation in the Economy & Ecology department. She is a Senior Researcher at Wageningen University & Research where she has worked since 2008, specializing in living incomes for smallholder farming and worker households in low-and-middle-income countries. Her work involves assessing policies, innovations, and the impact of interventions on these groups and providing evidence-based recommendations to bridge the living income gap.

Yuca has published extensively with a focus on studies in the tea, cocoa and coffee sectors, with a main focus on assessing the (potential) impact of (company) standards and certification, extension, income diversification, premiums, cash transfers and price increase, as well as landscape and reforestation programs. Her work involves evaluations including collecting baseline and endline data, but also includes modelling the expected impact of interventions based on existing data and the literature. She works together with private sector companies, NGOs, foundations and governments in Africa, Asia and Latin America. Next to conducting research, Yuca values working with partners and team members from all over the world and presents her work regularly during seminars and professional and public conferences.

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Annex 1 Additional information on the approach

Combining evidence from the literature, and actor and expert knowledge to create recommendations on strategies with the potential to substantially increase the incomes of smallholder farming households.

Literature review

We conducted a literature review for two purposes:

- To reflect on the current situation in the commodity value chains and sectors, the root causes of poverty, and document evidence on suggested pathways to substantially address poverty challenges and at scale. This includes information on the role of different actors in addressing sustainability challenges. Quite some overview studies already exist, which present robust information based on numerous resources.
- To reflect on the effectiveness of interventions on increasing income and reducing poverty, substantially and at scale, using overview, meta and systematic review studies that had similar aims and that drew conclusions based on robust methods, and that assessed numerous articles and reports. The search criteria included any study that included evidence on the impact of a specific intervention on crop income, household income or poverty status, in which the counterfactual was addressed, for instance through a comparison group.

Note: The literature review we conducted was not a systematic review.

Partners in the co-creation process

IDH, WUR and the Steering Committee of the Living Income Roadmap have teamed up with LICOP in the journey to develop this guidance for multi-stakeholder action to close the living income gap for the poorest majority.

IDH has developed a Living Income Roadmap to support key actors (private sector, public sector, financers and NGOs and CSOs) on sector how to take actions to close the living income gap. IDH's Living Income Roadmap primarily focuses on business action, hence part of the Living Income Roadmap governance includes a Business Action Committee, and the Roadmap's focus for 2024 is on sustainable procurement practices as one of the key strategy areas to close the living income gap. IDH is actively working with key private and public partners in amongst others the coffee, cocoa, tea, cotton and spices sectors to develop smart mixes of strategies to close the living income gap. Together with LICOP, GIZ, and other partners, IDH continues to advance the multi-actor dialogue on roles and responsibilities surrounding living income.

Wageningen University & Research (WUR) aims to contribute to the achievement of a living income for the millions of people working in agriculture, who are currently not earning a living income or living wage. WUR evaluates the impact of current and future policies, innovations and interventions on smallholder farming household livelihoods. By offering evidence-based recommendations for policy makers, agri and food companies, NGO's and foundations, WUR supports them in closing the living income gap for different types of farming households as well as workers in agri and food sectors. Finally, WUR supports processes to enhance the resilience of sectors.

The Living Income Community of Practice (LICOP) is a multi-stakeholder, multi-sector platform that provides a neutral space for actors to come together in deepening their knowledge on critical issues linked to living income, and identify means of collaboration to create change and improve their impact. They actively engage with the various initiatives also working in this space (i.e. ALIGN, GLWC, OECD, GIZ, WBCSD and IDH) to ensure clarity and consistency in messaging when making progress on living income. They are made up of a governance structure consisting of an advisory board and a technical advisory committee, of which IDH is a part of both, and WUR is part of the technical advisory committee. Their foundational resources provide guidance on the living income concept, embedding a living income strategy, as well as providing an aligned approach to measurement.

IDH, WUR and LICOP reach across multiple sectors to amplify evidence-based learning between actors and sectors. Whilst IDH continues to drive for a commitment action pathway through convening actors across and within sectors, and co-investing in data-informed and strategic actions, LICOP continues its leadership on the technical aspects of a living income, and the facilitation of learnings in open and inclusive fora. WUR contributes through knowledge development and transfer, providing the evidence base on the interventions and policies that work for different target groups to enable decision making on policy design and implementation.

Discussions with stakeholders

The visual below is an overview of the process for co-developing a guidance for multi-stakeholder action to close the living income gap for the poorest majority. We began by collecting the evidence-base on root causes, and barriers and opportunities for significant income improvement. This information, was collated and analysed to provided entry-points for the co-creation process. We discussed with actor groups and individuals on the barriers for substantial income increase, whether such actors could do more, and what they would need from others to do so, based on a structured set of questions. The following were the activities where such discussions were held:

- The Living Income Webinar for the private sector (March 2022)
- A virtual session with Living Income Roadmap Steering Committee members, LICOP and BCTI (March 2022)
- A virtual session with NGOs and CSOs organised together with LICOP (May 2022)
- A face-to-face Living Income session in the SDG tent at the World Economic Forum in Davos (May 2022) with private sector actors (including investors) and government representatives
- Several bi-lateral interviews with government representatives, manufacturers, traders, investors and financial service providers, NGOs and CSOs (March – June 2022)
- Some discussions with smallholder farming households and farmer groups in the cocoa sector in Côte d' Ivoire (May-June 2022)
- The Living Income Summit (June 2022) and sector specific discussions during the week of the summit

The following relevant events took place in which IDH and WUR participated and listened in to discussions, and documented lessons learnt, when relevant:

- Two workshops organized by LICOP (June 2022) in which IDH and WUR participated, learnt and contributed
- A high-level meeting organized by the German and Dutch Governments (June 2022) on Living Income and Living Wages, where IDH and WUR participated, learnt and contributed.
- The Evidence in Living Income Programmes Action Learning Workshop, on May 10, 2023 in Abidjan, Cote d' Ivoire organized by LICOP & partners
- The cocoa producers summit on living income in Abidjan, Côte d'Ivoire on May 11, 2023, in which WUR and IDH participated.

All the touchpoints provided opportunities to share evidence and lessons learnt with stakeholders, and to collect input for creating a guidance for multi-stakeholder action to close the living income gap for the poorest majority. The current working paper summarises the results of this process that can be recorded.

Limitations

The systems analysis in this paper covers a range of histories, contexts and realities to indicate why and how we observe persistent poverty as scale in commodity producing households. Such an analysis across a spectrum of value chains, geographies and political realities, to name a few variables, requires some degree of generalization. Hence analysis on root causes and consequences for households should be read as such, rather than as an explanation for the current situation in every context.

Given that root causes and consequences are rather generic and not context-specific, pathways presented in this paper are directly and indirectly related to solving root cause issues. Without contextual details, it is not possible to accurately or reliably claim generic pathways or actions will trigger specific changes to root cause issues, nor can claims be made about specific anticipated results. However, assumptions are made about how multiple pathways could overcome root cause issues and improve the situation for the poorest farming households in a generic sense.

Furthermore, the pathways presented in this paper cannot be seen as a blueprint for action as they are not contextualized for each actor's specific sectors, geographies or communities. The authors recognize that these and other contextual factors must be applied for detailed strategy and action plans. Therefore, this paper should be explored for inspiring examples that can be used for policy and strategy design, which should incorporate the most recent thinking on sustainable and inclusive economic growth and should be drafted through inclusive and multi-stakeholder processes which ensure the voices of farming households and communities are integrated.

Linked to each set of pathways and actions are anticipated results for smallholder farming households. The authors acknowledge that some of the pathways in this paper lack sufficient evidence to prove their results and effectiveness in improving smallholder farming household income, mostly due to lack of intentional research on the subject, complexities in proving causality in a system-context, and/or due to non-disclosure of data by different actors.

This is identified in the description of the pathway. It is worthwhile to fill these data and evidence gaps, but that is outside the scope of this paper. Thus the potential impacts of the actions presented in Chapter 4 should be read as such, as we cannot conclude that the actions always lead to household income increase. The authors note that actors beyond farming households could also experience effects and consequences of the suggested pathways and actions, but such analysis is outside the scope of this paper.

Annex 2 Additional information on which actors can implement actions themselves or in coordination with others per strategy area

Strategy	Producing Country Government	Trader / Processor	Manufacturer / Retailer
Enabling Environment	• National strategies and institutions to plan, manage and regulate land use and ownership • Inheritance structures and regulations • Regulation to maximize farmgate price and for supply management (to avoid oversupply) • Price stabilization fund • Regulation to eliminate crisis profiteering • Invest in infrastructure (soft and hard), and in strategic crops / locations • National strategy and coordination for production, trade, food, rural transformation and development, and social welfare (social protection)	• Support implementation of minimum price policies set by producing country governments as well as supply management policies • Facilitate alternative land use/access • Link smallholder farming households to institutions and services • Invest in alternative income opportunities (e.g. value chains from inputs to marketing) e.g. value chain facilitation (linking smallholder farming households to new input and output markets)	• Support implementation of minimum price policies set by producing country governments as well as supply management policies • Invest in alternative income opportunities
Procurement Practices		• Direct sourcing • Long term relationships and contract with suppliers with room for smallholder farming households to minimize risk and optimise revenue • Price setting based on CoP and fair remuneration / true price + price stability (set minimum prices) • Strategic multi-product sourcing • Cash transfers beyond transactions	• Direct sourcing • Long term relationships and contract with suppliers with room for smallholder farming households to minimise risk and optimise revenue • Price setting based on CoP and fair remuneration / true price + price stability (set minimum prices) • Strategic multi-product sourcing. • Cash transfers beyond transactions
Traceability and Transparency	Invest in traceability systems including of partners and interoperability of own system with partners' systems	• Invest in traceability systems including of partners and interoperability of own system with partners' systems • Sharing data on purchase forecasts • Share data on farming household realities	• Invest in traceability systems including of partners and interoperability of own system with partners' systems • Sharing data on purchase forecasts • Share data on farming household realities
Sector and Landscape Management	• Landscape and value chain development coordination • Ecosystem coordination • Share data on farming household realities	Share data on farming household realities	Share data on farming household realities
Consumer Engagement and Product Innovation	National B2B / B2C branding		• Product innovation, differentiation and consumer engagement (incl. consumer price increase) to raise price. • New product lines and consumer engagement for buying other produce to raise price • Eliminate crisis profiteering

Strategy	Producing Country Government	Trader / Processor	Manufacturer / Retailer
Production and Processing	Centres of excellence	• Invest in affordable tailored and bundled service delivery at scale (e.g. subsidization of services) • Invest in services, products, data and coalitions designed to enable land and/or tree tenure, consolidation, and/or expansion • Fund R&D for production and value addition at household level	• Invest in affordable tailored and bundled service delivery at scale (e.g. subsidization of services) • Invest in services, products, data and coalitions designed to enable land and/or tree tenure, consolidation, and/or expansion • Fund R&D for production and value addition at household level

	Consuming country governments	Investors	NGOs
Enabling Environment	• Support implementation of minimum price policies set by producing country governments as well as supply management policies, and price stabilization funds • Regulation to eliminate crisis profiteering • Ensure competition laws do not prohibit companies from changing procurement practices in the interest of smallholder farming households • Integrate value distribution in legislation • Sharing expertise with producing country governments and other actors	Integrate strategic planning of investments, i.e. hotspots, tenure systems/risks, land use • Reduce margin pressure • Capital investment in pathways providers around land formalization, titling, management, etc • Invest in infrastructure, and in strategic crops / locations. • Rewards and incentives for closing the living income gap • Capital investment in value addition and/or alternative value chains or industries	Invest in knowledge and technology transfer
Procurement Practices	Support companies and organisations: procurement practices to enable long term relationships and contracts with suppliers with room for smallholder farming households to minimize risk and optimise revenue • Price setting based on CoP and fair remuneration / true price + price stability (set minimum prices) • Strategic multi-product sourcing • Cash transfers beyond transactions		
Traceability and Transparency	Invest in traceability systems including of partners and interoperability of own system with partners' systems	Share data on farming household realities	Share data on farming household realities
Sector and Landscape Management			• Link smallholder farming households to institutions and services. • Facilitate landscape and value chain coordination. • Promote actor accountability • Promote harmonization of standards • Coordinate a transition fund / fund that provides a basic income to smallholder farming households in a certain landscape/sector
Consumer Engagement and Product Innovation			
Production and Processing		Fund R&D for production and value addition at household level	

To explore the potential of nature to improve the quality of life

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The mission of Wageningen University & Research is "To explore the potential of nature to improve the quality of life". Under the banner Wageningen University & Research, Wageningen University and the specialised research institutes of the Wageningen Research Foundation have joined forces in contributing to finding solutions to important questions in the domain of healthy food and living environment. With its roughly 30 branches, 7,600 employees (6,700 fte) and 13,100 students and over 150,000 participants to WUR's Life Long Learning, Wageningen University & Research is one of the leading organisations in its domain. The unique Wageningen approach lies in its integrated approach to issues and the collaboration between different disciplines.