



LIRP REPORT: COCONUT x SRI LANKA



TYPE OF LIRP
GENERIC



PRODUCT
COCONUT



COUNTRY
SRI LANKA



YEAR
2022



SUPPLY CHAIN PARTNER
**FAIRTRADE
ORIGINAL**

Living Income Reference Price report

What is a Living Income Reference Price?

Fairtrade has developed a holistic price discovery model for establishing Living Income Reference Prices (LIRP), which constitutes an integral part of its Living Income Strategy.

A LIRP indicates the price needed for a full-time farmer with a viable crop area and a sustainable productivity level necessary to earn a living income. The model is derived from the universal human right for everyone who works to receive a just and favourable remuneration, ensuring an existence worthy of human dignity.

Type of LIRP and applied methodology

Living Income Reference Prices can be generic for a target origin or supply chain specific, depending on the scope of the research. This report outlines the establishment of a generic LIRP for **coconuts in Sri Lanka**.

In collaboration with Fairtrade Original and ETC Lanka, Fairtrade collected and analyzed farm economic data from 300 coconut producers from 10 producer organizations in 2022, as a basis for calculating a Living Income Reference Price for coconuts from Sri Lanka. A technical committee of experts from the National Coconut Research Institute and the Coconut Cultivation Board in Sri Lanka was set up to provide guidance on defining a sustainable production model including the required practices to implement this. Data was collected across the coconut triangle (Puttalam, Kurunegala and Gampaha districts) as well as Matara and Ambatota districts in the south, including 10% of non-Fairtrade farmers.

A stakeholder validation workshop was held with producer representatives and the technical committee, to review the baseline results and agree on realistic target values in the price model.



The Living Income Reference Price variables

The Living Income Reference Price model is based on four key variables:

1. Living Income Benchmark:

A living income is defined as sufficient income generated by a household to afford a decent standard of living for the household members. Elements of a decent standard of living include: a nutritious diet, decent housing, education, healthcare, transport, clothing, other essential needs, and a provision for unexpected events.

A living income for a typical **4**-member household with **2** adults of working age is estimated at **1,260,000** Rupees per year, based on a comparative analysis of various benchmark studies. It was agreed that **100%** of the household income is generated through coconut farming.

2. Sustainable Yields:

A sustainable yield is a realistic target for productivity levels that can be attained when sustainable agricultural practices are implemented, considering the local context, conditions, and common production methods. The target productivity level for coconuts from Sri Lanka has been agreed at **3,840** nuts / acre.

3. Viable Crop Area:

In accordance with the universal human right to remuneration, for work that is enough to ensure an existence worthy of human dignity, every worker deserves a "living wage" that is enough to ensure a decent standard of living. This principle applies equally to self-employed full-time farmers, who should also be able to earn a living income from their farm revenues. Following this guiding principle,

a coconut area that is large enough to absorb the available household labour is considered a viable crop area for a household to fully depend on the crop revenues to generate a living income. Smaller plots may warrant a proportionate share of income. On average, a typical farmer household in Sri Lanka dedicates **100%** of their available time to coconut farming and is thus expected to generate **100%** of a living income from the sales of their crop.

A viable crop area to absorb **100%** of the household labour is therefore **5** acres.

4. Cost of Sustainable Production:

The cost of sustainable production is calculated based on the crop investments needed to produce sustainably and reach the agreed target yield. Hired labour remuneration is factored in at a living wage, so that the Living Income Reference Price not only enables smallholder farmers to earn a living income, but also to pay their workers a living wage. The following table presents an overview of production costs:

COST TYPE	UNIT	VALUE
Input costs	Rupees/ha	84,875
Hired labour costs	Rupees/ha	68,300
Other variable costs	Rupees/ha	10,000
Fixed costs	Rupees	-
Total costs	Rupees	815,875

The Living Income Reference Price

With the variable values defined above, the LIRP for coconuts from Sri Lanka at farmgate was calculated as:

