# Assessing the poverty impact of sustainability standards: Fairtrade

# in Ghanaian cocoa

Valerie Nelson<sup>1</sup>, Kwasi Opoku<sup>2</sup>, Adrienne Martin<sup>1</sup>, John Bugri<sup>3</sup>, and Helena Posthumus<sup>1</sup>











<sup>&</sup>lt;sup>1</sup> Natural Resources Institute, University of Greenwich

<sup>&</sup>lt;sup>2</sup> Jeavco Associates Limited

<sup>&</sup>lt;sup>3</sup> Kwame Nkrumah University of Science and Technology (KNUST)

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## **Disclaimer**

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# **Abbreviations and Acronyms**

ATO Alternative trading organisation CMC Cocoa Marketing Company FTMP Fairtrade Minimum Price

GHC Ghana Cedis KK Kuapa Kokoo

KKCU Kuapa Kokoo Credit Union KKL Kuapa Kokoo Limited KKFT Kuapa Kokoo Farmer Trust

KNUST Kwame Nkrumah University of Science and

Technology

LBC Licensed Buying Company
PBC Produce Buying Company

PC Purchasing clerk



Photo: Weighing scales, KK district office

# **Exchange rates**

The exchange rate from Ghanaian cedis (GHC) to US dollars was 1.4 in 2010 and 1.5 in 2012.

# **Dedication**

We received the news recently that the President of Kuapa Kokoo, Madam Christiana Ohene-Agyare has sadly passed away after a short illness. We would like to dedicate this report to the President and to all Kuapa Kokoo members at this very sad time.

# **Executive Summary**

# Introduction

This report presents the findings for Ghana of the DFID funded project 'Assessing the poverty impact of sustainability standards, which is led by the Natural Resources Institute, University of Greenwich in collaboration with KNUST and Jeavco Associates, Ghana. The study (2009-13) had the following objective: 'to systematically examine the impact of voluntary social and environmental standards on poverty and livelihoods, particularly for the most disadvantaged workers and producers in developing countries'. Two commodities were selected by DFID and the research team for inclusion in this study, namely tea and cocoa. For cocoa, the countries chosen for inclusion were Ecuador and Ghana. Ghana was indicated as a preference of DFID because it has a country programme in Ghana and because of the importance of Ghana to world cocoa production.

# **Study and methodology**

The study focuses on a producer organisation in Ghana which has had Fairtrade certification for many years – Kuapa Kokoo. Although studies have been undertaken of Kuapa Kokoo in the past, at the time it was chosen for inclusion in this study and Kuapa Kokoo agreed to participate, there had been very limited in-depth impact assessment or recent analysis. The study sought to investigate the potential impact of a sustainability standard at scale. The size of Kuapa Kokoo (with estimates of membership ranging from approximately 45,000 in 2010 to 62,500 farmersin 2012) made it a particularly suitable case.

The study followed the overall project conceptual framework and methodology (Nelson et al, 2009), which was based on a theory of change for Fairtrade in Ghanaian cocoa. This was developed by the project team in the absence of a Fairtrade theory of change in 2009. Using a broad definition of poverty (e.g. moving beyond income to a livelihood asset based framework [Carney et al, 1999] and including empowerment indicators), the theory of change was used to guide the design of a range of research instruments, including a large-scale questionnaire and various checklists for qualitative work, both of which were adapted for each of the four country studies. The qualitative research included interviews with focus groups, individual household members, various levels of management in the organisation, and key informants in Ghana and beyond.

The central comparisons are: a) 'with and without' - certified Kuapa Kokoo farmers versus non-certified farmers in the same geographical location who sell to other licensed buyers, and b) comparisons over time, firstly comparing data from the 2010 baseline survey with the recalled situation two years previously, and then comparing the baseline data with the final survey in 2012. A light monitoring exercise was conducted in 2011 involving solely qualitative, in-depth discussions of processes of change.

Kuapa Kokoo currently works across 57 designated 'cocoa districts' spread across the five cocoa producing regions of Ghana. The cocoa districts are the organisational divisions of Kuapa Kokoo and do not necessarily coincide with political districts. There can be two cocoa districts in one political district or one cocoa district covering two political districts depending on the volume of cocoa obtained from a defined geographical area.

A sample was drawn using key selection criteria to select two major cocoa producing regions (Ashanti and Western Region) and then a random sample was drawn of two districts per region and two primary societies per district as the basis for the questionnaire survey and the qualitative research. A total of 743 farmer interviews were conducted in the survey in 2010 and 697 in 2012. During the project, several meetings were held with Kuapa Kokoo representatives – managers and

staff of the different constituent organisations - to discuss the project and to gather data and to provide progress reports.

#### **Context**

West Africa is the biggest cocoa producing region globally, producing approximately 70% of global production. Ivory Coast and Ghana are the largest country producers. The quality of cocoa beans from Ghana is still ranked as number one in the world. The cocoa and chocolate industry, including distribution, is oligopolistic, dominated by two or three companies. Since the Kraft takeover of Cadbury, almost 50% of the entire confectionary market is controlled by just five companies (Kraft, Mars, Nestlé, Hershey's and Ferrero).

The Ghanaian cocoa sector is a joint governance system, with the state being active and global buyers relatively passive – a system which guarantees a consistent supply of premium quality beans. The Ghana Cocoa Board (COCOBOD) plays a key role in regulating cocoa. Following partial liberalization it still controls external marketing and quality. It sets the cocoa prices for Ghana and currently the Fairtrade Minimum Price (FTMP) is below this price.

# The producer organisation and the standard

Fairtrade has been present in Ghana since the early 1990s. Kuapa Kokoo is a cocoa farmers' cooperative organization that came into being following the partial liberalization of the internal marketing of cocoa in 1992, with private participation in the form of Licensed Buying Companies (LBCs) replacing the state owned buying monopoly Produce Buying Company or PBC. The LBCs actively buy cocoa, while COCOBOD sets the floor prices. With assistance from international NGOs (SNV and TWIN) farmers formed a producer organisation – the only one amongst the LBCs which is farmer owned - which currently has between 45,000 and 60,000 members across five of the six cocoa growing regions. Price differentiation has not occurred so LBCs have to provide incentives to attract farmers to sell to them. Government pays a 'buyers-margin', which is used to pay Purchasing Clerks (PCs) on a commission basis.

The Kuapa Kokoo Farmers Union was formed in 1993 as a farmer's cooperative and received its first Fairtrade certification in 1995 (http://www.kuapakokoo.com/). It has become well known because of its co-ownership of the Divine Chocolate Company in the UK which makes Divine and Dubble chocolate. Some commentators call this kind of Fairtrade – 'Fairtrade Plus', because it involves support from an alternative trade organisation, Twin - in a long-term buying relationship and farmer ownership/upgrading along the value chain. When available, dividends and a producer support levy are paid to Kuapa Kokoo from the company Divine, as well as the funds made available through the Fairtrade Premium on all sales on Fairtrade terms.

World cocoa prices are currently high. During the study period the price set by COCOBOD was higher than the Fairtrade Minimum Price, thus there was no price uplift for Fairtrade farmers.

The Fairtrade Premium was USD 150 per tonne at the start of this study and rose to USD 200 per tonne in 2011. The payment of the Fairtrade Premium constitutes a clear impact pathway for improving farmers' livelihoods. The total figure for 2012 was 9,640,969.6 Ghana Cedis (6,427,313 USD). In 2013 the figure was slightly less at 8,360,000 Ghana Cedis (approximately 4,400,000 USD). This constitutes a sizeable cash injection into the local economy, but the funds are used for diverse ends. The premium funds are used to fund a variety of things, including cash payments to individual farmers, but also community projects and organisational strengthening. At an individual farmer level, the funds are fairly small in size (currently 2 GHC per bag of cocoa).

Figures of overall sales volumes were not available for each year of our study. However, in early 2013 the following figures were shared by the producer organisation, showing Fairtrade sales and values.

Year	FT Sales- Volume (Metric tonnes)	FT Premium USD
2008/2009	6,750	1,012,500
2009/2010	21,800	3,270,000
2010/2011	23,850	4,555,000
2011/2012	29,175	5,802,500

NB: Cadbury started dealing with KKFT from 2008/2009 main crop season. FT sales saw a significant growth from 2009/2010 main crop season (USD).

In 2008/09 KK accounted for 27% of cocoa sold in the global Fairtrade market, but as a proportion of their organisation's overall sales, Fairtrade sales were small. Members produced overall 35,000 tonnes of cocoa beans in 2008, which is the equivalent of 5% of Ghana's total production of 700,000 tonnes. However, in recent years KKFU have, according to management in 2010, sold approximately just 4 to 5% of their cocoa on Fairtrade terms, but in 2010 they reached 7% mainly due to the Cadbury decision to source all Ghanaian cocoa from Fairtrade sources, increasing Fairtrade sales from KK. In 2011/2012 KK figures indicate Fairtrade sales volumes had increased to 29,175 tonnes and with a sale value of 5,802,500 USD — a big increase from the 2008/9 figures.

A recent study commissioned by Max Havelaar and Transfair Germany calculated that for the past 15 years, only 7% (approximately) of Kuapa Kokoo cocoa has been sold on Fairtrade terms, generating an average of 375,000 USD Fairtrade Premium annually (CEVAL, 2012). This would translate into a figure of USD 6.5 per member if there are an estimated 60,000 members or USD 8.3 per member if it is calculated according to the lower membership figure estimate of 45,000 farmers. Either way these figures are not high and especially when compared to the Premium figures generated on other Fairtrade commodities, e.g. sugar. A recent increase of sales to Cadbury has increased the proportion of Fairtrade sales to 30%, and as a result the Fairtrade Premium funds have risen to almost three million USD (CEVAL, 2012). This theoretically translates into a Premium figure per member of 50 USD (45,000 membership) or 66 USD (60,000 membership), although only part of the funds are paid to individuals. It is also the case that some funds are used to pay for holding meetings and elections, for administration and capitalizing the organisation, and for a range of social projects and extension services. Divine also pays dividends in most years to Kuapa Kokoo, which part owns the chocolate company.

# **Poverty Impact Findings**

# *Individual impacts on producers*

Currently, Kuapa Kokoo is a large farmer organisation and growing in size. Membership figures were difficult to obtain for earlier years – largely due to the lack of management data available within KK itself. The estimates of membership range from 45,000 to 65,000 producer members in the first part of the study. In 2011/12 the official figure was 65,000 (H. Davis, *pers.comm*). In early 2013 the figure had risen to 80,000+ (K.Owuso, *pers.comm*). A recent Fairtrade Foundation estimate gave a lower figure of 50,000, but even then suggests that this represents 5.78% of the total cocoa farmers in Ghana (numbering approx. 865,000).

Cocoa farmers have low levels of education. 27% of household heads in the study had received no education at all and between 43 –60% were illiterate. Average total farm size for cocoa farmers was around 17 acres, three quarters of which was allocated to cocoa.

There is no evidence of significant exclusion from the producer organisation of cocoa farmers as all cocoa farmers who can produce 1 bag of cocoa can join. KK requires certain quality levels, but the same is true of the other LBCs. However, access to land represents a structural challenge, with women and migrant hired labourers lacking access to and control of land (and thus being less able to participate in Fairtrade). 'Caretaker' farmers, who provide labour on a more continuous basis for farm owners, are paid between 33% and 50% of the farm produce, depending on the extent of the labour contributed. However, they are not eligible for membership of Fairtrade. Poorer farmers are less likely to be able to participate in the inputs on credit scheme, as this requires some savings with the union and a proportion of the payment up front.

The majority of households in our sample are reliant on cocoa income. There was no significant difference in household income between non certified and certified farmers. Household income and income from cocoa increased significantly over the period for both groups. There is no evidence of positive income impacts attributable to Fairtrade. However, at the final survey, non-certified farmers perceived a significantly larger decrease in income over the previous two years, than certified ones. The costs of production data collected indicate rising costs of living over the study period.

The lack of positive income impacts for certified farmers compared to non-certified farmers is related to the small percentage of sales sold on Fairtrade terms for part of the study period and hence the limited generation of Fairtrade Premium on these sales. Further, as previously mentioned, the Fairtrade Minimum Price was below the Cocobod price and had been for some time. The cash payment bonuses paid by the organisation to the members are not very visible to individual farmers, because of: i) the dispersed location of many members and the large number of members which means the Premium funds are spread thinly and are also needed for administrative and capitalization costs etc; ii) rising input and living costs are affecting all farmers and potentially masking small income benefits, such as the bonuses; iii) government provides cocoa bonuses as well, therefore it is not easy for smallholders to distinguish between the source of different bonuses and internal communication has been limited; and iv) there has been limited active participation of individual members in Fairtrade Premium decision-making, although a decentralization process has been underway (but could go further).

The recent figures shared by Kuapa Kokoo, provide an important insight into recent patterns of expenditure of Premium funds. The largest amount was spent on incentives and social projects (48.65%), followed by 21.78% on intercompany transfer and 10.37% on investment — the latter probably refers to the capitalization process. In 2013 the largest end usage of Premium funds was incentives and social projects, which is 49.84% of the total. Unfortunately the categories to do not exactly correspond in 2012 and 2013, but it is interesting to note that the Internal Control System (which supports compliance and extension/education services) is the second highest end usage of Premium funds at 19.22%.

Fairtrade premium funds have been invested in 348 boreholes, 8 schools (built/refurbished), 6 toilet blocks, 51 corn mills, 1 gari processor according to the Kuapa Kokoo website. The KK website lists 2011/12 Fairtrade Premium investments on 25,275 tonnes cocoa sold on Fairtrade terms (women's groups, internal control system and child labour programme, cash bonuses, machetes, farmer agricultural training, medical clinics). In our field work, some certified farmers reported investment by Kuapa Kokoo in corn mills, hand dug wells, oil palm processors, cutlasses, although some of these projects were not functioning. However, there were other communities we visited where the farmers could not name specific projects such as boreholes.

While district managers and some primary society members are fully informed, the individual members do not distinguish between the actions of Kuapa Kokoo and Fairtrade, and did not report

that it was their own Fairtrade sales which generated investments, but rather that it was organisational funds used to help them. There were also reports of delays on the delivery of incentives and of some incentives that had been promised by Kuapa Kokoo but were not delivered. As a result of the limited reach and scale of the community projects, we did not find any significant major impact on community infrastructure, although this is not surprising in the context of the previous limited sales on Fairtrade terms and in the light of the investment that would be needed to transform rural infrastructure in many of these cocoa growing regions covered by Kuapa Kokoo. However, some key informants also suggest that a more strategic use of the Premium funds is needed, and a closer involvement of members in decision-making now that the size of the funds available has grown.

All of the LBCs offer incentives to farmers in order to secure cocoa bean sales from farmers in a highly competitive industry. The other LBCs appear quite similar to Kuapa from the perspective of many cocoa farmers, and side-selling is unavoidable. However, nearly all Kuapa Kokoo farmers sell their cocoa to their organisation and a smaller proportion sell to other buyers compared with noncertified farmers who are more likely to sell to multiple buyers. For individual farmers, the choice of a LBC as a buyer of beans is largely driven by which has cash to pay farmers at the right time – when they need it – which provides an advantage to a LBC which has greater access to funds. It is also influenced by other factors such as social and kin relations, the perceived character and personal interaction skills of the purchasing clerk and offer of incentives. It is also the case that some farmers become indebted and so they switch to other buyers.

Overall, cocoa farmers' assessment of the contribution of cocoa income to covering their basic needs showed a significant decline between 2010 and 2012, for food, clothing, school expenses and health. There was no significant difference between non-certified and Fairtrade certified farmers. In terms of farmers' perceptions of whether they had become better off or worse off, both certified and non-certified smallholders considered they had become significantly worse off between 2010 and 2012 compared with the years prior to the baseline. The certified smallholders had become less optimistic about their well-being in the near future.

All LBCs are pushing for quality improvements and insist on quality beans. Further, farmers are not paid any quality premium, but Kuapa Kokoo has been instituting various measures to train farmers and has established a new Internal Control System, which seems to go further than other LBCs. There has been no marked change in gender relations (e.g. control of income and assets or the gender division of labour within households), although women's representation has increased in the certified PO.

In terms of household assets and access to services, we would expect that Fairtrade participation over time would enable individual households to build up assets (e.g. houses, land, equipment) through improved incomes, more secure sales, and improved delivery of services by the PO etc. We found no impact on certified producer households' ownership of and control of assets. Housing quality had improved, but both certified and non-certified producers reported significant deterioration in access to a range of assets and services for the period 2010-2012. Nevertheless, compared with non-certified farmers, the certified respondents assessed changes less negatively – particularly for farming methods, extension services, transport of produce, market access, safe use of pesticides, access to training, availability of production inputs and value addition.

On education, there was no significant difference comparing certified and non-certified producers. Similarly, no significant difference emerged in relation to reported education changes in the community, either in the period before the baseline, or between 2010 and 2012. Fairtrade certified farmers assess access to training more positively than non-certified farmers, with topics covering

farm management practices, improving quality, democratic organisation and Fairtrade principles, the safe use of chemicals, and on child labour issues.

According to management, the certified producer organisation has provided some health services, such as running a mobile clinic which has visited 17 districts. They have also distributed some mosquito nets and provided training on safe use of chemicals. Non-certified LBCs do not offer health services such as mobile clinics, although some may have distributed mosquito nets. A mixed picture emerged in the final questionnaire survey in relation to health services. The improvements noted may reflect the health services being provided by Kuapa Kokoo, but also their limited coverage compared to the reach of the organisation across so many districts and the dispersal of farmers.

The Kuapa Kokoo credit union ran into difficulties prior to our study and had been effectively suspended as too few farmers repaid their loans. During the study period this credit union has been re-established and according to KKL staff it is now functioning better. This programme is important to farmers, but has only recently been established and so assessing its impact is difficult. However, the other LBCs did not report providing this service to farmers. While purchasing clerks at both Kuapa Kokoo and other LBCs offer advance payments, this is done at their own personal risk to secure sales, rather than being funded by their organisation/companies.

Kuapa Kokoo has embarked on a partnership programme with an international NGO to provide inputs on credit, training, business development services etc. This began in five cocoa districts, and then expanded to 15, covering 6,530 farmers as registered members. The scheme is only eligible to farmers who can afford to pay a third of the total cost of the inputs upfront. According to KKL managers' interview, if the chemicals provided are used effectively, the yield is approximately 5 bags/acre (major season) and 1-2 bags (minor season) in the first year of application. It can increase to 11 bags per acre and for some upto 16 bags/acre in the subsequent years of continuous application. For the 2011/2012 cocoa season, a bag of cocoa sells at GHC205; if the farm yields an average of 5 bags/acre in the first year of chemical application, the gross income is GHC1,025/acre. The farmer can therefore pay for this direct input cost and use the remaining, GHC968, to defray the other indirect costs such as labour. In 2011/12 12,500 Kuapa Kokoo farmers were registered, which is approximately 20% of the total membership. In order to reduce the risk of non-payment to Chemico, farmers have been asked to have at least the cost of 1 bag of cocoa in savings with the credit union before they can benefit from the package. It was assumed that by setting up the credit union, once farmers' yields increase, they will be able to save more with the union for the purpose of encouraging investment among farmers and increasing income. Our study shows that farmers' priority investments are currently in their children's education and improving their housing. However, this could change in the future if yields and savings can increase more. But it is not a scheme in which the poorer farmers can participate. Although no difference emerged in the baseline comparing KK and non-certified farmers, by the final survey both certified and non-certified farmers reported that there had been a significant increase in credit, with non-certified farmers reporting significantly higher amounts than certified farmers. Interestingly, in terms of farmers' perceptions of credit availability in relation to cocoa production, Fairtrade certified farmers reported on average an improvement in access to credit, including access to farm inputs on credit, whereas non-certified farmers reported a small decrease. This was a statistically significant difference.

In terms of natural capital, there has been investment by Kuapa Kokoo in environmental measures – none of which were mentioned by non-certified LBCs district managers and farmers. As well as organisational environmental planning and partnerships (e.g. in tree planting programmes), some farmers have received training on the use of approved chemicals, watershed management, rehabilitation of cocoa farms, education on soil management, shade, fire prevention and safe diposal of containers, although we do not have specific figures.

Political capital can be built at the household level in Fairtrade through improving farmer representation in the organisation, as has occurred in Kuapa Kokoo. Farmers are able to participate in meetings and elections, and there is the opportunity to be appointed to positions of authority in a farmer led organisation. Clearly, though, there is a great deal to do, as the organisation itself is so large, lacks capacity and has not communicated sufficiently to members and as a result is not sufficiently accountable and transparent to them. In comparison there is no scope for non-certified farmers to be represented as they are engaging with the LBC on a purely commercial basis. Certified farmers are represented in Fairtrade Premium decision-making through the process of farmer elections, and now district level premium decision making. However, this devolution to district level has only occurred in recent years and to date individual members feel little control over the process and do not understand the basis on which Fairtrade funds are generated (through their own sales). The KKFU board, district managers and some primary society members expressed pride in their organisation and its unique position as a farmer owned organisation in Ghanaian cocoa.

Women's influence in the cocoa sector has been extremely limited in the past, because men conduct most of the cocoa cultivation tasks traditionally, and tend to control the income. There is consultation according to the field research in some households on spending the income. Women who have inherited land are taking more decisions themselves, although some still rely on 'caretaker' farmers, whom they employ to manage the cocoa trees. Women's representation in the certified organisation is growing in terms of membership. It was estimated to be more than a quarter in 2008/9 (28%) - unfortunately, we were not given gender disaggregated membership figures over the years, but a figure was provided in early 2013 of 32.13% women members, compared with 67.74% men.

Although women can attend meetings and are said to speak freely, some female farmers reported that they did not attend meetings due to time constraints or because it was the task of men. Both Kuapa Kokoo and the non-certified LBCs reported taking action on gender issues, but Kuapa Kokoo is more committed, having a clear gender policy and clear targets on women's representation at the primary society level, aiming to fill two out of six positions with women. Women generally have less access to and control of land compared to men and male headed households, and entrenched gender norms (e.g. socially ascribed gender roles in farming have not been overturned, nor is there significant shift in consciousness at the local level as a result of certification. However, as an organisation – and compared to the non-certified LBCs – Kuapa Kokoo is committed to women's empowerment. TWIN and Divine have recently funded a Gender Action Learning (GALS) project which seeks to actively engage men and women in tackling gender inequality.

Individual member's understanding of Fairtrade is extremely limited, and this includes their understanding and influence over the Premium. The Fairtrade Premium is decided upon by the Trust Fund (elected farmers) and while district managers and some primary society members do understand the process well, at the moment there were only a few certified farmers who do. Kuapa Kokoo has recently instituted a process of decentralisation with more discussion of the Premium now at district level.

The organisation of farmers is stronger in the certified organisation, than amongst the non-certified farmer comparison group and the LBCs that they sell to. The non-certified LBCs have either not attempted to facilitate farmer organisation at all, or where they have attempted to do this it has not been very successful, because farmers did not see value in it. Further, where there has been loose organisation of farmers by non-certified LBCs, this has been limited to the delivery of training and information sharing, rather than any kind of longer-term economic or political empowerment.

No major impact of Fairtrade was found in relation to hired labourers who are used by the majority of cocoa farms – both certified and non-certified. Much of this hired labour is drawn from the North of Ghana, although the costs of labour are rising. There were no impacts identified for 'caretaker' famers who work for farm owners for a share of the crop (33-50%) since they cannot be PO members in their own right and are not directly eligible for benefits. However, there was a reported improvement in reduced exposure to health and safety hazards for hired labour.

The incidence of child labour in West African cocoa industry is known to be widespread and it has sparked international concern and a multiplicity of multi-stakeholder national initiatives in response. Rising costs of labour are increasing pressure on cocoa farmers and not helping the child labour situation in West Africa. The study PO was temporarily suspended in 2009 due to reports which emerged of child labour being found on certified farmers' farms. There have been huge investments by the certified PO in child labour awareness raising and monitoring, a partnership with the ILO, continual training at the regular Kuapa Kokoo meetings of members and the formation of 38 Community Monitoring Task Forces - but these have only been recently established and so it is not possible to assess their impact. Given that the whole of the producer organisation is certified Fairtrade, which itself prohibits child labour, there is a continuing risk that the organisation could be suspended again if further child labour instances are discovered. In comparison with the certified POs, other LBCs have also conducted some training on this according to their agents who were interviewed and the farmers that sell to them, but there was no mention of child monitoring task forces being established etc. We were not able to investigate this issue in-depth, which would require a different kind of study, involving child sensitive research techniques and a much more intensive spell of fieldwork by a research team. But awareness is generally good across both the certified and non-certified farmers of the importance of work by children on the cocoa farm not being conducted during school hours and that it should not interfere with a child's education. However, we cannot say whether this has led to changes in practices on the ground. What is clear, though, is the significant financial and time investment by Kuapa Kokoo in establishing the Internal Control System and setting up the monitoring groups etc. - something which has been supported and facilitated by their participation in Fairtrade.

# Impacts on the producer organisation

Fairtrade (through FLO liaison officer and producer support, TWIN etc) has supported the development of Kuapa Kokoo almost since its inception, and thus all of Kuapa's achievements can be, in part, considered as a Fairtrade impact. Kuapa Kokoo continues to be the only farmer-owned producer organisation with a licence to buy cocoa in Ghana.

Increases in financial viability (capitalization) were reported, but it is difficult to establish the extent of this process and at the moment the need for more working capital is still great given the rates normally charged in Ghana. All LBCs rely on government advance funding to buy cocoa, but PBC has the greatest advantage in being able to secure funds at the right time, which enables them to be timely in comparison to their competitors in paying farmers for their cocoa.

There has undoubtedly been positive impact in terms of organisational development for a farmers' organisation – the only one with a licence to operate as an LBC - as a result of Fairtrade and the support from partner organisations such as Twin. The farmer organisation is large, with a rising membership. Kuapa Kokoo has an established governance structure, and holds elections and an annual AGM. This is clearly progressive in terms of achieving democratic organisation of farmers in a context of cocoa governance in Ghana, in which LBCs operate in a system which provides few incentives for high performance and limited financial scope for establishing strong relations with farmers.

However, there are also areas where more impact might have been expected after an extended period participating in Fairtrade. Some have suggested that KK should become a smaller organisation, so that it can operate more efficiently and become more accountable to members. KK officials say that to compete in the cocoa industry they have to be large to buy sufficient beans, and in order to try and benefit from some economies of scale. Internal governance needs to be improved. It is early days but the new Internal Control System should assist this process. Efforts to improve internal communication are underway (e.g. with radio programmes) but improvements are still needed. While understanding of Fairtrade is good at district level, and amongst some primary society members, most members have little knowledge of what it means and how Premium funds are generated, and individual members are not able to participate very actively. There is a need for further capacity building at the organisational level, including increased control by the farmers union of the trading arm, to ensure it operates efficiently and returns benefits to members.

The organisation has a wide range of partnerships and networks, supporting exposure to value chain actor and end markets, and facilitating research partnerships and agricultural development projects. In a sense, these other development agencies and companies are building on the investments made by KK and Fairtrade in organisational development — which is a long-term process, especially where farmer's access to formal education is so limited. Study visits, facilitated by Fairtrade organisations, have also enabled learning, primarily by leaders, but could perhaps be more embedded in capacity building processes. There were no reports of non-certified farmers being able to participate in such activities.

There is no evidence of advocacy impact by Kuapa Kokoo, at district, national or international levels, due to limited advocacy capacity and the specific cocoa sector governance context in Ghanaian cocoa. While non-certified LBCs may have influence, they have a different set of incentives for any lobbying activities.

## Wider impacts

We did not find significant evidence of impact in communities in terms of improved access to services and assets (e.g. schools, health services etc), despite the premium investments (e.g. in health services). However, there have been some investments in boreholes, for example, which will clearly be of benefit to the wider community.

Environmental investments such as reforestation activities, will contribute to greater resilience of ecosystem services in the longer-term but need to be scaled up and out across the membership.

# **Conclusions**

Thus, while there are some economic benefits to cocoa farmers from KK membership and Fairtrade certification, in comparison with non-certified producers, the impacts are limited and it does not seem that KK cocoa farming households are escaping poverty or moving up a wealth ladder as a result of Fairtrade certification. However, the proportion of sales on Fairtrade terms is rising rapidly at the moment, and so there is scope for greater economic benefits to accrue to members, but market and political empowerment for farmers will depend upon greater accountability, transparency, and information sharing and more professional management of the producer organisation to return benefits to members. It also requires recognition of the limits to what Fairtrade can achieve in certain conditions. An analysis of value chain governance in Ghanaian cocoa reveals structural and institutional challenges beyond the scope of Fairtrade and one producer organisation. For example, farmers are not represented on the Producer Price review committee (PPRC) in Ghana. KK could advocate for this, but it is reliant on Cocobod to provide it with its licence. There are not clear incentives for quality (e.g. no quality payments made to farmers) — but KK farmers do report an improvement in quality and this could improve incomes in the future. Land tenure insecurities and lack of access to land, increased commoodity speculation, youth exit from

farming, climate change etc. are all significant challenges, which require action from a range of stakeholders, significant investment and support for greater smallholder agency. LBCs have few incentives for high performance and little financial scope to establish strong relationships with farmers in Ghanaian cocoa, thus it is difficult for KK to establish loyalty amongst members by differentiating itself from competitors.

More investment and partnerships are needed to increase the scale of impact, so that farmers can escape poverty, and to achieve more sustainable production which would have both a public good element (environmental protection) and could improve yields. Areas on which to focus could include farmers' access to finance and inputs, sustainable production techniques in cocoa and crop and livelihood diversification, climate adaptation, developing high value options such as specialty cocoa origins with recognized or newly discovered flavour attributes which can generate market premiums for members, continuing capacity building and professionalization of producer groups, etc. To retain or attract young people into farming and to eliminate child labour requires significant transformational change in the sector. Fairtrade alone cannot achieve this. Other initiatives, such as philanthropic investment programmes and corporate investment programmes aim to tackle productivity, production, and quality – which are important for sustaining livelihoods – but there is less action to support political empowerment of farmers to engage with government at district and the national level or value chain actors to change things for the better for smallholders.

The exit of youth from the cocoa sector represents a significant challenge for the cocoa industry and for the cocoa and chocolate companies which source from Ghana. Further challenges include declining productivity, climate change and pests and diseases. FLO has recently (2011) adapted the cocoa standard, requiring more attention to be paid in Premium investments to agricultural quality and productivity. This is important as improved productivity can increase incomes and quality management means potentially more of a farmers' cocoa will be acceptable to LBCs (whether certified or not). All LBCs are encouraging farmers to improve quality and productivity, but this requires investment – something which Fairtrade Premiums can facilitate, but only if managed effectively and transparently.

More support is needed so that the PO can engage with district level development planning, to represent their members' interests, and for advocacy on structural issues which affect cocoa farmers, in terms of national policies and to influence value chain actors. The mainstreaming of Fairtrade, with Cadburys' sourcing Fairtrade cocoa for some of its products, represents competition for Divine chocolate (part-owned by Kuapa Kokoo). While Cadburys' bring benefits, as they scale up the volume of beans bought from KK, which brings increased Fairtrade Premiums, there are also risks for the farmer owned organisation and Divine – the company it part-owns. Divine chocolate bars now compete with Cadbury's Fairtrade certified chocolate bars.

Also new, smaller, groups of farmer associations are being supported by Fairtrade and the Cadbury Investment Programme to become established and they are seeking Fairtrade certification. If they can choose which LBC to trade with, then this means that KK will be competing with some large international companies within Fairtrade cocoa – and the latter have economies of scale and significantly more resources (e.g. access to credit, qualified professional staff). Potentially many more farmers could benefit from Fairtrade participation, but at the same time this represents (possibly unfair) competition for Kuapa Kokoo, that is seeking to retain members and volumes of cocoa beans bought and to have the iconic status of being the only Fairtrade certified Ghana farmer organisation. Smaller farmer associations may benefit from being more spatially concentrated and smaller in overall size than KK and the Fairtrade Premium investments may be more visible to members, encouraging loyalty, but it is too soon to say how effective they will be in comparison to Kuapa Kokoo, or what effect their entrance into Fairtrade cocoa markets will have on KK.

It is now widely recognized that there is a need for collaborative action across the cocoa sector involving different stakeholders to drive change and respond to significant challenges. This is evidenced by the investment programmes funded by the major chocolate companies, by the expansion of sustainability standards in the sector and by initiatives such as the Abidjan Declaration of late 2012, involving cocoa producing countries and major corporate signatories, as well as civil society stakeholders, which 'aims to move the entire sector onto a path of sustainable development that will benefit all stakeholders along the cocoa value chain'. However, it is not clear how successful this initiative will be or for whom, especially cocoa smallholders at the end of the value chain. Fairtrade may have an important role here in supporting the voice of smallholder producers in 'sustainability initiatives' achieving more equitable trading terms, shifting the focus from productivity and quality alone.



Photo: Focus group discussion (men)



Photo: Focus group discussion (women)



Photo: Cocoa beans, Ashanti Region, Ghana



Photo: A freshly broken cocoa pod

Inputs

# **Outputs**

#### **Outcomes**

#### **Impacts**

# Producer standards

Social development; Socio-economic development; Environmental development; Labour conditions Whole range of measures taken by PO to achieve compliance with standards with support from liaison officers (e.g. democratic organisation via elections, restructuring & ICS developed – better data gathering & farming training, FT Premium decided on by KK Farmers Trust). Training on safe use of pesticides and sustainable agriculture. Significant electronic vestments in establishing child labour vitoring system

Democratic organisation & recent restructuring has been positive. But limited farmer participation in FT Premium decision-making.

More accountability, transparency & internal communications needed. Increased women's membership & representation in leadership positions, but women and caretakers lack access to land.

No change in working conditions for on-farm hired labour, except possible improved H&S training. Caretakers cannot join as members, but can participate in training.

Strong awareness of child labour issues & investment in monitoring system likely to bring positive effects

Some limited environmental improvements

# Trader standards

FT Minimum
Price for
different crops
Differential
payment for
organic FT
Premium
Long-term
trading
relationship
Advance
payment

Activities

: Auditing, Producer support, & Addition al inputs from partner org.s (e.g TWIN,

Divine)

Buyers pay FT Premium;

FTMP currently inactive:

Observance of longer-term trade relations by some buyers (e.g. Divine)

officer

Liaison

training inputs; International visits; Participation in producer networks and FLO governance; FLO/producer network support advocacy for activities: Brokerage of external partnerships

No price uplift from FTMP as below world & COCOBOD prices.

Different material benefits are funded by the FT Premium to individual farmers (e.g. cash payments, cutlasses, soap, mosquito nets), but other LBCs also distributing these incentives. FT Premium investments in community projects (e.g. boreholes, corn mills, mobile health), but initially funds limited, & thinly spread across a large membership on diverse uses, hence of limited visibility to members. Some maintenance issues in places. FT Premium funds elections & administration, capitalization & the Internal Control System (sustaining compliance & providing agricultural extension and training especially in recent years). Longer-term relationships from 100% FT buyer they partown (more stable sales, dividends), but dependency issue (need diversity of buyers) & potential competition from new entrants if they can sell to other large corporate LBCs

POs more able to meet standards & improved management systems, data collection, training via Internal Control System, but still significant capacity deficit & internal tensions in a large organisation. Improved understanding of value chain amongst managers; Some improvements in service delivery lately, but extension & inputs on credit only recently expanded & many services thinly spread; Long-term support from ATO Twin & attracting increasing corporate, NGO & donor partnerships - building on the investment in organisational development of KK with FT support. Limited national or district advocacy by the PO (limited capacity & confidence in the context of joint governance). High profile reputation & networking with other producers in FT networks, exchange visits & exposure to end markets in visits to trade fairs etc, but could be more embedded in learning process. Increased FT sales of late generates higher FT Premium, but need greater diversity of buyers & competition from new entrants. Part-ownership of Divine provides dividends, stable, but small, sales, & exposure to end markets.

#### Individual farmers

Large membership, but harder for women without land access & caretakers farmers to benefit (although caretakers can access training). Child labour awareness raised & improved monitoring. No significant income impacts, although non FT farmers perceived a larger income decrease over the previous two years than Fairtrade-certified farmers who could be more buffered from rising living costs. FT farmers reported significantly more training events. FT famers have greater voice & representation cf non-certified farmers, but still limited

Stronger PO (management systems, democracy etc) but size is challenging, Itd transparency & accountability & capacity gaps. Decentralization & ICS beneficial, but could go further. More capitalized (limited in scale), lack of access to credit. FT decision-maker needs to be closer to individual members & more strategic use of funds. No change in advocacy capacity, more networked to peers, leverage success, increased market access, but vulnerable with limited diversity of buyers & possible competition (new entrants, other certifications)

Wider impacts – Some benefits (e.g. water supply via boreholes, some medical services), but limited in scale. Organisation is spread widely & many members for a farmer owned cooperative, although not using voice to lobby government Some positive environmental impacts, but limited direct evidence in this tudy

suppor, L.O.s, Lls, ATOs, 100% FT company

policy

organisational

Fairtrade support to

development, partnerships,

networking (FLO producer

markets.

advocacy,

Increasing influence of context (joint governance, high world market prices, national COCOBOD price above FTMP; limited FT sales until recently, competition from new FT organisation entrants)

# **Contents**

Ackn	owledgements	ii
Discl	aimer	ii
Abbr	eviations and Acronyms	ii
Exch	ange rates	ii
Executive	Summary	iii
Section 1	: The Study	1
1. Int	troduction	1
2. <i>M</i>	ethodology	1
2.1	Research questions and theories of change	1
2.2	Methods	3
2.3	Sampling process	7
2.4	Data gathering	
2.5	Data management and analysis	
2.6	Confidentiality	12
2.7	Process analysis	
3. <i>Co</i>	ontext	14
3.1	Global cocoa markets	14
3.2	Cocoa value chains and actors	16
3.3	Cocoa production	18
3.4	Challenges in the Ghanaian cocoa sector	18
3.4	Cocoa governance in Ghana	
3.5	Sustainability standards and responsible business initiatives	22
4. Ov	verview of the study organisation	25
4.1	Organisational history	25
4.2	Kuapa Kokoo structure and organisation	25
4.3	Resource flows	
4.4	Sales	28
4.5	Partners and inter-dependencies	29
Section 2	: The Findings	31
5.0 <i>Fir</i>	ndings on poverty impact at individual producer level	31
5.1	Household characteristics	31
5.2	Farm characteristics	32
5.3	Producer Incomes	33
5.4	Cocoa production, productivity and prices	37
5.5	Household assets	38
5.6	Allocation of income	39
5.7	Household food security	42
5.8	Savings and credit	43

5.9	Knowledge of certification	44
5.10	Fairtrade Premium	44
5.11	Farmers' assessment of changes	45
5.12	Quality	
5.13	Changes in the community	49
5.14	Changes in household access to services and assets	49
5.15	Access to training	50
5.16	Perceptions of producer organisations	50
5.17	Overall change in status and expected change in the future	56
5.18	Poverty/wealth indicators	56
5.19	Gender roles	57
5.20	Farmer views on challenges in cocoa production	63
5.21	Farmers' views on the sustainability of the cocoa industry	64
6. Fai	mily and hired labour on farm	66
6.1	Labour use on farm	66
6.3	Changes in working conditions	69
6.4	Child Labour	70
7. <i>Or</i>	ganisational impacts	72
7.2	Overall size of membership and inclusion/exclusion	
7.3	Gender equality and women's empowerment	
7.4	The Fairtrade Premium & Divine dividends	80
7.5	Organisational financial viability	90
7.6	Yields	96
7.8	Provision of services	97
7.9	Child and hired labour	101
7.10	Environment	103
7.11	Partnerships, networks and advocacy	105
7.12	Wider impacts – community	107
7.13	Wider impacts - local and national economy	108
7.14	Perceptions of the strengths and weaknesses of certification	108
Section 3:	Conclusions	100
	nclusions on the poverty impacts of Fairtrade in Ghana	
8.1	Fairtrade Pathways to Impact	
8.2	Reach of standard	
8.3	Individual impacts on producers	
8.4	Impacts on the Producer Organisation	
8.5	Impact on the environment	
8.6	Networks and advocacy	
8.7	Strengths and weaknesses of certification	
8.8	Wider impact	
8.9	Final comments	
Referen	ces	136

# List of tables

Table 1: Timetable	6
Table 2: Geographical Distribution of Kuapa Kokoo Farmers in Ghana	7
Table 3: Location and Sample Size for Questionnaire survey	
Table 4: Location and number of focus group discussions	
Table 5 Cocoa output of producing countries (thousand MT)	14
Table 6. Cocoa Production in Ghana from 2001/2002-2008/2009 Seasons	18
Table 7 The composition of the Net FoB price in 2002-3	22
Table 8 Farm size and cocoa area	32
Table 9 Annual average household income and income from cocoa	35
Table 10 : Price of cocoa per bag – government prices	37
Table 11 Changes in household assets	38
Table 12 Household expenditures in 2010 and 2012	41
Table 13:Percentage of respondents investing cocoa income in the following;	42
Table 14 Credit and savings (comparisons between certified and non certified)	
Table 15 Credit and savings (comparisons over time)	
Table 16: Use of the premium according to Fairtrade certified respondents	
Table 17: Farmers' assessment of changes (2012)	
Table 18: Perceptions of certified farmers regarding Producer Organisation	
Table 19: Reasons given for choice of buyer & reporting of benefits received	
Table 20: Qualitative data on training provision	
Table 21: Differences between the LBCs	
Table 22 Farmers' assessment of change in status. 2012	56
Table 23 Wealth indicators	
Table 24: Women in cocoa production	
Table 25: Challenges for women in cocoa production in West Africa	
Table 26: Women's attendance at meetings and ability to speak freely	
Table 27: Farmers' perceptions of the challenges they face in cocoa production	
Table 28: Farmers' views on sustainability	
Table 29 Sources of hired labour	67
Table 30 Employment conditions for male and female labour	69
Table 31: Child labour.	70
Table 32: Qualitative data on child labour	71
Table 33 Organising farmers – experiences from non-certified LBCs	74
Table 34: Investment in an Internal Control System	76
Table 35: Summary of expenditure items, 2012	
Table 36: Summary of expenditure items, 2013	84
Table 37 Kuapa Kokoo Fairtrade sales volumes and values	90
Table 38: Agro chemicals applied and cost per acre	
Table 39: Table of findings on the actual impact pathway findings	129
Table 40: Impacts on individual producers, producer organisations and beyond	133
List of figures	
Figure 1 Actual Fairtrade Smallholder Impact Pathway	xiv
Figure 2 The generic SEVVS impact chain and the importance of context	
Figure 3 Hypothetical Fairtrade Smallholder Theory of Change	
Figure 4 A map of Ghana showing the cocoa growing region of the country	8
Figure 5: Sampling framework and sample for Ghana cocoa study	
Figure 6: New York Board of Trade cocoa prices from 2000 to 2011	
Figure 7: LBCs Supply Chain in Ghana	
Figure 8: Kuapa Kokoo	27

Figure 10 Average farmers' scores for perceived change in household income	
rigare to Average farmers scores for perceived change in household income	36
Figure 11 Cocoa production 2007-2012	37
Figure 12: Value of cocoa sold by cocoa farmers	38
Figure 13 Contribution of cocoa income to basic needs (2010)	39
Figure 14 Contribution of cocoa income to basic needs (2012)	40
Figure 15: Uses of the Fairtrade Premium 2012	84
Figure 16: Uses of the Fairtrade Premium 2013	85
List of boxes  Poy 1 : Twin collaboration with Kuana Kokoo	20
Box 1 : Twin collaboration with Kuapa Kokoo	
Box 1: Twin collaboration with Kuapa Kokoo	52 n Planning and
Box 1: Twin collaboration with Kuapa Kokoo Box 2: Summary of factors shaping farmers' decision to sell to a buyer	52 n Planning and
Box 1: Twin collaboration with Kuapa Kokoo	52 n Planning and 83
Box 1: Twin collaboration with Kuapa Kokoo	52 n Planning and8386

# **Section 1: The Study**

# 1. Introduction

This report presents the findings for Ghana of the DFID funded project 'Assessing the poverty impact of voluntary trade standards', which is led by the Natural Resources Institute, University of Greenwich in collaboration with KNUST and Jeavco Associates. The study began in 2009 and has the following objective: 'to systematically examine the impact of voluntary social and environmental standards on poverty and livelihoods, particularly for the most disadvantaged workers and producers in developing countries'.

Two commodities were selected by DFID and the research team for inclusion in this study, namely tea and cocoa, at the beginning of this project (covering Rainforest Alliance, Fairtrade and Utz Certified) and information on membership size. Cocoa was selected as an important crop for certified systems. Ghana is a major producer of cocoa globally, and DFID has a country programme there. There has been a long history of certification in Ghana, although only one producer organisation has had Fairtrade certification compared to Cote D'Ivoire. Discussions were held with Rainforest Alliance and Utz Certified, and the former in particular were keen to participate in this study, it was not feasible for two reasons: i) one of the producer organisations that they were supporting to obtain certification, was also seeking Utz certification, and Utz had other plans regarding impact assessment studies; ii) another possible group were identified of RA certified farmers, but there were insufficient funds to include them in the study.

# 2. Methodology

# 2.1 Research questions and theories of change

The project aims to answer specific research questions on the poverty impacts of voluntary standards. This report explores only those questions of relevance to the Ghanaian situation.

Do voluntary standards have an impact on the poverty and livelihoods of smallholders, outgrowers and hired labourers and their organisations? If so what kind? Are voluntary standards effective mechanisms for tackling poverty?

- **a.** Do producers selling certified products experience greater positive long-term social, economic and other livelihood impacts than their uncertified counterparts?
- b. Do workers on certified plantations achieve greater positive long-term social, economic and other livelihood impacts than those working for uncertified enterprises?
- c. Are voluntary standards lifting people out of poverty? What is the scale or magnitude of their impacts on poverty? Are there limits to the effectiveness or potential of these standards as a means of tackling poverty?
- d. Can voluntary standards reach the most disadvantaged in society? What are the inclusion or exclusion thresholds which shape entry to such voluntary schemes and how do these vary across time, contexts and for smallholder and hired labour situations? Is there a risk that voluntary standards reinforce regional inequalities?
- e. What are the characteristics of the participants who remain within a scheme and those who leave?
- f. What are the gender dimensions of the poverty impact of voluntary standards?
- g. Are there negative or unexpected impacts on participants or non-participants?
- **h.** Assuming a broad-brush definition of poverty, what *types of impacts* of voluntary standards are the most significant for tackling poverty and supporting livelihoods? (social, economic, empowerment etc)? Are the standards tackling strategic as well as practical needs, e.g. building local institutions, mgiving greater power and voice etc
- i. Is there a difference in the kinds and magnitude of impacts (in terms of number assisted and

- extent of changes resulting) being achieved in hired labour and smallholder situations?
- j. j) Which elements or mechanisms of voluntary standards are the most effective in tackling poverty (e.g. producer support to access export markets, greater security through guaranteed prices and pre-financing, stronger producer organisations to increase the power of disadvantaged groups, networking amongst certified groups etc).
- k. In which circumstances do voluntary standards have the most poverty impact (e.g. newly liberalized economies, existence of relatively strong small farmer cooperative movements etc?) What are the key drivers for success?
- I. How sustainable are the impacts of the voluntary standards and the standards themselves?
- m. Can farm level sustainability make a difference to larger scale changes in land use and ecosystem health? If not, does it matter and with what implications for tackling poverty?
- n. Are positive impacts by voluntary standards sustained over time or do they tail off?
- o. Can voluntary standards achieve the same kinds of impacts in mainstream value chains as well as alternative ones?
- p. Can voluntary standards have an influence beyond their specific certified value chains (e.g. positive impacts in raising local market prices; possible negative impacts on non-certified producer access to markets? Can voluntary standards push up standards in the rest of the market and achieve poverty impact that way? Can they change the terms of trading (market transformation) or is the overall effect more about achieving market access or market reform? How do such schemes challenge or reinforce prevailing power relations and inequalities?
- q. Can voluntary standards have an influence beyond their specific certified value chains (e.g. positive impacts in raising local market prices; possible negative impacts on non-certified producer access to markets? Can voluntary standards push up standards in the rest of the market and achieve poverty impact that way? Can they change the terms of trading (market transformation) or is the overall effect more about achieving market access or market reform? How do such schemes challenge or reinforce prevailing power relations and inequalities?

A secondary set of research questions will be explored relating to more nuanced comparisons between different standards and their approaches.

- I. What differences are there in the impacts achieved by voluntary standards and how far could they be complementary?
- II. What relative contribution do different mechanisms make to any positive impacts (e.g. price premiums, longer-term trading relations, support to negotiations with buyers
- III. How do the poverty impacts of the different voluntary standards vary? How do the different provisions in their standards and the varying approaches they adopt (e.g. to producer support) affect the poverty impact on smallholders, outgrowers and workers?
- IV. How do different business models and value chain relationships affect the impact upon poverty of voluntary standards? How do the values, power and incentives of different actors in the value chain affect the impacts upstream? (e.g. What differences are there between retailers? What differences are there between ATOs? What difference does producer ownership along the value chain make to overall poverty impact?).
- V. How do the costs of certification and compliance (e.g. to quality requirements) affect inclusion and the membership poverty profile (e.g. does the membership of co-operatives reflect the poverty profile of their communities?). Are factors such as remoteness and marginality of land, factors in being able to benefit?

To answer these research questions the project adopted an approach based on interrogating theories of change compared with actual impact findings to evaluate impact and understand the relative effectiveness of the intervention. Theories of change were developed for the various sustainability standards covered by the study. Figure 1 below shows a generic diagram of Social and Environmental Voluntary Standard Systems (SEVSS) and the main mechanisms by which change is brought about. Figure 2 provides a more detailed analysis of the Fairtrade theory of change. As a system it was unclear, initially, what exactly are the inputs, given that Fairtrade is a system rather than a project, and the system can vary from place to place in terms of actual inputs and the

implementation of standards. Further, the organisation itself did not articulate one clear Theory of Change. More recently Fairtrade International has developed its own Theory of Change, which has, amongst other things, drawn upon the thinking of this project.

As the project seeks to assess poverty impact, it is important to specify how we have defined poverty: Our definition moves beyond income alone to a livelihood asset based framework (Carney, 1998). In the design of our research instruments (e.g. checklists and questionnaires) we have included a wide range of indicators to establish impacts on income, but also a wider range of assets at the household level, as well as access to services (e.g. from companies) and satisfaction with organisations. The broader asset framework includes consideration of empowerment indicators relating to knowledge of certification and the value chain, upgrading, organisational development and advocacy/voice. We have also assessed the wider impacts of the sustainability standards, e.g. on local communities and economies. In recognition of the intertwined nature of socio-economic wellbeing and environmental health we have considered changes in agricultural and natural resource management practices that feed back into poverty impacts for smallholders, workers, and communities. It has not been possible to directly measure changes in ecosystem services.

## 2.2 Methods

The study has employed a mixed methods approach<sup>4</sup>, with equal weight being given to quantitative and qualitative data collection. A counterfactual was constructed with the main line of comparison being drawn between Fairtrade certified and non-Fairtrade certified producers and organisations, a 'with and without' comparison, combined with a longitudinal approach. The longitudinal approach allowed the comparison of data from the 2010 baseline survey with the recalled situation two years previously and then subsequently a comparison of the baseline with the final survey in 2012. Because the producer organisation selected for the study was certified Fairtrade many years ago, it was not possible to assess Fairtrade impact pre and post-certification. Also Fairtrade standards have minimum and progress criteria and so there should be continual improvement. The aim therefore in this study was to assess change over time to establish if there had been positive or negative impacts resulting from Fairtrade in that time. These two dimensions of comparison were combined in the 'difference' calculation made in the statistical analysis.

<sup>&</sup>lt;sup>4</sup> See Nelson el al, 2010 'Conceptual and methodological framework''

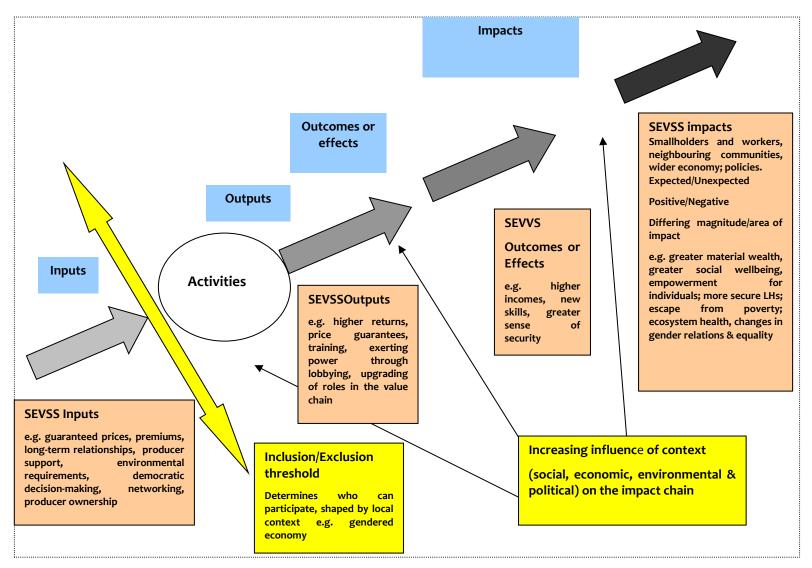


Figure 2 The generic SEVVS impact chain and the importance of context

# Figure 3 Hypothetical Fairtrade Smallholder Theory of Change

Inputs

#### **Outputs**

#### **Outcomes**

**Impacts** 

# Producer standards

Social development;
Socio-economic development;
Environmental development;
Labour conditions

# Trader standards

**Activities:** 

Auditing,

Producer

Additional

organisation

partner

FT Minimum Price
for different crops
Differential
payment for
organic FT
Premium
Long-term trading
relationship
Advance payment

FLO (producer support, liaison officers), licensing provide organisational promote activities, grow fairtrade markets, networking

**Measures** taken by PO to achieve compliance with standards with support from liaison officers

Buyers pay FT
Premium and FTMP
(when required) and
any differential
payment for organic
product to PO.
Observance of longerterm trading relations

Liaison officer training inputs; International visits; Participation in producer networks and FLO governance; FLO/producer network support for advocacy activities; Brokerage of external partnerships

POs become more democratic, accountable and transparent

More sustainable farming practices

Improvements in on farm-worker labour conditions

FTMP enhances income security and may improve returns where active

Premium investment benefits individuals and wider community (income, assets etc)

Farmer cash flow improves avoids trap of selling early at low price and PO cash flow means better planning

Longer-term relationships improve PO ability to plan and access credit

**Individual farmers** have more knowledge of value chains, improved access to services, more confidence in PO and its ability to represent them; more active in PO decision-making.

**Producer organisations:** More able to meet standards; more understanding of value chain; deliver services better; more experience and confidence in advocacy within FLO and externally; greater legitimacy and credibility amongst members and potential creditors; more able to attract donors and partner organisations; more secure market access and diversified partners; more able to plan and negotiate with buyers;

# Individual farmers (women & men)

Able to participate
Income improvements
Livelihood asset building
Food Security improvements
Greater voice and representation
Resilient ecosystems underpinning
their livelihoods

#### On-farm hired labour

Improved working conditions and livelihood security

# **Stronger POs**

More accountable, democratic, transparent, financially viable, greater advocacy capacity, more networked, able to take advantage of sustained or increasing sales on Fairtrade terms

## Wider impacts

Local community - education, health and agriculture improvements from community asset building (e.g. infrastructure) using premium.

National impacts – less rural inequality, more organized smallholders, economic impacts Environmental impacts

Quantitative data was collected through a questionnaire survey with 741 respondents (baseline) and 697 (final survey) farmers to build a representative baseline of certified and non-certified farmers in 2010, followed by a light monitoring exercise in 2011 and a final survey in 2012 (see table 1 below). The qualitative research aimed to capture the views of farmers and their households about their status, organisation and how certification may have affected them, taking into account the context in which Fairtrade and Kuapa Kokoo are operating (e.g. in terms of cocoa value chains and industry, local territorial dynamics etc.) and the impact of Fairtrade certification on the poverty levels of farmers. Both male and female Focus Group Discussions were undertaken, as well as key informant interviews using checklists. Interviews with management and district level producer organisation were also undertaken to provide further information on the producer organization, on cocoa production and trade and on the poverty impact of certification.

**Table 1: Timetable** 

Phase	Timing
Preparatory work (e.g. approaching KK, testing	Mid-2009 – Early 2010
checklists and questionnaire)	
Baseline Fieldwork	Jan – March 2010
Light Monitoring	Feb-March 2011
Final survey	Jan – March 2012
Data cleaning, analysis, write-up, dissemination	April 2012 – March 2013

Both the questionnaire and qualitative checklists were initially piloted in November 2009 and subsequently revised to take account of local conditions. As part of the research strategy, a team of eight research assistants were given an intensive one week training course in the administration of the checklists and questionnaire prior to piloting in the field<sup>5</sup> in the baseline survey. In the final survey, the team of enumerators and research assistants were also trained in using the various research instruments (qualitative and quantitative). The project team were keen to conduct value chain interviews to support analysis of changes within the trading chain, but unfortunately, there were not sufficient resources to cover this activity.

At the beginning of this study, Kuapa Kokoo (KKFU) was the only Fairtrade certified organisation in Ghana. It covers 57 cocoa districts spread across the five cocoa producing regions of the country (see Table 2 below). However, KKFU were developing a monitoring system at the time of the survey and were not able to give us the numbers of farmers for each specific district. The membership also varies as some farmers decide to leave cocoa farming and there are also new entrants, as well as changes in who farmers sell to, with some leaving Kuapa Kokoo to sell to other licensed buyers and vice versa.

Fairtrade certification was acquired in the 1990s and has continued to date, except for a temporary loss of certification status in 2009 due to child labour issues. Certification was regained following the corrective actions taken by the organisation.

Cocoa districts in Ghana do not necessarily coincide with political districts, so for the purpose of this study cocoa districts as defined by KKFU were used, but political districts were also taken note of where relevant (e.g. in qualitative interviews).

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<sup>&</sup>lt;sup>5</sup> These research assistants were retained by the Department of Land Economy, Kwame Nkrumah University of Science and Technology, Kumasi for exhibiting academic excellence in their undergraduate studies in land economy as teaching/research assistants for their national service period.

Table 2: Geographical Distribution of Kuapa Kokoo Farmers in Ghana

Region	No. of Cocoa Districts	No. of Primary Societies	No. of Individual Farmers
Ashanti	14	199	18,833
Western	20	386	23,161
Brong Ahafo	9	196	12,701
Central	9	115	4,272
Eastern	5	70	6,442
Total	57	966	65,389

# 2.3 Sampling process

# 2.3.1 Selection of an organisation and constructing a counterfactual

Kuapa Kokoo was chosen as the case study organisation, because it has a long history of engagement with Fairtrade and has been certified by FLO for a number of years. It is also a large organisation, and so offered possible lessons on 'going to scale' in certification contexts. However, the organisation has been much studied in the past, and the research team were initially reluctant to select this particular one. However, DFID were keen on including a Ghanaian organisation, and this represented the only Fairtrade certified producer organisation at the time. Kuapa Kokoo agreed to participate in 2009, when we approached them.

In constructing a counterfactual, the team sought to identify potential alternative organisations that could be matched with the certified producer group, but the specific nature of cocoa governance in Ghana means that cocoa buyers have to be licensed and the Kuapa Kokoo Farmers Union is the only farmer owned organisation to have been granted this license by the government. The only counterfactual available was thus relatively unorganized cocoa farmers selling to the other licensed buyers, but living in the same communities.

# 2.3.2 Sampling smallholders (regions, districts, primary societies and individuals)

Kuapa Kokoo is a large organisation, with tens of thousands of members, covering a large area and five regions of Ghana. It was thus necessary to firstly sample by region. Key factors influencing cocoa production are diseases, weather and climatic conditions, production costs and technology, urban expansion into agricultural areas, demand from consumers, and changes in the production of more profitable crops. However, KNUST felt that these factors are similar across the cocoa producing regions, but that areas of difference are felt in terms of: i) share tenancy; ii) differing scales of production / size of farms; iii) gender relations. Ashanti, Western and Brong-Ahafo are the most prominent cocoa producing areas and home to most of the estimated one million cocoa farmers in the country. In order to cover these variables two regions were selected: Ashanti and Western Regions. This selection was made to overcome the challenge of covering sample areas with stakeholders that are similar enough to have some degree of control over major factors affecting the cocoa industry in Ghana, and at the same time provide a sufficiently diverse range of sample communities and stakeholders to account for levels of poverty variations.

- The Ashanti Region has an area of 24, 389 sq km and a population of 3,600,358 (Census, 2000). It is the traditional cocoa growing area in Ghana. Of Kuapa Kokoo's more than 60,000 farmers, over 18,000 are located in Ashanti region. Cocoa production here is predominantly small-scale.
- The Western Region with an area of 23,921 sq km and a relatively lower population of 1,916,748 (Census, 2000) is an area of new cocoa cultivation and has become important since the 1970's due to its proximity to the Ivorian border and also represents an area of major cocoa smuggling activities. There are over 23,000 Kuapa Kokoo farmers in this Region

and most large scale plantations can be found here. Also present in this region in significant numbers is migrant labour from the northern parts of Ghana. Migrant labourers become share tenants in the cocoa industry. On gender issues, both Regions have a significant proportion of male and female cocoa farmers.

The two regions selected are therefore a representative cross-section of the geographical variation in the cocoa belt. Inclusion of the Brong-Ahafo Region which represents the agro-ecological zone which leads to the dry savannah areas of northern Ghana would have provided a broader agro-ecological coverage of the cocoa belt, but due to budgetary constraints it was not possible to include a third region in the study. See Figure 4 for a map showing the cocoa growing region of Ghana.

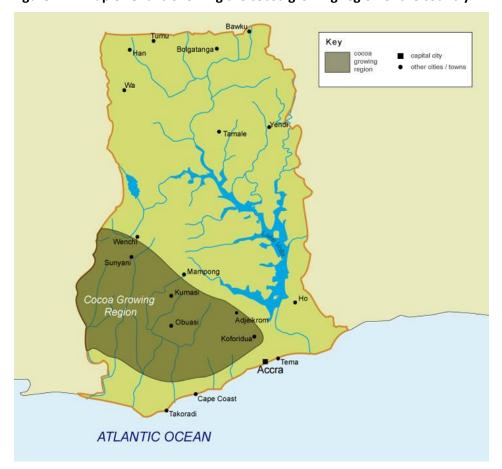


Figure 4 A map of Ghana showing the cocoa growing region of the country

The sampling procedure within the regions was as follows:

- In each region, two cocoa districts were randomly sampled for data collection. These were the Effiduase and Nkawie districts in Ashanti and Akontombra and Dadieso districts in the Western Region.
- For each district, two primary societies were also randomly selected for the administration of questionnaires to a minimum of 40 Kuapa Kokoo farmers in each.

Since Kuapa Kokoo is the only large farmer co-operative in the area, it was not possible to base the counterfactual on farmers within a non Fairtrade cooperative. This problem was addressed by randomly sampling a minimum number of 40 cocoa farmers living in the same locations as the study sample, who sell their produce to other non-certified licensed cocoa buying companies in the country.

- **Planned:** A minimum of 80 questionnaires would be administered in each district, producing a minimum target total of 640 cocoa farmers, 50% from Kuapa Kokoo.
- Actual sample: A total of 743 questionnaires were conducted by the end of the baseline survey period of February-March 2010 (see figure 5 and table 3 for sample location and size).

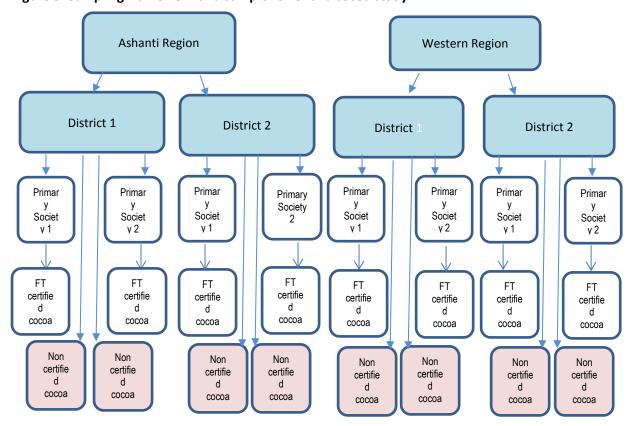


Figure 5: Sampling framework and sample for Ghana cocoa study

Table 3: Location and Sample Size for Questionnaire survey

Cocoa Region	Cocoa District		Respondents (Numbers)		
		Baseline certified	Baseline Non- certified	Final Survey certified	Final Survey Non- certified
Ashanti	Effiduase	120	104	94	83
	Nkawie	88	83	86	97
Western	Akontombra	95	80	86	81
	Dadieso	91	82	86	84
	Sub total	394	349	352	345
	Total		743		697

In the administration of questionnaires, household heads were the focus for interview. In terms of responses, background information on the entire household, their socio-economic characteristics and decision-making powers in relation to cocoa farming were investigated.

For Kuapa Kokoo farmers, permission was sought from management at the head office in Kumasi, who subsequently linked the team of researchers to district managers and executives at the Primary Society levels to ensure their effective participation. Since non-certified farmers belonging to the

other Licensed Buying Companies (LBCs) are less well organized compared to those belonging to the Kuapa Kokoo farmer organisation, consent was sought from each randomly sampled individual for their participation. In the process of interviewing individual farmers (both certified and non-certified), conscious efforts were made to include as many women farmers as possible to ensure that any gender differentiation in impact would be captured in the study.

# 2.4 Data gathering

A baseline questionnaire was designed by the NRI team and adapted for cocoa and tea and for country specifics in collaboration with the research partner in Ghana (see appendix 1). Small alterations were made to the final survey questionnaire.

The key indicators are as follows: profile of household characteristics; income related indicators (e.g. reliance on cocoa income, proportion of total income from cocoa, total estimated annual income, changes in income over a number of years); changes in access to assets (e.g. land title) and services (e.g. credit); knowledge of Fairtrade; views on the future etc. Data collection on cocoa income was relatively straightforward as cocoa is sold in two main tranches. However, information on other sources of household income was somewhat less reliable because of difficulties of recall of multiple small and irregular transactions.

A number of focus group discussions were conducted across the sample of primary societies and with district managers from the Fairtrade cooperative and from non-certified groups. However, it was not possible to conduct a focus group discussion with certified and non-certified farmers at every single primary society as hoped, because farmers were often in their fields and unable to participate and because of resource/time constraints.

A checklist was developed by the NRI team and adapted to the local context (See appendix 2). The checklists provided a guide for the focus group discussions with women and men, and specific interest groups (e.g. community elders). Table 4 shows the numbers and locations of the focus group discussions.

Table 4: Location and	d number of	focus grour	discussions
Tubic 4. Location and	a mannaci oi	TOCUS STOUP	, aiscassions

Cocoa	Cocoa	Baseline		ine Final Survey	
Region	District	FGDs Men	FGDs Women	FGDs Men	FGDs Women
	Effiduase	4 FGDs in 4 locations	5 FGDs in 4 locations	2 FGDs in 2 locations	3 FGDs in 3 locations
Ashanti	Nkawie	2 FGDs in 2 locations	2 FGDs in 2 locations		1 FGD
Western	Akontombra	2 FGDs in 1 location		1 FGD	

Interviews were also planned with agents of licensed buying companies as well as with Kuapa Kokoo staff at different levels of management. Individual household case studies were planned for the baseline survey. However, the in-country research team were not able to carry out as many of the qualitative research exercises as planned, due to time constraints. Further, the final survey did not cover the full ideal range of qualitative exercises partly because the producer organisation was not able to give a time/date for such interaction, but also due to a sudden need to find a replacement/additional research partner in Ghana which reduced the time available in planning.

Several meetings with Kuapa Kokoo management were held in the baseline survey, light monitoring and final survey, and a feedback session is also planned. Interviews have been carried out with other key informants such as representatives in COCOBOD, the FLO liaison officer and the FLO global

product manager – cocoa in Bonn. A meeting was held in early 2011 during the light monitoring exercise with KKL staff and managers, and in the final survey district managers were interviewed at each district (Effiduase, Nkawie, Dadieso, Akontombra). The national executives of the KKFU and some staff members of KKL were interviewed in a management interview, including the president, an executive member, a minority shareholder, the head of auditing, the research and development manager, and the general manager of the KKCU.

# 2.5 Data management and analysis

Databases were designed by the Statistics Department at the University of Reading, which provided support to the project in the early phases. Data was inputted and cleaned by the research team in Ghana and then shared with NRI, where the data was checked again for inconsistencies and statistical analyses were conducted.

The statistical analyses compared the certified and non-certified farmers ('with and without') at the time of the baseline survey, and analysed the questions asking about changes in the previous two years. At the final survey stage, comparisons between certified and non-certified farmers were also drawn; comparisons with the baseline were analysed and a double difference analysis was completed.

For the baseline and final survey statistical analysis, parametric tests (t-test) and non-parametric tests (Mann-Whitney test and Wilcoxon test) have been used for continuous and categorical variables respectively, to test the significance of differences between the various categories of producers. However, most continuous variables do not follow a typical normal distribution which is an important assumption for parametric tests. Non-parametric tests have therefore also been used to check the results of the parametric tests. If opposite results are obtained, the results of the non-parametric tests are preferred because they are less affected by outliers. Non-parametric tests are less precise but more robust than parametric tests.

The analysis also explored the possibility that pre-existing characteristics of the farmers participating in Fairtrade could have influenced their decision to participate and hence the outcomes, making attribution of differences to Fairtrade difficult. This potential 'selection bias' was explored through propensity score matching to determine whether or not the basic socioeconomic characteristics of the two samples were significantly different. The two samples did not show significant difference in observed farmer characteristics. However, this does not account for the possibility that unobserved characteristics may influence participation.

For the comparison of results between the surveys in 2010 and 2012, two different methods are used. To test any differences in 'static' characteristics, the T-test or Mann-Whitney tests are used. For some 'impact' variables, however, it is expected to see change over time, and the double-difference method is used to test whether the change is significantly different between workers at certified and non-certified estates.

The Double-Difference<sup>6</sup> (DD) method assumes that unobserved heterogeneity in participation is present, but these factors do not change over time. DD compares treatment and comparison groups in terms of outcome changes over time relative to the outcomes observed for a pre-intervention baseline:

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<sup>&</sup>lt;sup>6</sup> Also called difference-in-difference method

$$DD = E(Y_1^T - Y_0^T | T_1 = 1) - E(Y_1^C - Y_0^C | T_1 = 0)$$

Where:

 $Y_t^T$  is the outcome for program beneficiary at time t

 $Y_t^c$  is the outcome for control (non-beneficiary) at time t

t is a two-period setting where t=0 is before the program and t=1 is after the program

 $T_1$ =1 denotes treatment or the presence of the program at t=1

 $T_1$ =0 denotes the untreated sample or area at t=1

The value and significance of DD is determined by estimating a regression model with the outcome as dependent variable and dummies for the time and programme, and an interaction term for the two dummies (which gives the value for DD), as independent variables:

$$Y = c + \alpha T + \beta P + \gamma T P$$

Where:

Y is the outcome

c is a constant

T is a dummy where T=0 is before the program and T=1 is after the program

*P* is a dummy for program participation (i.e. treatment) where P=0 for the control and P=1 for the beneficiaries *TP* is the interaction term for the two dummies T and P

 $\alpha, \beta, \gamma$  are estimated parameters, where  $\gamma$  equals DD

When the DD value (difference in change) is significant, it is assumed that this is caused by the treatment (i.e. certification) and is thus the impact of certification. When the DD value is not significant, it can be concluded that other factors have caused the change in outcome, but certification had no significant impact.

The data has been managed centrally at NRI, with the findings written up by NRI and the research partners in Ghana. The statistical data and qualitative data is synthesized and analyzed in this report, providing the overall findings for Ghana.

# 2.6 Confidentiality

There is only one large Fairtrade certified producer organisation in Ghana and this is the focus of our study, so it is not possible to fully anonymize the findings. However, Kuapa Kokoo gave us permission to conduct the study, and we have met with them several times during the course of the study. The findings at lower levels have been anonymized (e.g. village and individual levels). The report has been shared with both FLO and the producer organisation to allow for correction of factual errors and to enable each organisation to prepare a response prior to publication of the findings.

## 2.7 Process analysis

This section provides an analysis of the process undertaken and the challenges encountered. Although this study was designed as a longitudinal study, there were only two years between the first and last data collection and Fairtrade had begun much earlier and therefore not much change would be anticipated over this period.

The certified producer organisation, Kuapa Kokoo, is a large organisation and our initial contact was through Kuapa Kokoo Limited (KKL), the trading arm. One particular KKL individual, who was extremely busy, was our primary contact point, but he gave us the access required for the study, (e.g. setting up meetings with farmers via the district officers, and alerting the district officers that the team would be visiting, although often with little time for in-depth coordination and proper planning prior to fieldwork). We were able to meet with the entire management team in 2009 and 2010 where we initially explained our research and then provided feedback on the baseline fieldwork process and some of the topline preliminary findings from the baseline qualitative analysis. We were not able to share the detailed findings as the statistical analysis was not available at that time, but also to avoid overly influencing the actions of the producer organisation which would

undermine the comparisons inherent in the methodology. On return to Ghana for the light monitoring, we provided a summary of the baseline, describing the methodology and some of the findings. Again access was somewhat problematic and largely conducted through the KKL, although a very brief introduction was facilitated with the Kuapa Kokoo Farmers Union Board. At this time the NRI team found out that another team was conducting an impact study. We were not able to meet this team or to be sure who they were, but it was indicated that the study had been commissioned by one of the Fairtrade national labelling initiatives.

Unfortunately, when we returned to conduct the final study, despite advance notice, there had been staff suspensions within KKL and the new incumbent was reluctant to allow further collaboration with NRI, and had not had a thorough explanation of the project from the previous contact person we had dealt with. It was also indicated to us that the 'impact' study commissioned internally, and which was being carried out when we visited for the light monitoring exercise, had been found to be 'non-constructive' in the eyes of Kuapa Kokoo staff. This presented significant challenges for our study team, to explain why more than one impact study was occurring and why Fairtrade had commissioned a study given the existence of another, which started long before.

This staff turnover, internal difficulties and a discontinuity of relationshipswas a serious problem for the research team and nearly led to a complete collapse of the study. After some gentle negotiations the fieldwork was allowed to continue, but the meeting with management, for example, could not be held until a later date, when the NRI project leader was not in Ghana. Obtaining reliable figures from the producer organisation on membership, production, sales etc has also been difficult, although the establishment of the Internal Control Monitoring System and Database helped, as some figures on 2011 and 2012 Fairtrade volumes and sales were provided in early 2013.

The internal turmoil within the Fairtrade certification producer organisation has been significant and this has hindered the study in Ghana. As well as the internal staff suspensions, there is a lack of capacity to gather and manage data internally, tensions between the different parts of Kuapa Kokoo, and competing demands on the management team and the organisation from researchers and volunteers, with the PO struggling to prioritize between them with a clear policy of engagement.

The lack of coordination and competition for cases generally amongst certification bodies in impact assessment has been a problem in the past, and was an issue at the start of this study. Our team could not include producer organisations (perhaps instead of the Fairtrade producer group) with other sustainability system certifications (and just entering certification when preparation for certification could have been the baseline), because this would have implied duplication of research.



Photo: Questionnaire interview

# 3. Context

## 3.1 Global cocoa markets

West Africa is the biggest cocoa producing region globally, producing approximately 70% of global production. Ivory Coast and Ghana are the largest country producers, followed by Indonesia, Nigeria, Cameroon and Brazil (see table 5 below). Together these produce 85% of world cocoa bean production. ICCO figures for 2010-11 were for production from these countries of approximately 3.2 million to 3.7 million MT of world cocoa bean production (Laroche, Jimenez and Nelson, forthcoming). These countries produce ordinary cocoa (which comes from 'forastero' type varieties), rather than the aromatic or fine cocoas (made from 'criollo' or 'trinitario' varieties). The main focus of cocoa research and development over previous decades has been in ordinary cocoa, at the expense of fine, aromatic cocoa, because the former has higher levels of productivity and is less susceptible to diseases. ICCO estimated global production of 4,052 thousand tonnes (down 6.1% from the previous year) in 2011/12. World grindings were estimated by ICCO of 3,921 thousand tonnes in 2011/12 - down 0.2% from the previous year. <sup>8</sup>

Table 5 Cocoa output of producing countries (thousand MT)

Table 5 Cocoa output of producing countries (thousand MT)				
Country	2007-2008	2008-2009	2009-2010	2010-2011
AFRICA				
Ivory Coast	1370	1222	1242	1325
Ghana	675	662	632	825
Nigeria	210	250	240	240
Cameroon	185	227	205	220
Other, Africa	137	158	156	178
Total Africa	2577	2519	2475	2788
AMERICA				
Brazil	160	157	161	190
Ecuador	114	134	160	150
Peru	31	34	37	
Other, America	145	161	167	208
Total America	450	486	525	548
ASIA and OCEANIA				
Indonesia	580	490	550	500
New Guinea	50	59	50	50
Malaysia	34			
Other, Asia and Oceania	26	49	47	52
Total Asia and Oceania	690	598	647	602
WORD TOTAL	3717	3603	3647	3938

Source: ICCO Quarterly Bulletin of Cocoa Statistics, Vol. XXXVII, No. 1, Cocoa year 2010-2011

Cocoa prices on global markets are determined by two major trading platforms in the markets of London (LIFFE or London International Future and Option Exchange) and New York (New York Board of Trade or NYBOT). During the last decade, the international price of cocoa has risen, reaching USD 3,700 per MT in 2011, a historical record of the last 20 years. This is the result of cocoa commodity

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<sup>&</sup>lt;sup>7</sup> ICCO Quarterly Bulletin of Cocoa Statistics, Vol. XXXVII, No. 1, Cocoa year 2010-2011

<sup>&</sup>lt;sup>8</sup> http://www.icco.org/home/latest-news.html.

speculation, itself a result of dollar depreciation and a strong interest of investment funds in commodity markets (Laroche et al, forthcoming). The U.S. economic situation, along with rising crude oil prices and fluctuations in the exchange rate of the dollar, has motivated investors to adopt anti-inflationary measures covering the commodity markets. Demand in consuming countries has maintained an upward trend, while dry weather in exporting countries has affected crop yields, mainly in the Ivory Coast. In Nigeria, over the last two years, diseases and dry weather have also reduced the supply of cocoa (Laroche et al, forthcoming).

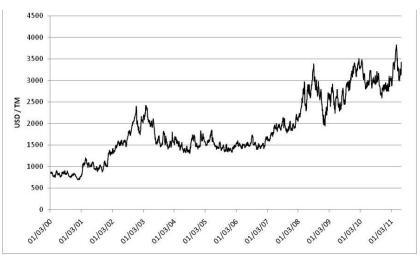


Figure 6: New York Board of Trade cocoa prices from 2000 to 2011

Source: Intercontinental Exchange - ICE (NYSE)

It is not possible to accurately determine the global demand for cocoa beans, because products made from cocoa (butter, powder) are used in a wide range of industries and an even wider range of products. Therefore, to assess the demand for cocoa beans, the grinding totals per country are an important measure.

The International Cocoa Organization (ICCO) provides information on the estimated consumption of cocoa (ground cocoa, plus net imports of cocoa products and chocolate products in grain equivalent, <sup>9,10</sup> which could provide a better understanding of industrial demand. However, this information should be used with caution, as it still does not represent the total industrial demand for cocoa products. Global consumption of cocoa has an upward trend at an average 2.7 per cent annual growth. ICCO estimates world consumption of 3.78 million MT for 2011 (Laroche et al, forthcoming). The following table shows the global trends of production and consumption over the past 10 years.

Instability in production leads to deficits in supply relative to demand in some years, which generates more speculative movement and the upward trend in international prices. 2007 and 2010 were the years of greatest deficit in recent times. The financial and economic crisis in 2008-2009, combined with the steady rise in the price of cocoa beans, had a negative impact on consumer demand for chocolate products. While the final consumption of chocolate confectionery seems not to have been significantly affected by the economic crisis, the overall consumption of cocoa has been deeply affected. Many chocolate manufacturers reported that they have reduced the cocoa

<sup>9</sup> Using the following conversion factors: cocoa butter 1.33, cocoa paste/liquor 1.25, cocoa powder and cake 1.18, chocolate and chocolate products 0.40 or 0.20

<sup>&</sup>lt;sup>10</sup> CBI market survey: The (organic) coffee, tea and cocoa market in the EU. Pierrot Joost, Centre for the Promotion of Imports from developing countries – CBI, May 2008

content in chocolate products, in order to alleviate the impact of rising raw material costs in their products, and to continue providing chocolate products at affordable prices<sup>11</sup> (Laroche et al).

According to the FAO,<sup>12</sup> the global market for premium chocolate (including aromatic, single origin, organic, Fairtrade and chocolate of high cocoa content) has grown significantly in recent years and will continue even in periods of economic downturn. This is because consumers seek affordable luxuries during hard times. It is expected that the global premium chocolate market will grow from USD 7 billion in 2007 to USD 12.9 billion (USD 3.6 billion only in the USA) in 2011, driven by growing consumer awareness and manufacturer interest in premium quality chocolate (Laroche et al, forthcoming).

The main cocoa bean consumer countries are the United States, Germany, France, Britain, Japan, Italy and Brazil. One of the areas showing a major expansion of the chocolate industry is the Asia – Pacific region, where chocolate consumption is becoming more popular and is growing on average by 4 per cent per year (Laroche, et al, forthcoming).

The processing industry continues to be dependent on the supply from Africa, which in 2007-2008 accounted for 69.3 per cent and now accounts for 70.8 per cent of world production, with Ivory Coast and Ghana as current leading suppliers of bulk cocoa. Any political or social unrest in the region – as recently experienced in Ivory Coast - leaves consumers, industry and other actors of the cocoa chain susceptible to adverse changes in raw material prices. Political uncertainty also slows investment in the cocoa sector in African countries, preventing an expansion in the supply needed to meet growing demand (Laroche, et al, forthcoming).

There is significant uncertainty with regard to cocoa price levels: speculation will continue to determine the trends in the international cocoa market in terms of prices and a high degree of volatility is expected in the short and medium term, given the strong presence of investment funds (Laroche et al, forthcoming).

## 3.2 Cocoa value chains and actors

The major international buyers are located in consumer countries – these are the processors and chocolate manufacturers. A small number of multinationals dominate both the processing and production of cocoa.

The cocoa and chocolate industry, including distribution, is oligopolistic. Two or three companies cover more than 58 per cent of production in these three different areas, including Barry Callebaut, Archer Daniels Midland (ADM) and Cargill (Laroche et al, forthcoming).

Grinders have recently and rapidly become the most powerful actors in cocoa value chains as a result of on-going horizontal and vertical integration (concentration processes in the grinding segment and outsourcing of liquid chocolate) (Tropical Commodity Coalition, 2010). There are three leading companies and two smaller companies in the grinders market. The top five cocoa processors, Cargill (14.5%), ADM (13.9%), Barry Callebaut (12.2%), Petra Foods (7%), and Blommer (5.3%) produce more than 50% of the world's semi-finished cocoa products. Increasingly, the grinders are becoming producers of liquid chocolate and suppliers to chocolate manufacturers (TCC, 2010).

<sup>12</sup> The market for organic and fair-trade cocoa, FAO, Sept 2009.

<sup>&</sup>lt;sup>11</sup> Annual Report 2008 – 2009, ICCO

<sup>&</sup>lt;sup>13</sup> Cocoa industry, chocolate industry and distribution.

<sup>&</sup>lt;sup>14</sup> Cocoa: Trade issues for the ACP. Executive brief: Update. Agritrade, October 2009.

The chocolate sector is also dominated by just a few actors who have grown in size and significance, not least due to the recent acquisition of competitors. Again there are three lead companies and two smaller ones. Following the Kraft takeover of Cadbury almost 50% of the entire confectionary market is controlled by the following five companies: Kraft (14.9%) and Mars (14.5%) are in the lead; Nestle (7.9%); Hershey's (4.6%) and Ferrero (4.5%) (TCC, 2010, page 5). Concentration is expected to continue in this sector and cooperation is also increasing between manufacturers and processors (TCC, 2010, page 5). As the processors have grown they have taken over about 50% of world cocoa bean processing - chocolate manufacturers increasingly contract processors to take over (parts of) the production process for specific products' (TCC, ibid, p5). For example, Barry Callebaut is aiming to reach industrial chocolate production capacity of 1,350,000 tons in 2010 (TCC, ibid, p5).

This concentration of power in the hands of a few multi-nationals has implications for Fairtrade, which seeks to change the terms of trading to make them fairer. The lack of competition downstream and the dominant market power of Government through COCOBOD as the industry regulator is evident in **Error! Reference source not found.** below. No LBC has direct export rrangements with a buyer downstream except through COCOBOD and this regime is strictly enforced. These characteristics of the global cocoa industry and of the Ghanaian national cocoa sector have an important bearing on the ability of Fairtrade to have an impact.

There are approximately 3000 locations in Ghana where cocoa is purchased - where purchasing clerks (PCs) are located working as the agents of the LBCs (Anthonio and Aikins, 2009). The PCs purchase cocoa at the primary society level at acceptable quality and the quantity purchased is transported to depots at the district level where district managers (DMs) undertake further inspection for quality before bagging the cocoa. The cocoa is then further transported in large quantities by articulated trucks to take-over points in Tema and Takoradi ports and an inland port in Kumasi. The truck loads of cocoa yet again undergo quality and weight tests by the quality control division (QCD) and the cocoa marketing company (CMC) of COCOBOD. Error! Reference source not ound. depicts the basic supply chain of a typical LBC.

LBC \*channels

Figure 7: LBCs Supply Chain in Ghana

Many suppliers

Cocoa
Farmers

Licensed
Buying
Companies
(LBCs)

COCOBOD,
Government
of Ghana

eam

Source: Adapted from Anthonio and Aikins, 2008

Only one buyer

# 3.3 Cocoa production

Cocoa was probably first brought to Ghana from Fernando Po (now Bioko in Equatorial Guinea) in 1879. Currently, it is the most important agricultural export crop accounting for 25-30% of total export earnings and 10% of Gross Domestic Product. The industry employs over a million people in the cocoa growing areas of the country and the livelihoods of some six million people also depend on the crop. Cocoa is therefore the backbone of the economy (Anthonio and Aikins, 2009)<sup>15</sup>. Cocoa is an important part of rural livelihoods in Ghana, of the national economy and part of farmer identity. However, there are significant challenges as yields are declining and youth aspirations are not focused on cocoa based livelihoods (Barrientos and K. Asenso-Okyere undated <sup>16</sup>).

Ghana is the second largest world supplier of cocoa after Cote d'Ivoire. The volume of cocoa production has grown at an unprecedented yearly average of 11% between 1994 and 1999 and 16% from 2000-2003 (ODI, 2007). Currently, annual production averages 500,000 tonnes. Production takes place in Ashanti, Western, Brong-Ahafo, Central, Eastern and Volta regions of southern Ghana. Government policy aims to increase the volume of production to 1,000,000 tons per annum by the year 2010/2011 (Minister of Finance and Economic Planning in the 2008 Budget statement). Ashanti, Western and Brong-Ahafo are the most prominent cocoa producing areas and home to most of the estimated one million cocoa farmers in the country.

There are two cocoa seasons each year: the main season which starts from November to February; and the light crop season spanning between May and October. Trends in national cocoa production from 2001/2002 to 2008/2009 seasons are shown in Table 6 below.

Table 6. Cocoa Production in Ghana from 2001/2002-2008/2009 Seasons

Cocoa Season	Cocoa Output in tons
2001/2002	315,000
2002/2003	500,000
2003/2004	720,000
2004/2005	600,000
2005/2006	730,000
2006/2007	500,000
2007/2008	680,000
2008/2009	610,000

Source: Adapted from Anthonio and Aikins, 2009

Ashanti region produces the most quality cocoa. Western region has larger farms, but production per acre is less. Ashanti has continuous production, fertile land and farmers know how to maintain their farms. Insecticides and fertilisers used to be a problem, but now they are applied well (key informant interview).

# 3.4 Challenges in the Ghanaian cocoa sector

There are no large cocoa plantations in Ghana. All the 65,000 farmers producing cocoa are individual small holders - some holding as low ashalf an acre, with a very few having larger holdings (e.g. up to

<sup>15</sup> The significance of cocoa to the Ghanaian economy is underscored by the fact that Ghana cocoa Board (COCOBOD) has been put under the Ministry of Finance and Economic Planning (MFEP) and not the Ministry of Food and Agriculture.

<sup>&</sup>lt;sup>16</sup> Report to Cadburys, Institute of Development Studies, Mapping Sustainable Cocoa Production in Ghana, S. W. Barrientos and K. Asenso-Okyere

100 acres). Ashanti region produces the most quality cocoa. Western region has large farms but produces less per acre generally speaking. Ashanti region has more continuous production, fertile land and farmers have more knowledge of how to <u>maintain</u> their farms and apply agrochemicals more effectively (key informant interview).

The producer price of cocoa has increased over the years, but these increases have lagged behind that of Cote d'Ivoire providing an incentive for smuggling of cocoa from Ghana to Cote d'Ivoire. Intensified border patrols and checks and investigative journalism have recently been employed by the government to arrest the problem of cocoa smuggling which is affecting Ghanaian revenue generation efforts. Bonuses are paid by COCOBOD to farmers and a scholarship scheme is in place for the education of children of cocoa farmers in the country.

Disease and pest control is an important problem faced by most smallholder cocoa farmers in Ghana. Ghanaian cocoa yield losses due to disease stand at between 30-50% and cocoa black pod disease is mainly responsible for the loss. Similarly, several insects are reported to attack different parts of the plant at different stages of development. The most important and widely represented pest of cocoa is in the whole of West Africa are capsids. To address the problem of disease and pest control in Ghana, a mass spraying exercise was started by Government, but given the scale of cocoa production the impact of the mass spraying of cocoa farms policy has been limited particularly for poorer farmers.

Improved agronomic practices include increasing air circulation by regular weeding and pruning, ensuring adequate draining, removing poor husks after harvest and extracting beans, and shade control. However, high labour costs and a dwindling supply of family labour have the combined effect of producing ineffective and unsustainable agronomic practices.

The bulk of Ghanaian cocoa is still exported as cocoa beans (fermented and dried). Recently, there have been attempts to inject some value addition to cocoa, resulting in increased private participation in cocoa processing in the country e.g. Archer Daniels Midland (ADM) has established a plant in Kumasi early this year, however, the costs of processing and transporting chilled chocolate are high for tropical countries (Ryan, 2011).

Decline in yields linked to dwindling soil fertility has made most cocoa farmers resort to the application of chemical fertilizers in attempts to increase production, with environmental consequences. Most of these inputs are advertised in the media and on billboards all over the country, but the high cost and unavailability on the market at times of farmers need still hamper production efforts.

The quality of cocoa beans from Ghana is still ranked as number one in the world. The Quality Control Department (QCD) of COCOBOD has a multiple grading system and this attracts a market premium for Ghanaian cocoa. This provides Ghana with the advantage of forward sale of cocoa in the international market offering export stability. The concept of traceability has been applied in the case of some LBCs cocoa, including that of Kuapa Kokoo.

Warehouse facilities at the ports are somewhat inadequate for efficient handling of cocoa and plans to increase warehouse space at the Takoradi port are yet to materialize. To address this shortage, LBCs often use vehicles loaded with cocoa as mobile warehouses and loads often remain on the vehicle for more than a month before being offloaded. Feeder roads in the cocoa producing areas

are not passable all year round, sometimes preventing transportation of truckloads of cocoa and leading to post harvest losses<sup>17</sup>.

The focus on sustainability issues and challenges in the global cocoa sector has increased significantly over recent years, triggered by exposés regarding the use of child labour in cocoa growing regions, recognition of threats to the security of cocoa supply due to falling yields and political instability. At the same time there has been an increase in awareness of a wider range of social, economic and environmental issues facing cocoa smallholders and value chain actors, including climate change, deforestation, low productivity<sup>18</sup> and declining farmers' incomes. There are clear social imperatives to support the livelihoods of smallholders, many of whom are highly vulnerable to poverty.

Production, social and reputational challenges face the cocoa industry in Ghana (Report to Cadburys from IDS and University of Ghana, undated<sup>19</sup>). Production challenges include how to expand production and productivity to sustain farmer incomes and export growth while maintaining quality. Among the social challenges are the unattractiveness of cocoa farming to many cocoa farmers and their children, and rising rural-urban migration. Maintaining the reputation of the cocoa industry is also critical under increasing competitive and social challenges.

## 3.4 Cocoa governance in Ghana

The Ghana Cocoa Board (COCOBOD) plays a key role in regulating cocoa in Ghana. Its mission is to encourage and facilitate the production, processing and marketing of good quality cocoa, coffee and shea nut in all forms in the most efficient and cost effective manner. It also aims to maintain good industrial relations (see <a href="http://www.cocobod.gh">http://www.cocobod.gh</a>). COCOBOD sets the cocoa prices for Ghana and currently the Fairtrade Minimum Price (FTMP) is below this price, which means that Fairtrade farmers are currently not receiving a price premium through this mechanism.

The Ghanaian cocoa sector has been described as being a joint governance system, with the state having an active role and global buyers being fairly passive (Ton et al, 2008). The government has a significant influence over cocoa transactions and chain integration is growing within the transnational cocoa processing industries and various certification schemes. The international buyers and the government are in alliance, with shared interest in maintaining the current system, which guarantees a consistent supply of premium quality beans (Fold, 2001 cited by Ton et al, 2008).

In colonial times there was a corporate governance system, and a state controlled economy after independence in the 1950s. Between 1980 and 2000 there has been a gradual reform process, including liberalization of internal marketing, privatization of input distribution, reform of extension services, reorganisation of processing activities and a drastic reduction in COCOBOD staffing. COCOBOD continued to control external marketing, quality control and organised pre-financing through a system of forward sales, while price stabilization continued.

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<sup>&</sup>lt;sup>17</sup> Realizing the infrastructural problems in cocoa growing areas, Cadbury has recently, as part of its Corporate Social Responsibility (CSR) and to secure supply, extended assistance in the form of provision of wells for potable water in these communities and more is expected by cocoa farmers.

<sup>&</sup>lt;sup>18</sup> Capelle, J (2009) in an Oxfam study reports that Ghanaian and Cote D'Ivoire farmers harvest on average 300 to 400 kilograms of cocoa beans/ha/p.a.: 30 to 50 % lower than the potential productivity/ha. The cocoa trees there are, on average, old and the farmers often do not possess the technical and financial capability to raise productivity per hectare and the quality of the beans.

<sup>&</sup>lt;sup>19</sup> Report to Cadburys, Institute of Development Studies, Mapping Sustainable Cocoa Production in Ghana, S. W. Barrientos and K. Asenso-Okyere

Since 1992, Ghana has operated a partially liberalized regime of marketing cocoa with private participation in the form of Licensed Buying Companies (LBCs), which are actively involved in the purchase of cocoa, but COCOBOD still sets cocoa floor prices. The LBCs, including Kuapa Kokoo, have replaced the state-owned buying monopoly (the Produce Buying Company or PBC), which continues as well<sup>20</sup>. Some of the LBCs are foreign owned (Olam and Armajaro), but the rest are Ghanaian. Despite the introduction of competition into marketing in Ghana, price differentiation has not occurred so the LBCs find other ways to persuade farmers to sell to them, 'investing in building trust as well as in building social capital' (Ton et al, 2008, p10). A 'buyers-margin' is set by government for the LBCs and in 2002-3 this was 9% of FoB price, but in 2004-5 was reduced. This margin is used by the LBCs to pay the Purchasing Clerks (PCs) on a commission basis, providing an incentive for them to maximise purchases from farmers in their communities.

COCOBOD's ability to sell cocoa on the forward market means that it is able to project the annual freight on board through an established Producer Price review committee (PPRC), which has representation from COCOBOD, Ministry of Finance and Economic Planning (MFEP), Institute of Statistical, Social and Economic Research (ISSER), LBCs, cocoa transporters and the Quality Control Division of COCOBOD, but not cocoa farmers (Barrientos et al., 2007). Unfortunately, LBCs are locked into a system with few incentives for high performance and little financial scope for establishing strong relations with farmers (Ton et al, 2008, p10-11)<sup>21</sup>. Criticism of COCOBOD is not openly expressed by LBCs because the relationship is hierarchical and their licence to operate is granted by COCOBOD (Ton et al, 2008). This is relevant to this study when considering how far Fairtrade might be able to support producer organisations to have greater advocacy capacity.

Global buyers benefit because the marketing system is relatively reliable, with Ghana having a good reputation in terms of delivery on contracts and quality requirements. More direct contract relations have not emerged, with international buyers limiting their engagement to small-scale programmes focused on tackling child labour, community development and environmentally friendly production, either individually or via public-private-civil partnership such as the Sustainable Tree Crop Program (Ton et al, 2008).

COCOBOD and the government prefer this partially liberalized system, because of the jobs generated in COCOBOD, and because of the income and foreign exchange earnings: 'significant margin between the FOB price and the CIF price of exported cocoa (placed in Europe harbour, incorporating the 'costs, insurance and freight' from West-Africa) equalling around 35% in 2002-3. As export is organized by COCOBOD, there may be a significant additional flow of resources generated by their state-led export transactions'. Cocoa exports are taxed at a rate set annually by the government (for 2007-8 it was 11.1 % of FOB price), but the rate has varied strongly between years (IMF, 2007 cited by Ton et al, 2008).

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<sup>&</sup>lt;sup>20</sup> 16 LBCs were licensed in 1996-7, but some 26 LBCs operate in the country alongside PBC, which still remains the largest buyer (Ton et al, 2008),

<sup>&</sup>lt;sup>21</sup> For a few years LBCs were allowed to export 30% of their domestic purchases, as long as they met the conditions of the Finance Ministry, with the idea that they would build up skills for effective external marketing, but this position was revoked in 2007. There is continuing disagreement between government and some of the larger LBCs – with the latter suggesting that COCOBOD obstructs their involvement in external marketing, whereas the government argues that LBCs are not yet ready or are unwilling to export directly (Ton et al, 2008). Moreover, smaller LBCs benefit from the current system, because they can use the marketing expertise and ability to borrow offshore when financing local purchases of the Cocoa Marketing Company (CMC).

Table 7 The composition of the Net FoB price in 2002-3

Component	Mainstream Cocoa USD/Tonne 1 = 8700 GhC	Distribution in % Net FOB
Producer price	976	68.11
Buyers' Margin	128	8.93
Domestic transport costs	32.2	2.26
Storage and shipping	18.4	1.27
Disinfectation costs	9.66	0.67
Crop finance costs	33.3	2.3
Government taxes and levies	236	16.44
FOB price	1233.56	99.98%
CIF price (to Europe)	±2200	

Source: COCOBOD, 2003 (white cells) and personal communication industry (dark cell), 2003 cited in Ton et al, 2008.

The producer price is adjusted to the real price on the market through a yearly review of prices and margins. A producer bonus is paid for cocoa supplied by farmers through the LBCs, calculated by using the policy defined percentage of the FOB price: 70% in 2007. The calculation of the bonus and the distribution of the bonus to the cocoa farmers is perhaps the most innovative institutional arrangement to influence price stability and fairness within the cocoa chain. The Ministry of Finance states that farmers are protected from price falls, and **only positive adjustments** in the producer price are possible.

### 3.5 Sustainability standards and responsible business initiatives

The most important sustainability standards in cocoa globally are Fairtrade, Rainforest Alliance, Utz Certified and Organic. They often have different primary objectives, but there are also areas of overlap and there has been increasing convergence in recent years, with environmentally oriented standards taking on more social criteria and *vice versa*. Most of the standards focus on the conditions of production. Fairtrade, a label of social justice origins, is different from the others because it sets standards for traders. The number of cocoa farms and farmers certified against these standards has increased significantly in the past decade as more large-scale cocoa processing, chocolate manufacturing, and chocolate retailing companies have partnered with one or more of these certification bodies<sup>22</sup>. Fairtrade has certified cocoa for some time, but Rainforest Alliance and Utz Certified have expanded into cocoa relatively recently in Africa.

The Rainforest Alliance, which has emerged in the Americas, is now rapidly expanding to cover firstly estates and workers through labour standards (e.g. in tea and coffee), but also smallholders in cocoa, through sustainable agriculture standards and farm audits. Utz Certified are also moving into Ghanaian cocoa in the near future. In fact one farmer organisation in Ghana at the beginning of this study already had organic certification, but was working with both Rainforest Alliance and Utz Certified in order to expand its market access. In 2009, the previous season large amounts of Ghanaian organic certified cocoa did not find a buyer, because it was seen to be too expensive (requiring the organic premium on top of the quality premium that Ghanaian cocoa fetches) and coincided with the financial crisis and downturn. Rainforest Alliance was also supporting several hundred loosely organized farmers in Ashanti District to achieve RA certification. Although, the team were keen to include these farmers in the study, the resources were not available to do this.

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<sup>&</sup>lt;sup>22</sup> Several large chocolate companies have also launched multi-stakeholder cocoa sustainability programmes to secure their supply and this involves investment in smallholder livelihoods and skills.

Since the start of this decade, child labour in cocoa production, which deprives children of access to education, and can be extremely hazardous, has been the subject of campaigns by pressure groups leading to the formation of various international and national multi-stakeholder sustainability initiatives. These are being implemented in parallel with broader action to improve social and economic development, including programmes funded by industry to secure a sustainable supply of cocoa and the expansion of social justice and environmentally oriented certification and labelling schemes (e.g. organic, Fairtrade, and lately Rainforest Alliance, Utz Certified). Most of these labelling schemes do not focus on child labour as a high priority issue, except Fairtrade which does include specific provisions on child labour. The industry-funded investment programmes focus on community-led action planning, but include collaborations with the International Cocoa Initiative (ICI) to tackle the worst forms of child and forced labour.

Fairtrade has been present in Ghana for many years, because of the early support provided by international agencies and NGOs to the newly formed Kuapa Kokoo farmers union. The Ghanaian farmers' cocoa co-operative, Kuapa Kokoo Farmers Union, was established in 1994 and has been FLO certified since the late 1990s, becoming well known because of its co-ownership of the Day chocolate company in a 'Fairtrade Plus' model which involves farmer ownership/upgrading along the value chain. As cocoa in Ghana was liberalised, Kuapa was the only farmer organisation that was given a licence to buy cocoa, alongside various private buyers. With support from international donors and NGOs, Kuapa Kokoo has expanded and now counts approximately 60,000 farmers as members, covering five regions. Kuapa Kokoo has sold between 4 and 5% of their cocoa on Fairtrade terms, but of late Cadbury has increased it sourcing from Kuapa Kokoo.

It is clear that there is a great deal of activity and investment by a range of actors in Ghana in relation to action on cocoa labour practices, socio-economic development and sustainable production. It is not clear how effective the different initiatives (public-private partnerships, MSSIs and private standard systems) are in achieving their goals, some of which are narrow (e.g. eliminating the worst forms of child labour) and some of which are broader (e.g. achieving sustainability in production and trade of cocoa, empowering farmers and transforming the rural cocoa growing areas of Ghana) in the eyes of different stakeholders and in terms of empirical evidence. Examples include the International Cocoa Initiative (ICI), the Cadbury Cocoa Partnership, the Mars iMPACT partnership and the International Cocoa Verification Board (see appendix xx for more details).

The Abidjan Cocoa Declaration was signed by representatives of 29 organisations and countries at the World Cocoa Conference in November 2012, from the cocoa sector including governments, producers, processors, exporters, traders, chocolate manufacturers and civil society. The aim is to create 'a sustainable future for the cocoa sector and helping to ensure that its benefits are shared along the entire chain, starting with the growers' with a follow-on conference planned for 2014 to 'monitor and review progress made' (<a href="http://www.icco.org/home/latest-news.html">http://www.icco.org/home/latest-news.html</a>). The declaration includes 'specific and measurable actions to achieve a sustainable cocoa economy' and this reflects the 'more detailed proposals of the Global Cocoa Agenda' (ICCO, ibid)<sup>23</sup>. This is a significant move aimed at shifting an entire sector onto a path of sustainable development that will benefit all along the chain – the question of whether it can achieve this is of course not yet clear. The Abidjan Cocoa

<sup>&</sup>lt;sup>23</sup> The signatories include: Cote d'Ivoire, Ghana, Cameroon, Ecuador, Democratic Republic of Congo, Togo, Papua New Guinea, ACP Group of States, IDH, CAOBISCO, ECA, WCF, ICI; FCC, HCCO, Talants, Mars, Mondelez International, Nestle, Ferrero Trading, CEMOI, Petra Foods, Barry Callebaut, Cargill, ADM, Armajaro Trading, Touton, Olam International/Outspan Ivoire, Amtrada/Continaf.

Declaration covers Strategic Management of the Sector, Sustainability of Production; Sustainability of the Industry Chain; Sustainability of Consumption.

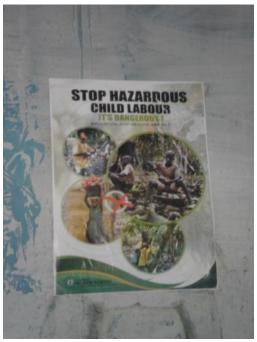


Photo: Signage at KK district office on child labour

# 4. Overview of the study organisation

## 4.1 Organisational history

Kuapa Kokoo is a cocoa farmers' cooperative organization that came into being following the partial liberalization of the internal marketing of cocoa in 1992. A traditional ruler by the name of Nana Frimpong Abebrese, then a representative on the Executive Board of Directors of Cocoa Marketing Board, mooted the idea of the formation of solely farmer-owned organization to participate in the internal marketing of cocoa. Assistance came from the NGOs SNV and TWIN which resulted in the birth of Kuapa Kokoo in 1993 (Ronchi, 2002). The organization has grown over the years to have a current farmer population of over 60,000 (management interview, 2010) in five of the six cocoa growing regions of the country spread across 5760 cocoa districts that comprise several primary societies.

Kuapa Kokoo is extremely well-known in the Fairtrade world and has been well studied before by external researchers, (Ronchi<sup>24</sup>; OPM/IIED<sup>25</sup>), although no impact assessment has been conducted over a period of time with this organisation. In this project the 'longitudinal' aspect is still limited at only two years between baseline and final survey, but the scale of the study is different. As cocoa was liberalised in Ghana the newly established Kuapa was chosen alongside other private buying companies to be licensed to buy cocoa from farmers.

Because early Fairtrade premiums helped to establish KKU, which owns the trading company KKL, to some extent all of the impacts of KKU can be considered partly due to Fairtrade support. In an early study Ronchi (2002) argues that both direct and indirect Fairtrade impacts can therefore be identified – i.e. direct impacts are those resulting from inputs such as the Fairtrade Premium, whereas indirect impacts result from the continued existence of the farmer organisation and its improved organisational development. We have focused on the impact pathways identified in the Fairtrade smallholder theory of change which we developed, to trace the inputs, outputs, outcomes and impacts. However, it is valid to argue that all of Kuapa's activities are in part the result of support from Fairtrade.

The KKFU has been FLO-Fairtrade certified since the late 1990s, becoming well known because of its co-ownership of the Day Chocolate company in the UK which makes Divine and Dubble chocolate. Some commentators call this kind of Fairtrade – 'Fairtrade Plus', because it involves support from an alternative trade organisation in a long-term buying relationship and farmer ownership/upgrading along the value chain. According to the Kuapa Kokoo website, the cooperative 'works at improving the social, economic and political wellbeing of its members. Kuapa Kokoo simply means Good Cocoa Farming'. The Kuapa vision is to 'become a leading, caring and efficient and the most globally recognized cooperative in cocoa production and marketing in Ghana'. 26

# 4.2 Kuapa Kokoo structure and organisation

The whole of KKFU is certified Fairtrade, and individual societies (numbering 52 in 2010) join once they meet all the Fairtrade criteria (then they are called 'newly approved' until they have been formally accepted by the AGM). Some societies are 'on probation' because they are not producing enough cocoa, or because they are not meeting FLO criteria. There are also many well established

<sup>&</sup>lt;sup>24</sup> L. Ronchi and Twin (2002) "Monitoring impact of Fairtrade initiatives: A case study of Kuapa Kokoo and the Day Chocolate Company".

<sup>&</sup>lt;sup>25</sup> OPM and IIED (2000). Overview, Impact, Challenges, Fairtrade: Study to Inform DFID's Support to Fairtrade

<sup>&</sup>lt;sup>26</sup> http://www.kuapakokoo.com/index.php?option=com\_content&view=article&id=48&Itemid=56

primary societies. Despite its size, KKFU the organisation has many data gaps. At the time of the study KKL were just establishing a computerized monitoring system. Overall numbers of farmers may fluctuate with each season, depending upon whether farmers decide to continue to sell to KKL or to other LBCs. It does appear to be increasing. Earlier studies indicate a total of 45,000 farmers (e.g. Ryan, 2011), but a recent news item on the Kuapa Kokoo website actually mentions 65,000 farmers as the number of members<sup>27</sup>).

Before becoming a member of Kuapa Kokoo, a farmer applies to an existing society, goes through a training programme and pays membership dues of GH¢2.00. Members are then part of a democratic organization in which they elect and can stand for positions at village, district, and national level. As well as meetings and communications at all levels throughout the year, there are annual general meetings at district and national level at which issues are debated and voted on.

According to the Divine Chocolate Company website (a company 45% of which is owned by Kuapa Kokoo) the benefits of joining Kuapa Kokoo relate to i) greater transparency and democracy in the organisation (e.g. farmers are not cheated, use of more accurate scales with random checks, farmers involves in decision-making); ii) more efficient operating practices (e.g. training of farmers to weigh and bag their own cocoa, payment of a cash bonus as a result of efficient practices and because profits are returned to farmers; agreements on deferred payment to reduce interest rates on loans; bulk buying of agricultural tools to make savings; rewards for well operating societies; iii) gender relations (e.g. supporting women's representation in official positions, seminars and workshops organized for women, support for income generating activities by women); iv) Day Chocolate Company (e.g. part ownership of the chocolate company - now renamed Divine -, farmers benefit from the profits and learn about cocoa value chains); v) the credit union (e.g. access to credit at competitive rates). See appendix 2 for more details.

The benefits of the Fairtrade premium are also outlined on the website<sup>28</sup>, including social projects (e.g. boreholes, schools, sanitary facilities, corn mills, and nut crackers), income generating activities, periodic training and education tailored to farmers' needs and annual general meetings). Kuapa also commits to: i) producing good quality beans; ii) environmentally safe practices; iii) good record keeping; iv) democracy, transparency and accountability. Specific environmental activities are detailed as well, covering: i) working with some local NGOs to find ways to adapt to and mitigate the impact of climate change. The cooperative has identified new and old production practices that can help members adapt to climatic change; ii) Members have planned more shade tree planting on farms to improve moisture conservation and to increase biodiversity, as a 'carbon sink' which may in the future attract payments from offsetting schemes and which can help fund adaptation initiatives and generate incomes; iii) Members have been advised not to burn bushes after clearing and to plant trees along the banks of streams – to provide shade and prevent the streams from drying up.<sup>29</sup>

Kuapa Kokoo instituted a significant Child Labour Awareness Programme to tackle the worst forms of child labour in 2009. In late 2009 a BBC report found child labour in Kuapa Kokoo farms and this led to its temporary suspension.

8/01/2013).

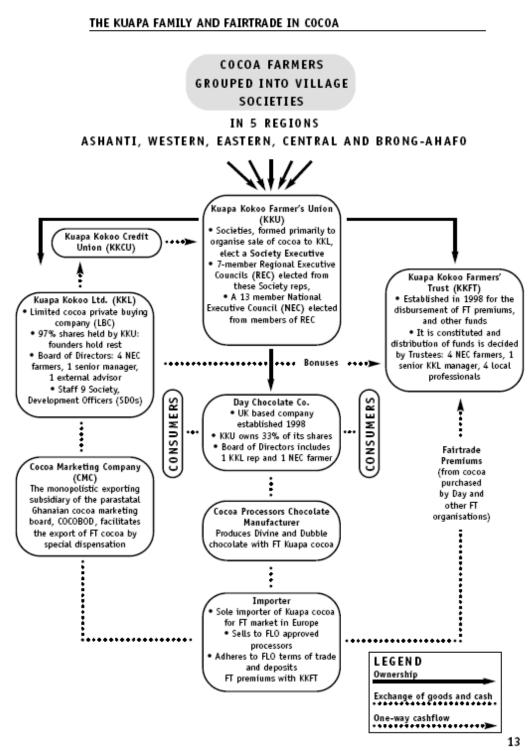
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Kokoo website, accessed 11.02.2013 http://www.kuapakokoogh.com/index.php?option=com\_content&view=article&id=134:why-should-cocoafarmers-keep-on-growing-cocoa&catid=1:latest-news&Itemid=50,

<sup>&</sup>lt;sup>28</sup> http://www.kuapakokoo.com/index.php?option=com\_content&view=article&id=65&Itemid=72 <sup>29</sup>(http://www.kuapakokoo.com/index.php?option=com\_content&view=article&id=66&Itemid=74;

The organizational structure of Kuapa Kokoo (see Figure 7 is a composite of the following five (5) main bodies acting in concert to implement the above principles and core values along Fairtrade practices: i) Kuapa Kokoo Company Ltd. (KKL); ii) Kuapa Kokoo Credit Union (KKCU); iii) Kuapa Kokoo Farmers Union (KKFU); iv) Kuapa Kokoo Farmer Trust (KKFT); v) Divine Chocolate Limited (DCL).

Figure 8: Kuapa Kokoo



Source: Mayoux or Ronchi, L. 2002.

The diagram above sets out the structure of Kuapa Kokoo in 2002. The structure has not radically changed since this analysis, although there has been some decentralisation to district level (57 cocoa districts). The Kuapa Kokoo Limited (KKL) is the marketing wing of the Kuapa Kokoo group, and is a licensed buying company. The Kuapa Kokoo Farmers' Union is largely made up of small-scale cocoa farmers. The Kuapa Kokoo Farmers Trust is the recipient of the Fairtrade premiums, and was set up in 1998, with a board comprising farmers, a senior KKL manager and local professionals. Projects are selected based on identified community needs and final approval is given at the AGM according to the website and management interviews. The Kuapa Kokoo Credit Union (KKCU) was set up in 2000 to support farmers overcome their financial difficulties, and initially was providing large numbers of loans, (more than 8000 farmers in year according to Mayoux, <sup>30</sup>2004). However, due to problems with loan repayments the credit union was suspended, and was being re-established during the period of the study (see appendix 3 for further details).

### 4.3 Resource flows

In order to unpack Fairtrade impact in the context of Kuapa Kokoo it is important to understand the different types of payments paid to farmers.

- The Fairtrade Minimum Price (FTMP) provides a guarantee when world market prices and therefore COCOBOD prices are lower, but this was not the case during the study. The FTMP continues to provide a safety net, although it is not expected that cocoa prices will fall soon and the government has reportedly established a Stabilisation Fund, which will ensure prices are sustained for three years).
- The Fairtrade Premium which all traders must pay on all Fairtrade sales. Communities decide on its use, but in 2011 there were changes to the standard requiring that producer organisations discuss with members the use of the premium for measures to raise agricultural quality and productivity and suggests that 25% of the premium is spent on this. Kuapa Kokoo currently provides farmers with a cash bonus on top of the government premium.
- Part-ownership of Divine Chocolate Ltd by Kuapa Kokoo allows for dividend payments when
  profits are made and a producer support levy is paid by Divine to the Farmers Trust.
- The **government** pays a bonus amount to cocoa producers and also provides scholarships for the children of cocoa producers. The farmer submits his/her card which records the sale of cocoa for a period of years (at least 3 years), and then by the criteria set by the scholarship committee, some farmers are given a scholarship for their children. The distribution of the scholarship is reported to lack transparency.

### 4.4 Sales

In recent years KKFU have, according to management in 2010, sold approximately 4 to 5% of their cocoa on Fairtrade terms, but in 2010 they reached 7% mainly due to the Cadbury decision to source all Ghanaian cocoa from Fairtrade sources and they are now buying from KKL. Cadburys commissioned a study on sustainable cocoa (Barrientos et al, 2008)<sup>31</sup> and have an 'impact

<sup>&</sup>lt;sup>30</sup> Mayoux L (2004). Impact Assessment Of Fairtrade And Ethical Enterprise Development. Enterprise Development Impact Assessment Information Service, Manchester.

<sup>&</sup>lt;sup>31</sup> S. Barrientos, K. Asenso-Okyere, S. Asuming-Brempong, D. Sarpong, N. Akua Anyidoho, R. Kaplinsky and J. Leavy. 2008. *Mapping Sustainable Production in Ghanaian Cocoa*. London: http://collaboration.cadbury.com/ourresponsibilities/cadburycocoapartnership/Pages/mappingsustableproduction.aspx. eScholarID:110456

programme' currently underway. Cadburys hopes to source from farmers beyond Kuapa Kokoo, but these farmers in the 'impact programme' were not yet organised into farmer organisations at the start of this study, but are becoming established and will seek certification. KKFU managers said they would support this process, but the issue for them is the competition that will result between Cadburys' Fairtrade certified and their Fairtrade certified chocolate brands. According to a representative from Agroeco, KKFU have asked for part of Cadburys shelf space in return for assistance, but this needs confirmation and it is not clear if that could or will happen.

A hostile takeover bid led to Kraft taking over Cadburys, but the association with Fairtrade has continued. Kraft, the parent company, has meanwhile said they will source from Rainforest Alliance certified producers.

## 4.5 Partners and inter-dependencies

Various partners are listed on the Kuapa Kokoo website including Twin Limited; Comic Relief; Trading Visions; the Body Shop and Fairtrade. In terms of attributing impact it is important to explore the inputs provided by other partners given that these inter-dependencies shape the certified organisation and its ability to deliver services – hence shaping the ultimate impacts on producers.

- Twin Trading is an alternative trading organisation which has provided longstanding support
  to Kuapa Kokoo since its formation. Twin establishes Fairtrade brands, imports products
  from small producer organisations, facilitates market access etc.;
- Comic Relief is a charity based in the UK that supports smallholder producers, amongst other things;
- Trading Visions is also a UK based charity working to educate the UK public about the
  injustices faced by small producers, with a focus on Fairtrade and cocoa farmers. Trading
  Visions is working with Kuapa Kokoo to use innovative new media and bring producers and
  consumers face to face in fun and accessible educational experiences and funds an
  information management officer in Kuapa to facilitate this project;
- Body Shop sources all its cocoa for cosmetics from Kuapa Kokoo under the Community Trade initiative and donated its shares in Divine Chocolate to KK.

Kuapa Kokoo has also collaborated in the past (2002-2003) with Conservation International, a US based NGO, on a cocoa conservation project to rehabilitate cocoa farms and to introduce new techniques (and the Sustainable Tree Crops Programme,) KK is currently collaborating on an afforestation project with Chocolate Halba and Project Pur and with an American NGO (CNFA) on business services, training and inputs on credit etc.



Photo: Cooperative Union head office

Twin has been working in collaboration with Kuapa Kokoo since 1993. See box 1 below.

### Box 1: Twin collaboration with Kuapa Kokoo

In 1993, Twin assisted a group of farmers led by Nana Frimpong Abrebrese to establish Kuapa Kokoo as a farmer's cooperative, following partial liberalisation of the Ghanaian cocoa sector. Two years later, the union received its first Fairtrade certification, also with assistance from Twin. In 1997, to enhance the value returned to farmers for their cocoa and to give farmers an unprecedented stake and direct role in an international chocolate branding and marketing company, Twin and Kuapa Kokoo together established Divine Chocolate with additional financial and technical support from the Body Shop, Comic Relief and Christian Aid. Kuapa Kokoo initially held a 33% stake in Divine, subsequently increased to 45% after the Body Shop gifted its 14% stake to Kuapa when it was bought by L'Oreal.

Since Divine Chocolate started to turn a profit it has dedicated a percentage (currently 2%) of its annual turnover to a Producer Support and Development (PS&D) programme, implemented by Twin with Kuapa Kokoo. Over the years this programme has focussed on the following areas:

- Supporting education and information campaigns with members on cooperative values, democratic principles and Fairtrade standards
- Training for newly elected representatives of the national, district and society executive councils to understand their roles and responsibilities as leaders
- Assisting with recruitment and mentoring of senior managers
- Reviews of organisational governance and structure and exposure to good practice in other cooperatives through exchange visits with Twin producer partners
- Design and implementation of a bespoke database to maintain information about Kuapa's membership and the movement of cocoa from societies to district depots
- Development of an innovative child labour prevention programme pilot, creating community level committees to raise awareness and ensure children attend school
- Facilitating Kuapa's (and other producers') involvement in Fairtrade consultation processes, e.g. FT Minimum Price review
- Negotiating access to trade finance from ethical lenders
- Working together on a radio programme pilot to improve communication with members in remote areas
- Supporting women's empowerment initiatives and more recently undertaking an impact study of Kuapa's longstanding gender programme
- Twin also has an informal, ex-oficio role on Kuapa's governing Boards and National Executive Council to represent foreign partners and support good governance, effective decisionmaking and coordination across the group

Source: H. Davis, Twin, (pers.comm, 2013).

# **Section 2: The Findings**

## 5.0 Findings on poverty impact at individual producer level

### 5.1 Household characteristics

## 5.1.1 Sample size and characteristics

The baseline study of smallholder cocoa famers in the two study regions covered a **sample size** of 743 respondents; 394 (53%) respondents were Kuapa Kokoo certified primary society members and 349 (47%) were non certified. 76% of the respondents in the baseline survey were male, with similar proportions in the Fairtrade certified and the non-certified samples. The final survey covered a total sample size of 697 of whom 352 were Fairtrade certified respondents (51%) and 345 (49%) non-certified respondents. 70% of the respondents in the final survey were male, again with similar proportions in each group.

In the baseline survey, 87% of the **household heads** were male. In the final survey, 84% of the household heads were male. In both surveys there were no significant differences between the certified and non-certified sample. There was no significant difference between the two surveys either. This indicates a predominance of male headed households in the study areas even under the matrilineal system of property inheritance.

The baseline survey results on **household heads literacy status** revealed that most famers (65%) were illiterate. There was no significant difference in literacy between the certified and non-certified farmers in either the baseline or final survey. In total, 43% farmers in the final survey were illiterate; 19% reported that they could read but not write, whereas only 38% could read and write.

In the baseline survey 27% of all famers had received no **education** at all, whereas 24% had received some primary education and 35% had completed primary education. The rest had received additional education. A significantly larger proportion of the non-certified farmers (12%) had completed secondary education than certified farmers (7%). In the final survey 28% of all famers had received no education at all, whereas 17% had received some primary education and 46% had completed primary education. The rest had received additional education. There were no significant differences in education levels between certified and non-certified farmers in the final survey. There were no significant differences in education levels between the respondents in the two surveys either.

The data from the baseline survey and from the final survey show that the **average household size** was five persons across certified and non-certified groups investigated.

In the final survey there are no significant differences in the **household attributes or characteristics of the heads of household** between non-certified and certified farmers (e.g. in terms of ethnicity, age, education levels, literacy, size of household, number of adults less than 17 years old, numbers of non-residents). The same holds for the baseline survey except the difference in education levels of the household heads between certified and non-certified farmers.

### 5.1.2 *Membership of producer groups*

There are no entry requirements to Kuapa Kokoo other than payment of dues, and being able to deliver 1 bag of cocoa (of sufficient quality). The manager gave a training session with representatives of 22 primary societies from across the district on election processes for primary society leadership, including issues of the committee constitution, gender representation, principles and values, removal from office, rights and duties of members etc.

"Before becoming a member of Fairtrade you must comply with the principles. If you don't comply you forfeit the certificate. Kuapa has instituted a control system. That is the reason the KKL manager came yesterday to educate the farmers about the democratic aspects of primary society management. Everyone has a say." (Ashanti Region District Manager)

In the focus group discussions there was agreement that there were no **costs of membership**, just the dues that Kuapa members have to pay. The membership dues rose to GHC1 (2009/10 Annual Report). Similarly, in the non certified groups, members do not pay any costs to be associated with their buyers.

"Kuapa intends to set up a fund which would be used for community development projects. There is however no cost involved with membership, such as paying dues etc as stated by the group. They only pay 0.50p for membership cards". (Certified, women's group, Ashanti Region)

A non-certified women's group (Ashanti Region, 2010) said that: "There are no costs involved in being members of Fedco and CMB. For Fedco, only men attend their meetings and for CMB, there is nothing like a meeting in Brofoyedru [local town]. A different non-certified women's group, Ashanti Region (2010) said that: "CMB meets but we do not attend these meetings. Hence, we have no idea as to any payments". They also said that they do not receive any training from CMB.

In terms of

years of membership, the certified producers reported they had been member of the producer organisation for 6.4 years on average (baseline) and 6.9 years (final survey). In the baseline survey, 13% of the non-certified farmers reported they had been members of Kuapa Kokoo in the past, while in the final survey the figure was 10%.

## 5.2 Farm characteristics

#### 5.2.1 Total Farm Size

Both the baseline survey and final survey recorded the total farm sizes of respondents and the area and percentage of the farm used for cocoa (Table 8). There are no statistically significant differences between certified and non-certified farmers in terms of their total farm size, area under cocoa or percentage of land under cocoa. Both groups have around 75% of their land under cocoa.

Table 8 Farm size and cocoa area.

		Non-certified farmers			Certified farmers		
		2010	2012	Sig	2010	2012	Sig
	Ν	390	350		394	352	
Average size of the household farm (acres)		17.0	17.2	ns	19.3	15.8	*
Average acres put to cocoa cultivation		12.8	12.4	ns	14.3	10.9	***
Average % of farmland under cocoa		78%	76%	ns	78%	74%	*

Sig = Significance of differences between groups (t-test): ns = not significant, \*P≤0.05, \*\*P≤0.01, \*\*\* P≤ 0.001

However, the certified farmers reported significantly smaller farm sizes and area under cocoa in 2012 than in 2010; there was no significant change for the non-certified farmers (the average reduction in cocoa areas has been larger for certified farmers - 4 acres less - than non-certified farmers (0.7 acres less).

### 5.2.2 Land ownership

In the baseline survey, a significantly greater proportion of certified farmers reported they hold land title (23%) than the non-certified farmers (14%). However, the vast majority of farmers rely on traditional tenure and use in the cultivation of their cocoa.

In the final survey 30% of Fairtrade certified farmers said they held land title, compared to 28% of non-certified farmers – however, the difference is not significant. Overall, the final survey found that 29% of respondents held land title. An important reason for the difference in the numbers of respondents with land title in the baseline and final survey is the land title registration process that members have been encouraged to apply for. However, those who have not paid for the cost have not had their documents released to them and this may account for a number of farmers saying they have title, while simultaneously saying they have customary land rights.

In terms of the specific **land tenure** arrangements, most farmers have customary freehold, but there are also many share croppers and tenant farmers. 'Caretaker' farmers are a type of share cropper who provide labour on a continuous basis for farm owners, are paid between 33% and 50% of the farm produce, depending on the extent of the labour contributed. However, they are not eligible for membership of Fairtrade and hence unlikely to receive benefits from it.

There are no significant differences in land tenure between non-certified and Fairtrade-certified producers in either the baseline or final surveys

### 5.2.3 Average age of cocoa trees

In both the baseline and final surveys there were no significant differences in the **average age of cocoa trees** between certified and non-certified farmers. The baseline overall average was 18.2 years and the final survey overall average was 14.8 years. Farmers were also asked about the varieties of cocoa which they currently have, but no significant differences were found between the certified or non-certified farmers for their first or second varieties.

### 5.2.4 Diversity of crops grown

The baseline survey found that a significantly smaller proportion of Fairtrade-certified farmers grew vegetables and sweet potato than non-certified farmers, but this was not the case in the final survey. Both surveys showed that a significantly larger proportion of Fairtrade-certified farmers grow oil palm than non-certified farmers. In terms of other crops grown (maize, coffee, beans, cassava, plantain/banana, fruit, flowers, Irish potato, yams cocoyam, rice, agushi) there were no significant differences between certified and non-certified farmers in either survey.

### **5.3** Producer Incomes

### 5.3.1 Annual household income

Information was collected on household annual income, both from cocoa and from other sources, although the latter was less reliable because of difficulties of recall. In the baseline survey, 2010, the average annual gross household income for all farmer households, both certified and non-certified, was GHC 4224 (or USD 3017). On average, non-certified farmers earned GHC 4424 (USD 3160) and certified farmers earned GHC 4047 (USD 2891), but this difference in income was not statistically significant. In 2012, the average household income of all farmers had increased and there was no significant difference between the certified and non certified farmers.

This indicates that all farmers' incomes are rising due to the increase in cocoa prices on world markets, and any changes resulting from certification are not that large and / or are being masked by the world market price changes.

As well as world market and Cocobod prices being above the Fairtrade Minimum Price, Kuapa Kokoo pays a bonus (in 2012 this was 2 GHC per bag on top of the government bonus of 4 GhCs. Non-certified companies do not pay a bonus on top of the government one, but the difference is still relatively small for each individual farmer making it somewhat invisible to certified producers as a benefit, especially in the context of rising costs of production.

A purchasing clerk interviewee from a non-certified private LBC, Armajaro, said that: "No extra bonus is paid to the farmers beyond what the government pays which is GHc4.00/bag and farmers are paid directly based on their passbook records".

#### 5.3.2 Household Income sources

The baseline survey shows that the **sources of income** are similar for certified and non-certified farmers. There are no significant differences in terms of the average amount of income that farmers obtain from the different activities. Cocoa production is the main income activity; on average farmers earned GCH 3358 (USD 2399) per year from cocoa production which accounted for 81% of the total household income in 2010. Secondary income activities include trade at GCH 360 or (USD 257 per year), sale of other crops (GCH 268 or USD 191 per year), and permanent employment (GCH 99 or USD 71 per year).

"All of us are engaged in cocoa farming and we are really struggling to survive...there are no job opportunities at all apart from cocoa cultivation" (focus group discussion, Western Region)

Across all the focus groups — certified and non-certified in both Ashanti and Western regions, farmers reported that they rely on cocoa for their main source of income, but trade other crops outside the cocoa season (e.g. sale of tomatoes, pepper or plantain). Some participants said that they do minor jobs for income or petty trading (e.g. sale of soap). In the Western region farmers said they engage in non-farm activities which include carpentry,

palm wine tapping, trading, fitting, masonry, dressmaking and electrician work.

In the baseline survey the **proportion of annual income that comes from cocoa cultivation** was similar between groups at 80% for certified and 79% for non-certified and there was no significant difference. Most farmers are largely dependent on cocoa incomes for the welfare of their families and adaptive livelihood strategies have not contributed significantly to household incomes. The final survey shows similar results. In 2012, the sources of income are still similar for certified and noncertified farmers; there are no significant differences in terms of the average amount of income that farmers obtain from the different activities. Cocoa production continues to be the main income activity. In 2012, on average, farmers earned GHC 5570 (USD 3713) per year from cocoa production which accounted for 76% of the total household income for both certified and non-certified farmers. Secondary income activities include trade (GHC 440 or USD 293 per year), sale of other crops (GHC 331 or USD 221 per year), artisan (GHC 289 or USD 193 per year), permanent employment (GHC 251 or USD 167 per year) and other sources (GHC 234 or USD 156 per year). Because only a few farmers are involved in other income activities in both 2010 and 2012, the average income for all farmers is very low for these minor activities.

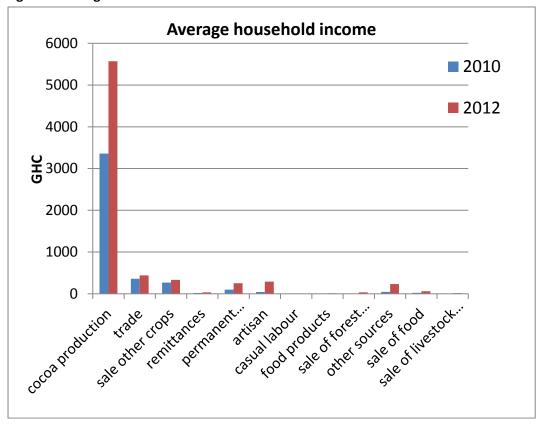


Figure 9 Average household income from different sources

Farmers obtained significantly higher incomes from cocoa production in 2012 compared to 2010. Equally, the average total household income was significantly higher in 2012 than in 2010. The same trends are found for certified and for non-certified farmers. There are no significant differences in trends between the certified and non-certified farmers.

Table 9 Annual average household income and income from cocoa

	Non-ce	rtified far	mers	Certified farmers		
	2010	2012	Sig	2010	2012	Sig
N	349	345		394	352	
Household cocoa income (GHC)	3407	5909	***	3315	5241	**
Total household income (GHC)	4421	7976	***	4047	6783	***
Cocoa income as % of total income	78.7%	76.3%	ns	82.3%	75.8%	***

Sig = Significance of differences between groups (t-test): ns = not significant, \*P≤0.05, \*\*P≤0.01, \*\*\* P≤ 0.001

For both groups, therefore, income from cocoa and total household income has increased; there are no differences in increase between the two groups (certified and non-certified).

Interestingly, the importance of cocoa income (in terms of percentage of the total household income) has significantly decreased from 83% in 2010 to 76% in 2012 for certified farmers. For non-certified farmers this decrease is not significant; earnings from cocoa production contributed 79% to the total household income in 2010 and 76% in 2012.

## 5.3.3. Change in incomes

Farmers were also asked if they perceived changes in their incomes. In the baseline survey, both non-certified and certified farmers reported on average an increase in income over the previous two years. There was no significant difference. In the final survey non-certified farmers reported a perceived larger decrease in income over the past two years than Fairtrade-certified farmers. This difference was significant. This is an important finding and perhaps indicates that Fairtrade farmers have been less affected by inflation pressures than the non-certified farmers.

Although income levels have increased between 2010 and 2012 (see results above), farmers report a decrease in income. Overall inflation rates are 8.7% per year on average<sup>32</sup>, which would indicate that farmers still earn more in 2012 than in 2010. However, they are reporting their perception of change in household income which could be affected by a number of factors. For example, inflation rates may have disproportionately affected key components of household expenditure (e.g. bread and other staples). The costs of production data which we collected indicates that school fees, (secondary education) transportation have gone up over recent years.

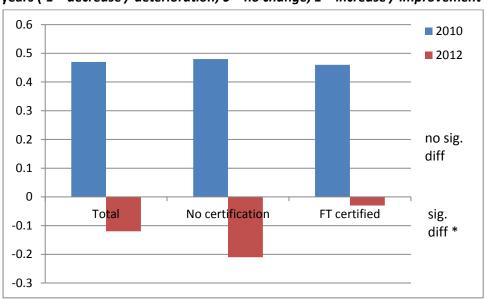


Figure 10 Average farmers' scores for perceived change in household income over the previous 2 years (-1 = decrease / deterioration; 0 = no change; 1 = increase / improvement

## 5.3.4 Cocoa buyers and sales

Nearly all the Fairtrade-certified farmers interviewed sold cocoa to the Primary Society (98% in 2010 and 99% in 2012). A relatively small proportion of Fairtrade-certified farmers sold cocoa to other licensed buyers (24% in 2010 and 13% in 2012) given the intense competition for cocoa beans amongst the LBCs. The fact that some Fairtrade farmers also sell to other licensed buyers suggests that in some instances it may be more economic or convenient (if needing upfront cash) to sell to LBCs other than Kuapa Kokoo. This type of side-selling by smallholders is common in the cocoa industry, although in this case it does not appear to be happening on a very large scale. Both the baseline and final survey found that the distances from home to the nearest cocoa selling point and to the primary society selling point were significantly shorter for Fairtrade-certified farmers (P≤0.05) than for non-certified farmers.

<sup>32</sup> http://www.statsghana.gov.gh/cpi\_release.html

## 5.4 Cocoa production, productivity and prices

### 5.4.1 Cocoa production

In terms of **cocoa production**, the baseline and the final survey results both show that there are no significant differences in cocoa production between non-certified and Fairtrade-certified producers in the different years — either in the major seasons or the minor seasons. The levels of production are given in figure 11 below. There was no significant difference in the total cocoa production (major and minor season together) between certified and non-certified farmers in the last four years.

Cocoa production 40 35 30 25 20 15 10 5 0 2007/08 2008/09 2009/10 2010/11 2011/12 non-certified farmers certified farmers

Figure 11 Cocoa production 2007-2012

### 5.4.2 Cocoa productivity

In the baseline survey, non-certified farmers had significantly higher **cocoa productivity** (2.8 bags/acre) than certified farmers (2.3 bags/acre) in the years 2007/08 and 2008/09. However, in the final survey there was no significant difference found between the cocoa productivity (bags/acre) in 2010/11 or 2011/12 of Fairtrade certified and non-certified producers. In 2010/11 farmers produced on average 3.2 bags/acre, and 2.5 bags/acre in 2011/12. Several factors affect the productivity of cocoa including bad weather, increased pests attack, low application of fertilizer because of non-availability and high cost and high market prices for insecticides.

## 5.4.3 Cocoa prices

The minimum producer price of cocoa as fixed by COCOBOD has been increasing annually over the years and this is reflected in Table 10. Prices are the same regardless of certification.

Table 10: Price of cocoa per bag – government prices

	9	
Season	Price /bag (GHC)	Price /bag (USDA)
2008/09	138	?
2009/10	150	107
2010/11	200	133
2011/12	205	137

### 5.4.4 Value of cocoa sold

Figure 12 below shows the value of the cocoa sold by cocoa farmers. There are no significant differences in the value of cocoa production between non-certified and Fairtrade-certified farmers.

<sup>\* 64</sup> kg in each bag of cocoa (fermented and dried beans)

Value of cocoa production 8000 7000 6000 5000 4000 3000 2000 1000 0 2007/08 2008/09 2009/10 2010/11 2011/12 non-certified farmers certified farmers

Figure 12: Value of cocoa sold by cocoa farmers

## 5.5 Household assets

Household assets, including those derived from alternative livelihood activities, are an important basis for rural household livelihood security. There were no significant differences in **households' assets status** between certified and non-certified farmers, with a few specific exceptions.

Table 11 below shows the changes over time for non-certified and Fairtrade-certified farmers. Note that the 2010 data in this table is based on recall (collected during the 2012 survey).

Table 11 Changes in household assets

2012 and 2010 survey data	Non-certified farmers			FT-cert	ified farme	ers
	2010	2012	Sig	2010	2012	Sig
N	349	344		394	348	
Land owned	12.37	17.60	***	15.22	15.80	ns
Land rented	1.20	0.73	ns	1.45	0.29	***
Land planted to cocoa	12.08	12.52	ns	13.02	10.94	*
Area of other crops	3.29	5.45	*	3.53	5.19	**
Number of cows	0.12	0.21	ns	0.30	0.13	ns
Number of chickens	13.63	21.87	ns	15.8	13.3	ns
Number of pigs	0.60	0.26	ns	0.14	0.24	ns
Number of goats	2.33	2.97	ns	2.49	3.14	ns
Number of training events	0.04	0.28	***	0.35	0.72	***
Number of bikes	0.28	0.23	ns	0.27	0.17	*
Number of motor bikes	0.07	0.16	***	0.05	0.13	***
Number of pickups	0.05	0.06	ns	0.05	0.06	ns
Number of radios	1.15	0.93	**	1.10	0.94	*
Number of TVs	0.42	0.42	ns	0.39	0.40	ns

Sig = Significance of differences between groups: ns = not significant, \*P≤0.05, \*\*P≤0.01, \*\*\* P≤0.001

Certified farmers owned significantly more land than non-certified farmers in 2010. However, this difference had disappeared in the 2012 survey. The DD results confirm that the increase in area of land owned between 2010 and 2012 was significantly higher for non-certified than for certified farmers.

Certified farmers reported significantly more training events than non-certified farmers in both years (2010 and 2012). Both categories of farmers reported a significant increase in the number of training events between 2010 and 2012.

Non-certified farmers reported significantly higher amounts of credit and cash savings than certified farmers in 2012; there were no significant differences in 2010.

There were no significant differences between non-certified and certified farmers in other household assets in the years 2010 or 2012.

Certified and non-certified farmers reported a significant increase in area of land that is cultivated for crops other than cocoa. Certified farmers reported a significantly smaller area for cocoa cultivation in 2012 compared to 2010.

Non-certified farmers reported a significantly larger area of owned land in 2012 than in 2010. Certified farmers reported a significantly smaller area of rented land in 2012 than in 2010.

Certified and non-certified farmers reported a significant increase in the number of training events and motor bikes between 2010 and 2012, although a decrease in the number of radios.

#### 5.6 Allocation of income

### 5.6.1 Ability to cover basic needs

In the baseline survey, cocoa incomes were found to cover around 75% of expenditure on needs such as clothing, school and health expenses across both certified and non-certified members. Farmers also indicated that between a half and three quarters of expenses on basic needs like food, water, energy and house rent came from cocoa incomes. These results further highlight the importance of cocoa to Ghanaian smallholders and it was therefore important to the study to investigate in detail the changes in the expenditure patterns of cocoa farmers resulting from certification.

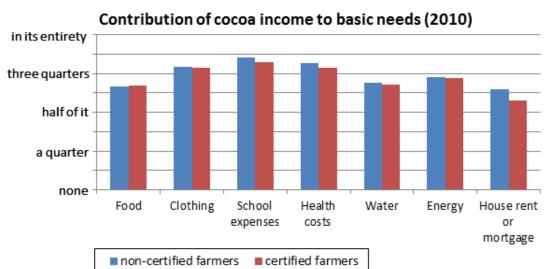


Figure 13 Contribution of cocoa income to basic needs (2010)

Contribution of cocoa income to basic needs (2012) in its entirety three quarters half of it a quarter none Clothing Health Food Water School Energy House rent expenses costs or mortgage

Figure 14 Contribution of cocoa income to basic needs (2012)

non-certified farmers

Neither the baseline or final survey showed any significant differences between the non-certified and Fairtrade-certified farmers in the proportions of household expenditures covered by cocoa income, or in the ways in which farmers meet basic needs if cocoa income is insufficient. However, on average it seems that cocoa income covered less of the household expenditures on food, clothing, school and health in 2012 compared to 2010. This would suggest that all farmers – whether certified or not - are less able to cover their basic needs. However, in the final survey non-certified farmers reported a perceived larger decrease in income over the past two years than Fairtrade-certified farmers. This difference was significant.

certified farmers

The vast majority of farmers in the focus group discussions reported that cocoa (and supplementary)

income is **insufficient to cover basic needs**. One noncertified group mentioned the role of remittances sent by their children working elsewhere in making up shortfalls in household income. One woman commented that: "My best cocoa farm is my children". Other individuals rely on the recorder to lend them money in times of need. Many farmers engage in trading to earn cash.

"Cocoa income does not fully support the basic needs of the households. Cocoa income helps to spread income to support the family. There are also a lot of challenges and irregularity in cocoa income because of poor yields" (Ashanti farmers, baseline FGD)

One group of women in Ashanti region said that their incomes do not meet their needs and then they need to "resort to advance payment from their recorder or borrow to make up for the shortfalls". Another farmer said that: "One woman said although she gets only about 1 bag of cocoa now, at least 10 bags of cocoa would be needed per year to cover basic needs. The group agreed. They do all other trading to earn more income. Advance payments, credit and inputs provision will help them to improve farm trading activities and the quality of cocoa".

## 5.6.2 Average monthly expenditures

Significant differences were noted in the baseline survey between certified and non-certified farmers in expenditure on food. In 2010, certified farmers spent an average of GHC 118 (USD 84) as against that of GHC 153 (USD 109) for non-certified members. Certified farmers' average expenditure was GHC 49 (USD 35) as against that of GHC 62 (USD 44) for non-certified members in

2007/08). These results were statistically significant at P≤0.05. The results of the other basic expenditures such as health, education and farming did not show any significant differences in the baseline survey. The final survey shows that certified farmers continued reporting significantly lower expenditures on food than non-certified farmers in 2012. Certified farmers also reported significantly lower expenditures on health and farm inputs than non-certified farmers in 2012.

Table 12 Household expenditures in 2010 and 2012

		Non-certified farmers			FT-certified farmers		
		2010	2012	Sig	2010	2012	Sig
	Ν	349	344		394	352	
Food (GHC)		153	291	***	118	248	***
Health (GHC)		27	71	***	17	52	***
Education (GHC)		91	210	***	76	198	***
Farm (GHC)		88	179	***	74	131	**

Sig = Significance of differences between groups (t-test): ns = not significant, \*P≤0.05, \*\*P≤0.01, \*\*\* P≤ 0.001

Expenditures for all items (except 'other') have increased significantly over the past 2 years for both non-certified and Fairtrade-certified producers. The DD results show that the rate of increase is similar for both groups. In both years (2010 and 2012) non-certified farmers reported significantly higher expenditures on food than certified farmers. No significant differences between certified and non-certified farmers were found in expenditures for other household items in both years. The qualitative research findings show similar findings, i.e. that costs are rising. There are no significant differences between non-certified and Fairtrade-certified producers regarding reasons for change in expenditures over the past 2 years (based on Mann-Whitney test).

#### 5.6.3 Cocoa income investment

Survey respondents were asked how they invest their cocoa income. This is because if a significant difference had been found in cocoa income, with certified farmers having more income to invest than non-certified farmers, then it would have been important to understand how their income was invested (and potentially how participation in the Fairtrade Premium decision-making process altered priority setting). However, the income-related findings above do not support the finding that certified farmers have significantly more income to invest than non-certified farmers.

In the baseline survey, 89% of the respondents used the cocoa income for investments. The majority reported investments in their children's education (77%) and farming activities (78%). The respondents ranked the children's education as the most important. Other common items for investment were household durables (47% of respondents), house improvements (38%), and land improvements (36%). There were no significant differences between certified and non-certified farmers. The final survey shows that non-certified farmers rank investments in land acquisition as significantly more important than Fairtrade-certified farmers, although the actual percentages investing in land were the same (19%). No significant differences were found in certified versus non-certified farmers' rankings of cocoa income investments (e.g. children's education, household durables). Both groups ranked investment in children's education as most important; investments in livestock and household durables were considered least important.

Both certified and non-certified farmers mentioned the same items of household expenditure, for example, children's education, basic family needs (e.g. food for the family), and chemical and farm inputs. In the focus group discussions children's education and basic family needs were commonly said to be the top priorities for use of income, and paying off loans.

Building houses and health expenses were other key areas requiring cash income. In the Western Region a group of non-certified farmers said that 'education is the most expensive'. **Thus, farmers** 

do not have more income to invest. They may invest in different things, but there is not a significant influence from participation in Fairtrade on the way cocoa income is invested.

Table 13:- Percentage of respondents investing cocoa income in the following;

N         691         697           Cocoa income used for investments (%)         89%         94%         ***           Children's education         77%         88%         ***           Household durables         47%         52%         *           House improvements         38%         57%         ***           Land acquisition         31%         19%         ***           Land improvements / investments         36%         47%         ***           Farming activities or inputs         78%         86%         ***           Livestock         31%         22%         ***           New livelihood activities         14%         9%         ***           Ranking of importance: 1 = most important, 2 = second most important, etc         Children's education         1.31         1.19         ***           Household durables         3.48         3.80         ***           House improvements         3.00         3.24         ns           Land acquisition         2.99         2.91         ns           Land improvements / investments         2.83         2.98         *           Farming activities or inputs         2.32         2.38         ns           Livestock	<u> </u>			
Cocoa income used for investments (%)         89%         94%         ***           Children's education         77%         88%         ***           Household durables         47%         52%         *           House improvements         38%         57%         ***           Land acquisition         31%         19%         ***           Land improvements / investments         36%         47%         ***           Farming activities or inputs         78%         86%         ***           Livestock         31%         22%         ***           New livelihood activities         14%         9%         ***           Ranking of importance: 1 = most important, 2 = second most important, etc         Children's education         1.31         1.19         ****           Household durables         3.48         3.80         ****           House improvements         3.00         3.24         ns           Land acquisition         2.99         2.91         ns           Land improvements / investments         2.83         2.98         *           Farming activities or inputs         2.32         2.38         ns           Livestock         3.76         4.19         * <th></th> <th>2010</th> <th>2012</th> <th>Sig</th>		2010	2012	Sig
Children's education         77%         88%         ***           Household durables         47%         52%         *           House improvements         38%         57%         ***           Land acquisition         31%         19%         ***           Land improvements / investments         36%         47%         ***           Farming activities or inputs         78%         86%         ***           Livestock         31%         22%         ***           New livelihood activities         14%         9%         ***           Ranking of importance: 1 = most important, 2 = second most important, etc         Children's education         1.31         1.19         ***           Household durables         3.48         3.80         ***           House improvements         3.00         3.24         ns           Land acquisition         2.99         2.91         ns           Land improvements / investments         2.83         2.98         *           Farming activities or inputs         2.32         2.38         ns           Livestock         3.76         4.19         *	N	691	697	
Household durables         47%         52%         *           House improvements         38%         57%         ***           Land acquisition         31%         19%         ***           Land improvements / investments         36%         47%         ***           Farming activities or inputs         78%         86%         ***           Livestock         31%         22%         ***           New livelihood activities         14%         9%         ****           Ranking of importance: 1 = most important, 2 = second most important, etc         Children's education         1.31         1.19         ****           Household durables         3.48         3.80         ****           House improvements         3.00         3.24         ns           Land acquisition         2.99         2.91         ns           Land improvements / investments         2.83         2.98         *           Farming activities or inputs         2.32         2.38         ns           Livestock         3.76         4.19         *	Cocoa income used for investments (%)	89%	94%	***
House improvements         38%         57%         ***           Land acquisition         31%         19%         ***           Land improvements / investments         36%         47%         ***           Farming activities or inputs         78%         86%         ***           Livestock         31%         22%         ***           New livelihood activities         14%         9%         ***           Ranking of importance: 1 = most important, 2 = second most important, etc         Children's education         1.31         1.19         ***           Household durables         3.48         3.80         ***           House improvements         3.00         3.24         ns           Land acquisition         2.99         2.91         ns           Land improvements / investments         2.83         2.98         *           Farming activities or inputs         2.32         2.38         ns           Livestock         3.76         4.19         *	Children's education	77%	88%	***
Land acquisition         31%         19%         ***           Land improvements / investments         36%         47%         ***           Farming activities or inputs         78%         86%         ***           Livestock         31%         22%         ***           New livelihood activities         14%         9%         ***           Ranking of importance: 1 = most important, 2 = second most important, etc         Children's education         1.31         1.19         ***           Household durables         3.48         3.80         ****           House improvements         3.00         3.24         ns           Land acquisition         2.99         2.91         ns           Land improvements / investments         2.83         2.98         *           Farming activities or inputs         2.32         2.38         ns           Livestock         3.76         4.19         *	Household durables	47%	52%	*
Land improvements / investments         31%         19%           Farming activities or inputs         78%         86%         ***           Livestock         31%         22%         ***           New livelihood activities         14%         9%         ***           Ranking of importance: 1 = most important, 2 = second most important, etc         Children's education         1.31         1.19         ***           Household durables         3.48         3.80         ***           House improvements         3.00         3.24         ns           Land acquisition         2.99         2.91         ns           Land improvements / investments         2.83         2.98         *           Farming activities or inputs         2.32         2.38         ns           Livestock         3.76         4.19         *	House improvements	38%	57%	***
Farming activities or inputs         78%         86%         ***           Livestock         31%         22%         ***           New livelihood activities         14%         9%         ***           Ranking of importance: 1 = most important, 2 = second most important, etc           Children's education         1.31         1.19         ***           Household durables         3.48         3.80         ***           House improvements         3.00         3.24         ns           Land acquisition         2.99         2.91         ns           Land improvements / investments         2.83         2.98         *           Farming activities or inputs         2.32         2.38         ns           Livestock         3.76         4.19         *	Land acquisition	31%	19%	***
Livestock 31% 22% ***  New livelihood activities 14% 9% ***  Ranking of importance: 1 = most important, 2 = second most important, etc  Children's education 1.31 1.19 ***  Household durables 3.48 3.80 ***  House improvements 3.00 3.24 ns  Land acquisition 2.99 2.91 ns  Land improvements / investments 2.83 2.98 *  Farming activities or inputs 2.32 2.38 ns  Livestock 3.76 4.19 *	Land improvements / investments	36%	47%	***
New livelihood activities14%9%***Ranking of importance: 1 = most important, 2 = second most important, etcChildren's education1.311.19***Household durables3.483.80***House improvements3.003.24nsLand acquisition2.992.91nsLand improvements / investments2.832.98*Farming activities or inputs2.322.38nsLivestock3.764.19*	Farming activities or inputs	78%	86%	***
Ranking of importance: 1 = most important, 2 = second most important, etc           Children's education         1.31         1.19         ***           Household durables         3.48         3.80         ***           House improvements         3.00         3.24         ns           Land acquisition         2.99         2.91         ns           Land improvements / investments         2.83         2.98         *           Farming activities or inputs         2.32         2.38         ns           Livestock         3.76         4.19         *	Livestock	31%	22%	***
Children's education         1.31         1.19         ***           Household durables         3.48         3.80         ***           House improvements         3.00         3.24         ns           Land acquisition         2.99         2.91         ns           Land improvements / investments         2.83         2.98         *           Farming activities or inputs         2.32         2.38         ns           Livestock         3.76         4.19         *	New livelihood activities	14%	9%	***
Household durables       3.48       3.80       ***         House improvements       3.00       3.24       ns         Land acquisition       2.99       2.91       ns         Land improvements / investments       2.83       2.98       *         Farming activities or inputs       2.32       2.38       ns         Livestock       3.76       4.19       *	Ranking of importance: 1 = most importan	t, 2 = second m	nost important,	etc
House improvements         3.46         3.80           Land acquisition         2.99         2.91         ns           Land improvements / investments         2.83         2.98         *           Farming activities or inputs         2.32         2.38         ns           Livestock         3.76         4.19         *	Children's education	1.31	1.19	***
Land acquisition2.992.91nsLand improvements / investments2.832.98*Farming activities or inputs2.322.38nsLivestock3.764.19*	Household durables	3.48	3.80	***
Land improvements / investments2.832.98*Farming activities or inputs2.322.38nsLivestock3.764.19*	House improvements	3.00	3.24	ns
Farming activities or inputs 2.32 2.38 ns Livestock 3.76 4.19 *	Land acquisition	2.99	2.91	ns
Livestock 3.76 4.19 *	Land improvements / investments	2.83	2.98	*
	Farming activities or inputs	2.32	2.38	ns
New livelihood activities 4.02 3.38 ns	Livestock	3.76	4.19	*
	New livelihood activities	4.02	3.38	ns

Sig = Significance of differences between groups (based on Mann-Whitney test): ns = not significant, \*P $\leq$ 0.05, \*\*P $\leq$ 0.01, \*\*\* P $\leq$  0.001

In terms of costs of production, data was gathered from focus groups in 2012. Cost of inputs /production is higher in Western region than in the Ashanti region. The fact is that traders buy their stock from Kumasi, Ashanti region) and transport them to Western region for sale. When stocks run run down, traders tend to hoard the goods and sell them at even higher prices. For example Confidor (insecticide) costs 25Ghc /litre in Ashanti but sells at 30Ghc /litre in Western region; Sidalco and Akati Master, both insecticides, cost 15Ghc/litre in Ashanti region, but sell at 45Ghc and 34Ghc respectively in the Western region.

## 5.7 Household food security

**Household food security** is an important indicator of poverty and as such is an impact indicator for sustainability standards. The baseline and final surveys found no significant differences in food security between certified and non-certified farmers. Both certified and non-certified farmers reported having at least two meals a day on average. The **average number of meals** per day did not change significantly between 2010 and 2012 either.

However, when comparing food security between men and women, quite a few significant differences can be found. There were no significant differences in **meals per day or quantities of protein and carbohydrates consumed between men and women** among non-certified farmers in either the baseline or the final survey. The certified farmers, however, reported in the baseline that men consume more protein than women. This result was significant, but differences for other food security indicators (meals per day and carbohydrate consumption) were not significant. In the final survey, however, more significant differences were found between men and women. Both non-certified and certified farmers reported (with significance) that on average, men consume more

protein and carbohydrates than women. This difference was reported more often among non-certified farmers, and the significance of the finding was thus stronger than for certified farmers.

In terms of satisfaction with the quality and quantity of food consumed, in the baseline there were no significant differences between the Fairtrade certified and non-certified producers. There was no significant difference between men and women in terms of satisfaction either. In the final survey, however, certified farmers were significantly more satisfied with the quantity and quality of food than the non-certified farmers. The men were significantly more satisfied with the quantity of food than women; this significant difference was found for both certified and non-certified farmers. Female respondents (non-certified and Fairtrade-certified) reported that on average they eat slightly less protein and carbohydrates than their spouses, whereas male respondents report that they eat more than their spouses. These differences are statistically significant. There were no significant differences between men and women in terms of satisfaction with the quality of food.

In 2010, 40% of all farmers interviewed obtained all their **food from their own production**. This figure had almost halved by 2012 with only 22% obtaining all their food from own production. However, while 45% obtained half their food in 2010, 62% obtained half in 2012. In 2010, a small but significantly higher proportion of certified farmers than non-certified farmers reported that they obtained all their food consumption from their own farm. There were no significant differences between certified and non-certified farmers in the final survey. The focus group discussions indicated that in most of the western region, farmers' food crop production received less attention due to land scarcity and could have accounted for the significant difference at P≤0.05 for food from own production. Most cocoa farmers in the Western region complained about the high cost of living due to high food prices. Food vendors indicated that they buy food items from the Ashanti region and bring them to Western region. The results suggest that the more farmland devoted to cocoa cultivation, the less land is made available to food crop production and therefore the higher the risk of food insecurity.

## 5.8 Savings and credit

Savings and access to credit are critical factors in the poverty status of farmers and both Kuapa Kokoo and the Government are keen to instil in farmers the culture of savings as well as extend lines of credit to them at reasonable rates of interest. Efforts in this direction include the re-establishment of the Kuapa Kokoo Credit Union (KKCU) by Kuapa Kokoo and general Government measures aimed at micro-economic stability in the country. No significant differences were found between certified and non-certified farmers in terms of credit and savings in the baseline survey, 2010. On average, farmers had obtained GHC 83 (USD 59) credit in 2010 and their savings were GHC 300 (USD 214) on average. In 2012, non-certified farmers reported significantly higher amounts of credit and cash savings than certified farmers (table 14).

Table 14 Credit and savings (comparisons between certified and non certified)

		2010			2012	
	Non- certified	Certified	Sig	Non- certified	Certified	Sig
N	349	394		344	348	
Credit (\$)	105	64.1	ns	341	146.1	**
Cash savings (\$)	313	288.9	ns	535	324.3	*

Sig = Significance of differences between groups (Mann-Whitney test): ns = not significant, \*P $\le$ 0.05, \*\*P $\le$ 0.01, \*\*\* P $\le$ 0.001

Table 15 Credit and savings (comparisons over time)

		Non-certified farmers			FT-certified farmers		
		2010	2012	Sig	2010	2012	Sig
	Ν	349	344		394	348	
Credit (\$)		105	341	**	64.1	146.1	*
Cash savings (\$)		313	535	ns	288.9	324.3	ns

Sig = Significance of differences between groups: ns = not significant, \*P≤0.05, \*\*P≤0.01, \*\*\* P≤0.001

Credit and cash savings increased between 2010 and 2012 for both certified and non-certified farmers (table 15). Certified and non-certified farmers reported a significant increase in credit between 2010 and 2012. The increase in savings is not significantly different between the two years for either group. The amount of credit farmers had in 2012 was significantly higher than a few years earlier, but there had been no significant change in bank savings. Note that many farmers reported that they had no bank savings or credit.

## 5.9 Knowledge of certification

Farmers were also asked about their **knowledge of certification**. During the baseline survey, only 32% of the certified farmers reported they had heard of Fairtrade, but this was still significantly more than non-certified farmers (9%). Of those who responded positively that they had heard of Fairtrade, 91% of the certified farmers responded that they belonged to a Fairtrade group. 11% of the non-certified farmers who had heard about Fairtrade reported they were once members of a certified group. Unsurprisingly, the final survey found that significantly more Fairtrade-certified producers (78%) had heard of Fairtrade compared with non-certified producers (10%).—Certified farmer awareness rose from 32% in the baseline to 78% in the final survey.

In 2010 few of the groups interviewed in the focus group discussions reported knowing about

Fairtrade – whether they were certified or not. One certified group (2010, Ashanti Region), for example, said that they had no knowledge of Fairtrade and did not know where the cocoa bought from them is sold. In

Fairtrade is "a kind of trading where there is no cheating and transparency is the rule' e.g KK provides them with all their bonuses, etc. that is why they like Kuapa. Even the scale measure is quality tested so there is no cheating in weighing of cocoa beans. Others adjust the scale but not Kuapa" (Ashanti Region, KK FGD, 2010)

2012 there was also very limited awareness of Fairtrade amongst the farmers in the focus group discussions. One certified focus group was not aware of Fairtrade, but knew their products are sold abroad. In another certified group one participant only had heard of Fairtrade.

In the qualitative interviews there was a wide **knowledge gap** between ordinary members of primary societies of Kuapa Kokoo and office holders regarding the Fairtrade premium and its usage. Whilst most cocoa farmers in the former category did not know anything about premiums and their applications, the latter – district managers - were well informed.

### 5.10 Fairtrade Premium

In our questionnaire survey we asked Fairtrade farmers a question about 'premiums', without specifying the Fairtrade Premium. Given the low levels of awareness of the premiums, is likely that informants were thinking of the different bonuses they are paid – not only the Fairtrade Premium. It is still interesting to see how the Fairtrade informants ranked the different usese of the premiums, with cash payments coming out top in both the baseline and final survey.

Table 16: Use of the premium according to Fairtrade certified respondents

Use of Premium	2010 – use of premium	2010 – whether	2012 – use of	2012 – whether
	(% of respondents)	personally had	premium (% of	personally had
		benefitted (% of	respondents)	benefitted (% of
		respondents)		respondents)
Cash payments	41	40	97	93
Cocoa production	18	17	76	68
Education	12	9	24	7
Health care	14	13	16	10
Road construction	2	3	2	0
IGA	14	14	2	1

Source: Questionnaire data

There is further discussion of the Fairtrade Premium in section 7.4.

## **5.11** Farmers' assessment of changes

Farmers were asked in the questionnaire survey whether they had observed changes (a deterioration, no change or an improvement) in a range of areas (e.g. credit, advance payment, market access, etc) over a period of previous two years. In the baseline survey, both certified and non-certified farmers reported improvements in all areas. However, certified farmers were significantly more positive in changes in access to training, post-harvest facilities, environment and the producer organisation than the non-certified farmers. In the final survey, certified farmers continued reporting improvements in all areas, but non-certified now reported on average negative change for availability of cocoa inputs, and the environment; these responses were significantly different from those of the certified farmers. Certified farmers also reported significantly more improvements in market access, payments for cocoa quality, access to training, extension services, transport of produce, on-farm value addition, safe use of pesticides and primary society than non-certified farmers.

Table 17: Farmers' assessment of changes (2012)

	No certification	FT certified	Sig
N	343	350	
-1 = decrease / deterioration; 0 = no ch	ange; 1 = incre	ease / improven	nent
Minimum price for cocoa	0.98	0.99	ns
Premium payments	-0.31	0.37	***
Credit including farm inputs on credit	-0.02	0.29	***
Advance payment for product	0.08	0.14	ns
Market access	0.25	0.32	*
Payments due to quality cocoa	0.05	0.14	***
Access to training	0.09	0.53	***
Extension services for cocoa	0.06	0.33	***
Transport of produce	0.07	0.18	***
Crop husbandry	0.10	0.07	ns
Availability of cocoa production inputs	-0.06	0.32	***
Post-harvest handling facilities for cocoa	0.16	0.16	ns
Diversification of farming enterprises	0.16	0.15	ns
Value addition on farm	0.27	0.50	***
Environment	-0.03	0.06	*
Safe use of pesticides	0.18	0.35	***
Primary Society	0.02	0.36	***
Social development	0.12	0.16	ns

### 5.11.1 Changes in advance payments, credit and markets

No significant difference was found in terms of **advance payment for product** (average score of 'no change') in either the baseline survey or in the final survey. On average, more farmers reported an improvement in advance payments in the baseline survey than in the final survey. Kuapa Kokoo do not offer advance payment for product as a policy, but when purchasing clerks have funds they sometimes offer advances to farmers in situations of emergency and at their own risk in order to secure the sales.

The baseline survey found no significant difference between certified and non-certified farmers, but the final survey finds significantly more Fairtrade-certified farmers report an improvement in payments for quality than non-certified farmers. Kuapa Kokoo does not actually provide payments for quality so this is hard to explain. Kuapa Kokoo does give farmers a small bonus (currently 2 GHCs per bag) to each member and they also require and emphasize in training a certain level of quality from producers especially over recent months. Thus there could be some confusion amongst members as to why they receive the bonus with it being attributed to quality.Non-certified companies do also provide some training to improve quality, but to a lesser extent.

In the baseline there was no significant difference observed between certified and non-certified producers, in terms of improvement in access to credit, but in the final survey Fairtrade-certified farmers report on average an improvement in credit, including access to farm inputs on credit, whereas non-certified farmers report a small decrease; this difference is statistically significant. Kuapa Kokoo is collaborating with the CNFA programme to supply inputs on credit, and has recently re-established its credit union which had been non-functioning for some time.

In the baseline survey the majority of farmers reported an improvement in market access; there was no significant difference between certified and non-certified farmers. In the final survey significantly more Fairtrade-certified farmers report an improvement in market access than non-certified farmers. This improvement is likely to be a reflection of Kuapa Kokoo's work in making contacts with buyers, supporting farmers and managers to attend trade fairs, and the increased sales to Cadbury, which have increased significantly in the last year of the study.

Significantly more Fairtrade-certified farmers report an **improvement in access to training, than non-certified farmers in both the baseline and final surveys.** This is an important finding. Kuapa Kokoo provide continual training for members at meetings and in specific modules in farm management practices such as improving improving quality, and democratic organisation, safe use of chemicals etc. There are only limited tailored training events per individual member, according to the questionnaire findings. This is likely due to the size of Kuapa Kokoo in terms of membership and so funds and activities and the reach of agricultural extension officers are spread fairly thinly. However, partnerships with other organisations are also contributing (e.g. the CNFA programme) and this may also have had an influence in terms of this indicator. Non-certified farmers do also receive some training, but this is not so broad in terms of the topics covered or as common / regular as in Kuapa Kokoo.

The baseline survey found no significant difference in terms of access to extension services between certified and non-certified producers; both reported an improvement. The final survey finds significantly more Fairtrade-certified farmers report an improvement in extension services for cocoa than non-certified farmers. This is likely to reflect Kuapa's increased efforts in relation to agricultural extension (which has been fairly thinly spread in the past) and also partnerships with programmes such as CNFA.

The baseline survey found no significant difference in terms of **cocoa husbandry** between certified and non-certified producers; both groups report an improvement. The final survey finds no

significant difference between Fairtrade-certified and non-certified farmers in relation to changes in cocoa husbandry; both groups reported on average that there had been little change.

In the baseline survey the majority of farmers reported an improvement in the availability of cocoa inputs; there was no significant difference between non-certified and certified farmers. The final survey finds Fairtrade-certified farmers report on average an increase in availability of cocoa inputs, whereas non-certified farmers report a slight decrease; this difference is statistically significant. Kuapa Kokoo provides inputs on credit through a new partnership with CNFA.

The baseline survey found no significant difference in terms of transport of produce between certified and non-certified producers. The final survey finds significantly more Fairtrade certified farmers report an improvement in transport of produce than non-certified farmers.

## 5.11.2 Post harvest handling facilities

In the baseline survey, farmers reported on average an improvement in **post-harvest handling** facilities, but there was no significant difference between non-certified and certified farmers. The final survey indicates no significant difference in perceived change in post-harvest handling facilities by certified and non-certified respondents. On average there is only a very small perceived improvement. The Kuapa Kokoo website notes that "Kuapa Kokoo continued to strengthen its business by funding the construction of three storage warehouses at Goaso, Sefwi Bekwai and Juaso to provide safe and ample space for cocoa evacuations from communities in the district".

### 5.11.3 Environmental changes

In the baseline survey farmers report on average a small improvement in the **environment**; certified farmers were significantly more positive than non-certified farmers. **The final survey finds Fairtrade certified farmers report on average an improvement in the environment, whereas non-certified farmers report a small deterioration; this difference is statistically significant. See section 7.11 for more details on environmental changes reported as a result of Fairtrade participation.** 

#### 5.11.4 Safe use of pesticides

The baseline survey found no significant difference in the **safe use of pesticides** between certified and non-certified farmers; the majority of farmers reported an improvement over time. Fewer farmers reported an improvement in the final survey, but significantly more Fairtrade certified farmers report an improvement in the safe use of pesticides than non-certified farmers. Safer use of pesticides is likely to lead to health improvements for farmers. Kuapa Kokoo training does cover safe use of pesticides and guidance on disposal of chemical containers.



A farmer applying herbicide on a farm

### 5.11.5 Diversification of farming enterprises

No significant difference between certified and non-certified producers was found in terms of change in the diversification of farming in the baseline; farmers reported on average an improvement in diversification. The final survey indicators no significant difference in perceived change in diversification of farming enterprises by certified and non-certified respondents. On average there was a very small perceived improvement.

### 5.11.6 On-farm value addition

The baseline survey found no significant difference in **on-farm value addition** between certified and non-certified farmers; the majority of farmers reported an improvement. In contrast, the final survey finds significantly more Fairtrade-certified farmers report an improvement in on-farm value addition than non-certified farmers. This is likely to be related to the quality improvements achieved through improved training perhaps.

### 5.11.7 Overall ranking of most important changes

Respondents were asked to rank the **most important changes** they have observed over a two-year period. In the baseline survey, farmers ranked importantchanges as follows: market access, use of pesticides, credit, extension services, availability of cocoa inputs, crop husbandry, access to training. Non-certified farmers ranked crop husbandry significantly higher than certified farmers.

In the final survey the most important issues for farmers were (in order of decreasing importance): minimum price, premium payments, availability of cocoa inputs, on-farm value addition, credit, and access to training. There were no significant differences between certified and non-certified farmers, except that certified farmers ranked access to training significantly higher than non-certified farmers.

## 5.12 Quality

Kuapa Kokoo has been seeking to improve quality amongst members. Both KK and the non-certified LBCs are keen to increase quality, and while there is not incentive in the form of quality payments in the Ghanaian system, there is investment by LBCs to enable farmers to improve the quality of their cocoa and thus increase the amount of cocoa that they can sell — as poor quality beans are not purchased by the LBCs. Kuapa Kokoo has been increased its investment from the Fairtrade Premium funds of late in training, as it now has a larger group of agricultural extension workers who can provide training (e.g. agronomic practices and post havest management).

We want to improve quality not because we are KK members (though Kuapa is strict on quality) or even the government, but because we want to increase yields. However improving quality might encourage KK to pay bonuses. The provision of inputs and credit will improve quality. Kuapa teaches us ways to produce high quality cocoa beans mainly to the benefit of the farmers and not the company. These training sessions by KK have helped us to improve quality, especially with the post-harvest handling facilities. For example, we have been taught how to properly dry cocoa, remove bad pods, etc. We have adopted all these and thus we have been able to improve upon quality. Kuapa does not however train us on appropriate production inputs to use. Also the same amount of pesticides as well as other chemicals is used since membership. It however increases as farm size increases. If Kuapa were no longer strict on quality, we would still adopt methods introduced by them. This is because we want to improve upon quality regardless of which LBC they are selling to". (Certified women's group, Ashanti Region, 2010)

Other non-certified LBCs are also seeking to improve quality amongst members. It is not easy for individual farmers to be able to compare between the practices of the LBCs as may not have contact with them directly. In 2010 one certified men's group in Ashanti Region said that they thought that Kuapa demanded high quality, but they were not sure of the requirements of other LBCs. Similarly,

participants of two non-certified groups (Ashanti Region) said all the different companies require the same level of quality in cocoa.

A similar picture emerged in 2012, with several certified groups reporting that Kuapa provides training and checks the quality of their farmers' cocoa. However, this was also reported for the noncertified LBCs. A women's group in Ashanti Region said that: "All the LBCs are particular about the quality of the

"Kuapa does not buy cocoa that is not well dried. Kuapa is very much particular about this and we also dry them well, because we want to sell only quality cocoa to Kuapa". (Womens' certified focus group, Ashanti Region, baseline)

A women's non-certified group (Ashanti Region, baseline) also said: the "PC's do not buy cocoa that is not well dried. This is a practice in all companies".

Women's non-certified group (Ashanti region, Baseline): "CMB agents do not buy cocoa that is not well dried to be of good quality"

beans especially the 7 day fermentation". Similarly, two non-certified groups in Western Region (2012) said that their LBCs demand very high quality, which has led to the production of quality beans by members through the observance of the right drying practices and chemical application.

Thus, both certified and non-certified LBCs are seeking to improve quality. In the questionnaire survey, individual farmers reported greater access to training than non-certified farmers.

### 5.13 Changes in the community

Farmers were asked to score what **community changes** they had observed over the previous two years in communications, health education and household services and 'other' (houses, playing fields etc). In the baseline survey, farmers reported improvements in all services. Significantly more non-certified farmers reported improvements in education than certified farmers. Most farmers in the qualitative interviews attributed these improvements to government efforts to improve social service provision nationwide. In the final survey, farmers reported very little change on average. The final survey results show a significant difference in the **change in health services reported by non-certified and Fairtrade-certified producers, with Fairtrade-certified producers reporting a slight improvement, and non-certified producers reporting a slight deterioration. There was no significant difference found in relation to education or the other indicators (communications, health services, household services, and other). Kuapa Kokoo has invested some of the Fairtrade premium in health services. It has also invested in education (e.g. school refurbishment/construction), but the investments do not reach the whole membership.** 

In terms of the **relative importance of services** there were no significant differences in the ranking of the different services in the baseline survey. Farmers ranked education as most important, followed by health services and infrastructure. In the final survey farmers ranked health services as the most important, followed by household services and education. Non-certified producers ranked infrastructure as significantly more important than Fairtrade-certified producers. Fairtrade-certified producers ranked education services as significantly more important than non-certified producers.

### 5.14 Changes in household access to services and assets

In the baseline survey, farmers on average reported improvements in most **household services and assets**, with the exception of roofs, social security, and access to credit for which farmers reported little change. Significantly more non-certified farmers reported improvements in roofs, mobile phones, and schooling facilities than certified farmers. Certified farmers on the other hand reported improvements in electricity significantly more often than non-certified farmers. However, other services and assets such as drinking water, better farming practices, membership of groups and social networks, health insurance and credit position did not show any significant differences. **Hardly** 

any positive changes were recorded across all farmer groups in the baseline, certified and non-certified. No clear trends emerged.

On average, farmers reported very little change in household services and assets in the final survey, except for house quality where farmers report some improvement. Significantly more certified producers report an improvement in house quality than non-certified producers. The Fairtrade-certified producers also report improvement in farming methods significantly more often than non-certified producers. There is a significant difference in change in medical facilities, with non-certified producers reporting a slight improvement and Fairtrade-certified producers reporting a slight deterioration.

## 5.15 Access to training

In the baseline survey **training** for cocoa farmers for capacity building and increased productivity revealed a surprising result of less than a single training activity (0.35) and (0.04) for certified and non-certified groups respectively on an annual basis for cocoa farmers. **This difference in training activities was significant, with the certified farmers receiving training from Kuapa Kokoo, which as an organisation aims to achieve continuous famer education and training on quality and other <b>Fairtrade standards.** The low level of training provision is perhaps due to the large membership of Kuapa Kokoo. In the final survey, certified farmers continued reporting significant more training events than non-certified farmers. However, the average number of trainings was still less than one per year, with an average of 0.72 and 0.28 trainings for certified and non-certified farmers respectively. However, Kuapa Kokoo provides continuous training during regular meetings and has increased agricultural extension staff recently so this may increase, especially if further partnerships are established providing investments in capacity building.

"The recorder undergoes periodic training and in turn trains farmers on the proper management and post-harvest handling of the cocoa once a year. Some topics treated include post-harvest handling (drying, fermenting, cocoa husbandry, and cultural practices in disease/pest management — removing brances, thinning, disease control). These trainings have caused significant improvements in yields".

### **5.16** Perceptions of producer organisations

The baseline survey explored levels of satisfaction with the producer organisation/LBC. Certified farmers were significantly more satisfied with their producer organisation on all aspects than non-certified farmers, except for financial management, with which both groups were equally quite satisfied.

- Members were satisfied with the quality of cocoa beans produced, technical assistance received, the way their views, concerns and needs as expressed are understood and the use of their Fairtrade premiums. These statements recorded mean score values of between 3.10 and 3.66 on a Likert scale of 1 for 'little satisfied', to 5 for 'very satisfied'.
- Similarly, regarding financial management, general management quality, information communication and future plans of primary societies, members were even more satisfied with mean score values ranging from 4.06 to 4.24. In the triangulation process with qualitative data it would appear that, although these measurement scores were above the median score of 2.5, a lot more was still expected from primary societies.
- Certified farmers continued to be satisfied with all aspects of the producer organisation, with average scores around 4 on a scale of 1 to 5. The certified farmers were significantly more satisfied with most aspects of the producer organisation in 2012 compared to 2010. The level of satisfaction remained the same for financial management, future plans and use of the premium.

**Table 18: Perceptions of certified farmers regarding Producer Organisation** 

Indicators	2010	2012	Sig			
Values of variables below are means of a ranking exercise where:1 = little satisfied;; 5 = very satisfi						
The cocoa price provided by your PS	3.57	3.77	***			
PS leadership	4.18	4.19	**			
PS financial management	4.06	3.98	ns			
Technical assistance from PS	3.10	4.07	***			
Quality management of cocoa by PS	4.13	4.45	***			
The way the PS sells your cocoa	4.24	4.47	***			
The way your views, concerns and needs are understood by your PS	3.53	4.08	***			
The information communicated to you by the PS	4.12	4.24	*			
The future plans of the PS	4.08	4.12	ns			
Use of the Fairtrade premium	3.66	3.69	ns			

Sig = Significance of differences between groups (based on T-test and Mann-Whitney tests): ns = not significant, \*P $\leq$ 0.05, \*\*P $\leq$ 0.01, \*\*\*  $P\leq$ 0.001

The qualitative data explored with focus groups who they sell to, why they sell to them, and the benefits received, including training, the differences between LBCs and reasons for/incidence of discontinuation of membership. Kuapa Kokoo was the buyer mentioned by the certified focus groups (one group reported 7 years of membership in 2010) and a range of buyers were named in the non-certified group discussions, including PBC, FEDCO, Armajaro, Adwumapa and CMB, as well as Kuapa Kokoo. Their length of sales relationship varies from 1 to 23 years. In Western Region one group of participants mentioned diverse buyers (e.g. PBC, Sika Aba Company and Cocoa Merchant Company) with participation from 2 to 19 years. In 2012 membership of KK ranged from 1 to 14 years in the focus groups and the non-certified farmers again named a range of LBCs (PBC, OLAM and CMB) as buyers or said that they 'floated' and sold to whoever offers cash first.

When asked why they sell to their LBC a number of reasons were given in 2010, some relating to the bonuses, the quantity, quality and timeliness of delivery of material incentives (e.g. inputs on credit, cutlasses, mosquito nets, soap) offered by the company in question and on other occasions it was driven by social and kin relations. The findings are mixed, with some certified farmers noting positive differences in the benefits extended to them by Kuapa Kokoo, and others seeing little differenc with non-certified LBCs. The range of reasons given is varied across the groups. Thus loyalty to a buyer is not exclusive to Kuapa Kokoo and there is varying opinion as to how far the buyer has brought them benefits – amongst both certified and non-certified groups.

Several **factors shape selling decisions.** A farmer may be "indebted to one particular buyer and be obliged to give him his beans. He may choose to sell his cocoa to two or three buyers, spreading the risk that one may default on payment. His choice of buyer can also depend on who its agent is. He may be a relative or a friend. He may trust one more than another. The decision can be a personal as well as a financial one. For most, cash is king" (Ryan, 2011, p104-105). In our

"Kuapa commands the second largest share of the cocoa market in Kwaso. Their major competitor, PBC, is able to purchase more because they have more branches in the villages where most of the farmers have their farms. Kuapa only has one shed in the community". (KK primary society secretary).

focus group discussions both positive and negative opinions about all the different LBCs were expressed. In terms of which is more likely to have **cash available** to buy beans there were diverse opinions. In the eyes of some **Kuapa Kokoo** is not able yet to achieve the economies of scale of some of their competitors. A KK primary society secretary in one village commented that Kuapa is not able to compete easily with PBC, which because of its size has economies of scale.

## Box 2: Summary of factors shaping farmers' decision to sell to a buyer

**Several factors beyond availability of cash influence a producers' decision** about where to sell. In the focus group discussions the following factors emerged most strongly:

- Good inter-personal relationship skills of the purchasing clerk
- A perception of fairer weighing
- Kin relationships (e.g. the PC is a relative or the cocoa farmers relatives have traditionally sold to the buyer in question)
- Good experiences with the buyer in terms of their offer of material incentives or ability to provide support in a time of crisis and access to inputs
- Lack of knowledge of what other LBCs may offer
- Willingness to experiment with other buyers
- Indebtedness to a buyer or desire to spread risk (Ryan, 2011).

### Table 19: Reasons given for choice of buyer & reporting of benefits received

### Bonuses & advance payments

Some certified farmers were positive: "The PC /recorder is able to assist farmers in times of emergency; there is frequent training in post-harvest handling three times a year; due to personal preference; because Kuapa is responsive to farmers' needs; they receive a bonus from Kuapa; Kuapa provide them with boreholes; and because of the good human/interpersonal relations of the recorder" (Western Region certified group, 2010). A female KK farmer said: "Kuapa gives higher bonus than other companies because Kuapa adds small amount to the bonus given by the central government. We do not know much about any weighing practices of Kuapa" (Women's certified FGD, Ashanti Region, 2010). Another group felt that they did not benefit materially from being members of Kuapa Kokoo, but are happy with the training provided by the company (certified, FGD, Ashanti Region, 2010, women's groups). "KK provides advances for farmers to have credit, i.e. from the Kuapa Kokoo credit union. There is also provision of mosquito nets to help in health improvements" (certified focus group, Ashanti Region, 2010).

Other certified farmers were less positive: "LBC's give the same bonus of GHC2 per bag, no advance payments and inputs on credit and no major differences exist" (men's certified, FGD, Ashanti Region, 2010). A women's certified group in Ashanti Region (2010) also said: "Apart from credit there are no main benefits. They are just interested in getting their money which they do get after carrying their cocoa for sale to Kuapa".

A non-certified men's group (Ashanti Region, 2010) said "all LBCs give the same bonus of GHC2 per bag, no advance payments and purchasing clerks are warned not to give an advance (according to the participant who is a purchasing clerk for FEDCO". A similar group said (erroneously regarding the 2GHC bonus) that: "all LBC's give the same bonus of GHC2 per bag, no advance payments and inputs on credit" (men's, non-certified, FGD, Ashanti Region, 2010). "We agreed to this initially, because the price of cocoa was the same everywhere because it is determined by the government. We get bonuses, but we are not sure of their source". One woman said, "the CMB takes care of the transportation of cocoa from their homes to their depot (women's, non-certified, Ashanti Region FGD, 2010). Few farmers are able to compare fully between the different LBCs, although most are aware that payments are relatively similar: "Fedco and CMB, - cash payment and help in terms of credit – this is why we joined. All buying companies have the same price for cocoa. There is nothing like advance payment to women but they cannot tell for the men [those selling to FEDCO]. However, CMB gives advance payment. Pesticides for farming are obtained for them to buy by the PC of CMB and Fedco. We arrange transportation of cocoa from farm to the house ourselves, and not the PC. There is nothing wrong with the weighing practices" (women's non-certified FGD, Ashanti Region, 2010). "There are no benefits at all" (two non-certified groups Western Region, 2010) said one group"

### **Access to loans**

Two of the women in a certified women's FGD, Ashanti Region, said that the PC KK helps them to obtain loans. All the participants in a certified FGD, Ashanti Region said: "there are benefits from the purchasing clerk in terms of advice and assistance in their family problems". Similarly, the non-certified farmers, in Ashanti Region, said that CMB and FEDCO also help them to access to loans.

#### Other material incentives

Certified farmers in Ashanti Region said that: "Those who sell to PBC say it is the only government buying company and they give many bonuses".. But Kuapa "undertake development projects, such as corn mill, provide cutlasses, undertake training for farmers on production techniques". Other certified farmers in Ashanti Region (2010) said they had 'only been given free cutlasses', indicating limited perceived benefit from KK. In one certified focus group (2010) the farmers were fairly critical of KK saying that: "Kuapa Kokoo has however not helped farmers and the community in any way such as payment of bonuses, provision of boreholes, etc. Regardless of this, majority of farmers are KK members". At the same time they did state that the conventional methods of post-harvest handling facilities are no longer in use, due to the improved methods introduced by KK. In 2012 one certified group, Ashanti Region, mentioned that their buyer provided support to farmers, and training on snail farming, whereas another certified group in Western Region said that Kuapa Kokoo provides them with a cutlass, a bonus, social projects, and advance payments, which are deducted when the farmer sells to the recorder. Further, the purchasing clerk and recorder assist farmers in emergencies.

Non-certified participants said they had received incentives (e.g. those selling to PBC said they had receive mosquito nets and fertilizers on credit, and those selling to FEDCO had received similar items, plus soap on credit. Other non-certified farmers noted that KK provides cutlasses, whereas PBC did not, although one non-certified farmer in a separate focus group discussion reported receiving soap, mosquito nets, rice for free and cutlasses at reduced prices. Other non-certified farmers said that their LBC does not provide them with any services and this was also reported in 2012 by two non-certified groups.. Some non-certified farmers have been selling to 'their' LBC for many years (e.g. two women said they had sold for 20 years to the same LBC), and so loyalty to a buyer is not the exclusive preserve of KK. Farmers in two non-certified focus groups said that the LBCs that they sell to "do not give us anything apart from the proceeds we get from our produce. They give us nothing" and "They do not supply us fertilizers on credit" (Western region, 2010).

## Trust in the Purchasing Clerk & Social and Kinship Ties

In a certified women's FGD, Ashanti Region, the participants said that Kuapa Kokoo had begun buying in their village about four years ago. One participant said she sells to KK because the PC is "a person who cares about cocoa farmers". Participants in one certified focus group (Ashanti Region, 2010) said that the KK PC is a 'good person', 'kind and understanding', but they could not name specific examples of premium projects.

Members of a non-certified Ashanti group were split on the reason for choosing a buyer. Half said that: "PBC gives a lot of bonuses" - the rest said they joined their respective companies because the purchasing clerks were close friends. One non-certified farmer said she continues to sell to CMB after her mother died. In 2012 a certified group said that "the human relations of the Kuapa PC is good hence he is able to attract more members" (Ashanti Region, FGD). Another group reported that one of their members joined Kuapa because the woman's husband was staff of Kuapa, but she switched to CMB when he got some help from CMB.

## **Proximity**

In a separate non-certified FGD, Ashanti Region, one participant who sells to CMB, said their buyer is the closest LBC to her house and it is this proximity which led her to sell to CMB.

### Interest of farmers to compare the performance of different LBCs

One person said he moved from PBC to FEDCO to have "a taste of different LBCS".

We also asked in the FGDs specifically about any **training** provided by the LBCs and Kuapa Kokoo. In the certified focus groups there was mixed opinion regarding training, with some FGDs reporting no training or that some KK staff receive training but they do not share this with members, but one certified group was positive, explaining how the recorder is trained and passes on the knowledge on proper management and post-harvest handling etc. Many of the non-certified LBC focus groups reported that they did not receive training, although some mentioned cocoa production and quality

management training being provided. A gender dimension emerged in relation to both certified and non-certified groups, with some women farmes reporting that men are more likely to attend the training than them and they did not know much about it.

### Table 20: Qualitative data on training provision

## **Certified FGDs on training**

One certified men's group said that they had not had any training, and another Kuapa Kokoo group said that: "There is no training from kuapa to cocoa farmers. They use their own skills". One KK farmer said that some executives of Kuapa are sent to Kumasi to be trained but when they return they do not share with other farmers what they have learnt". In 2012 a women's certified group, Ashanti Region, said they did not recall any training led by Kuapa, whereas another group said that Kuapa does training for its farmers but did not provide details of the topics. A men's certified group in Western Region reported positively that: "the recorder undergoes periodic training and in turn trains farmers on the proper management and post-harvest handling of the cocoa once a year. Some topics treated include post-harvest handling (drying, fermenting, cocoa husbandry, and cultural practices in disease/pest management — removing brances, thinning, disease control). These trainings have caused significant improvements in yields".

### Non-certified FGDs on training

From the non-certified focus group discussions there was also little training on offer from their LBCs. One men's non-certified group (2010) reported that they had had no training", but another men's non-certified group (2010) reported that: "Armajaro gives quarterly training on how to improve cocoa production. One participant said he had personal training sessions with the PBC purchasing clerks". In a female non-certified FGD in Ashanti Region (2010) the participants reported that there had been "no training for women because they do not attend meetings in FEDCO. However, for CMB there are no meetings at all [hence no training is provided]. Similarly, another women's non-certified group in Ashanti Region (2010) said they had "no idea about any training, because they don't have time to attend meetings of CMB. However, our husbands attend, but they do not discuss with us what happens at these meetings". One woman in the same group said: "I have no time for meetings, because I am busy with trading". In the Western Region some non-certified farmers reported that their LBCs had provided them with some training on "the drying and fermentation processes of quality cocoa beans once in a year. All farmers attend. It has led to an increase in yields and production of quality beans". In 2012 non-certified farmers in Ashanti Region reported that they "do not get any training from any of the OLAM, Armajaro, Kuapa or CMB. They prefer to float and not stick to any of the LBCs". One non-certified group in Ashanti Region reported that "CMB members have not gone through training yet".

Views on the **differences between the LBCs** were solicited in the focus group discussions. A mixed picture emerged, with some certified groups identifying specific positive aspects of selling to Kuapa Kokoo's, but others (especially women's groups) being unable to identify differences. Several noncertified groups reported that PBC is more able to pay farmers on time for their cocoa compared to Kuapa Kokoo, which sometimes struggles in this regard. Quite often farmers said that they were unable to compare properly between the LBCs (including Kuapa Kokoo), because they only have direct contact with their own buyer(s).

### Table 21: Differences between the LBCs

#### **Certified FGDs**

One certified group (Ashanti Region, men's group, 2010) were positive: "Kuapa Kokoo frequently visits the farmers, give bonuses, cutlasses, have high quality standards, corn mill provision for the society membership, but used by all members of the community. All users however have to pay for use. The structure to accommodate the corn mill was however provided by the members from their accumulated bonuses". Similarly, a women's focus group compared between LBCs: "PBC, FEDCO, Adwumapa. Kuapa visits farmers to find out how they are faring health wise etc. that makes the difference from the others. Kuapa Kokoo is fair and transparent in their dealing e.g., they make regular bonus payments. Weaknesses of Kuapa: the function of

KKCU leaves much to be desired. There is a delay in the provision of wellington boots. KK should deliver promptly on their words and make KKCU more effective. There should be better ways of controlling pests and diseases on farms, etc". However, two certified women's focus groups said that they could not identify differences between KK and other LBCs, and three members of another certified group said the same (2010).

In 2012 one certified group (Ashanti region, women's group) said they saw no difference between the LBCs, and another (women's group, Ashanti Region) concurred with this, although they said it does depend on the LBC as some provide limited support to farmers. One certified group (Men's group, Ashanti Region) was more positive and reported that: "Kuapa ensures that the quality of the cocoa is up to standard. Especially the application of chemical and post-harvest handling. Other licensed buying companies do not provide those services to their members". A certified men's group (Western Region) was also positive and said Kuapa was characterized by: "Prompt payment for the cocoa purchased, regular trainings, cordial and excellent interpersonal relationships of the PC/recorder, premium/bonus payments".

One certified group in Ashanti Region reported various dimensions of difference: "They also commented that Kuapa had had problems with the credit union in terms of access to their monies. The passbooks of members were not regularly updated for the proper recording of deposits. It was suggested that the Kuapa Kokoo Credit Union should be restructured and its activities regulated to make it more disciplined and responsible to the financial rules and needs of its members. Education on child labour is not good enough and some incentives are promised and are not received. This is the trading businesses where there is no cheating, such that all profits are made available to farmers i.e. transparency and all incentives promised are delivered. This came to our knowledge upon joining Kuapa".

#### **Non-certified FGDs**

One non-certified group reported that: "For CMB and Fedco, they agreed that there are no differences and for the other companies they do not know". Another group were positive about CMC: "The CMC pays bonuses and supplies fertilizer on credit on time, more than other 'LBCs" (non-certified group, Western Region). While many FGD participants could not identify differences, some noted the ability of PBC to access funds to pay on time: "Those who sell to both PBC and Kuapa say PBC pays instantly, but Kuapa Kokoo does not. Purchasing clerks in PBC are given enough money for effective buying at all times" (Ashanti region, 2010). Similarly, two participants in another group said that: "PBC is better than others, because it gives bonuses regularly, but the rest said there is no difference amongst the various LBCs".

One non-certified women's group thought that possibly Kuapa Kokoo are fairer in their weighing practices, but there were no clear differences on prices and additional payments: "They also agreed that cocoa prices are the same for all the LBCs. One woman added that PBC adjusts the scale to the farmers' disadvantage. Majority also stated that they could not tell if KK does same. They however continued that through discussions with farmers selling to other LBCs, they are able to deduce that KK does not adjust the scale". For many farmers it is difficult to compare between the LBCs as they do not deal directly with ones other than their own buyer. For example: "We do not know of any differences, since we do not deal with other LBCs" (non-certified group, Western Region).

Focus groups were asked for their views on if and why they had **discontinued membership** of their Kuapa primary society or relationship with the LBC. The behaviour of purchasing clerks was mentioned as a reason for farmers leaving both Kuapa Kokoo and other LBCs by non-certified FGD participants, including 'weighing

"With Fedco, no farmer has stopped selling to the PC. For CMB, participants could not tell the reasons even though there was awareness that some farmers are not selling to the purchasing clerk anymoreC" (women's group, non-certified group, Ashanti Region, 2010).

irregularities for the latter (2010). Many of the farmer FGDs reported that they did not know if and why farmers discontinue membership of KK, but said that they did know of farmers who had left. One woman said perhaps it was because farmers wanted to try other LBCs, and another said that

she knew of farmers who had joined PBC because of KK's inability to provide advance payments (Women's, certified focus group, Ashanti Region, 2010). One set of non-certified farmers said that CMB had problems with cash payment.

In 2012 the reasons given for leaving the existing buyer were competition from other LBCs (two certified groups, Ashanti Region), especially in times of emergency. A certified men's group in Western Region (2012) mentioned that as well as the "high competition in the cocoa buying business, new entrants poach Kuapa farmers", that "when farmers default on their advance payments, they do not return to Kuapa". Also they said: "There is the issue of proximity". One group reported on the problems that CMC had experienced with not being able to pay cash on time, and farmers becoming dissatisfied.

# 5.17 Overall change in status and expected change in the future

The questionnaire survey included an overall assessment of **change in status** by farmers and expected **change in the future**. The baseline survey results indicate that on average both certified and non-certified farmers perceived they have become better off over the past two years, but, **significantly more certified farmers than non-certified farmers reported an improvement**. Certified and non-certified farmers **both** expected that they would be better off in the near future. The farmers were also optimistic about their children's future. Certified farmers did not think that the position of women had changed, but non-certified farmers reported on average, a deterioration in the position of women. However, this difference in perception was not significant.

In the final survey (table 22), there was a significant difference in reported changes in wellbeing with Fairtrade-certified producers reporting a slight improvement and non-certified producers reporting a deterioration of general wellbeing over the past two years. Non-certified producers reported a significantly larger deterioration for women over the past two years than Fairtrade-certified producers. Certified and non-certified farmers both expected improvements in their circumstances in the near future. Both groups also remained optimistic for their children's future, but significantly more certified farmers expected an improvement for their children than non-certified producers.

Table 22 Farmers' assessment of change in status. 2012.

	No certification	FT certified	Sig
N	345	352	
-1 = decrease / deterioration; 0 = no change;	1 = increase /	improvemen	t
In the past 2 years, did you become better off	-0.25	0.02	***
In the near future, will you become better off	0.79	0.77	ns
In the past 2 years, did the women become better off	-0.26	-0.12	*
How will you children be in comparison to you	0.91	0.97	**

Sig = Significance of differences between groups (based on Mann-Whitney test): ns = not significant, \*P≤0.05, \*\*P≤0.01. \*\*\* P≤ 0.001

#### 5.18 Poverty/wealth indicators

In order to understand where farmers are located on a scale of poverty and wealth, the focus group discussions explored local perceptions of indicators.

**Table 23 Wealth indicators** 

Category	Wealth indicators noted in 2010	Wealth indicators noted in 2012
Better off farmers and households	Being able to feed yourself and family and extending them support; having children and number of wives; being able to educate children; higher education; bigger houses (made of blocks) and buildings; a bigger, well taken care of farm or farms, producing more cocoa, which also provides more bonuses; being able to afford farm inputs; number of livestock; maybe having a vehicle (car); being able to contribute on occasions and sponsoring public goods (e.g. toilets, electricity transmission poles); and doing business not farming and thus being able to get credit from banks. The rich are also cocoa farmers, but comparatively they are able to expand their farms quickly and buy inputs to improve the farm and increase yields. In one Western Region focus group they also mentioned that richer households have roofing with aluminium sheets, whereas poorer houses have thatch only. The rich also eat more nutritious meals, compared to poorer households who do not have balanced diets. The better off can afford quality health care and send their children to better endowed schools.	Having a big house, a vehicle, and make investments in their farm, are able to support the immediate and extended family, having gainful employment, being able to pay for children's education, a good harvest and can contribute financial to community development projects (certified and non-certified groups).
Poorer farmers and households	Poorer farmers have smaller mud houses and smaller farms, because they have no money to hire labour and it is hard for them to obtain credit, having no access to land and farms and being unemployed and sometimes involved in trading and sometimes in begging. Those involved in divorce can also suffer financially. The majority of the poor people are casual workers as well as cocoa farmers, according to one focus group. One woman said that poor people still use the same amount of inputs since joining Kuapa Kokoo, of which she is an example. One focus group discussed the position of the disabled and the mentally ill as being poor. Migrant farmers are also in a difficult position sometimes. Some farmers said that it is not possible to openly admit to being poor, but that such persons may be less able to pay full amounts of levies and taxes.	Poorer groups do not have household assets, such as property (farm or house) or money (or sources of income) and they are unable to contribute to family education and community development. Further, poorer families do not engage in farming, are unemployed and are unable to get married (certified and non-certified groups).

#### 5.19 Gender roles

In terms of the **gender division of labour**, a fairly mixed picture emerged. There does not appear to have been a significant transformation in gender relations, which are underpinned by entrenched gender norms, at the household level as a result of Fairtrade. However, this is not to say that Kuapa Kokoo is not achieving progress on relevant indicators, such as women's representation in a producer organisation, as compared to non-certified LBCs (see section 7 for further analysis of producer organisation level strategies and inputs in relation to gender empowerment).

Cocoa is a 'socially important food crop for both men and women. The income from cocoa is relatively large (with cocoa's share estimated at between one-half and two thirds of total cash income) (Solidaridad-Utz Certified, 2009). Drawing on secondary data, the Solidaridad-Utz Certified study provides a profile of women in cocoa production in Ghana. The average age of women working in cocoa is 52, and they are more likely to live in female headed households, which are larger than average. Women usually marry young and it is not uncommon to divorce and re-marry. They have on average 6.4 children and an average life expectancy of 58 years. Many women in cocoa are widows and therefore single parents. In terms of education women generally have less access to

education than other farmers and 40% of women in Ghana cannot read (IFPRI, 2002). Although education is compulsory, poor households cannot always afford to send their children and schools may not always be available (Solidaridad-Utz Certified, 2009). In terms of HIV/aids for adults aged 15 to 49 there is a prevalence rate of 1.9%, with 60% of infection persons being women (ibid).

Traditionally, production of this cash crop has been the domain of men, with revenues controlled by male heads of households. Although cocoa is mainly grown by men, women are very much involved in production (Solidaridad-Utz Certified, 2009). In Ghana 22% of female headed households grow cocoa and 18% of female landholders (Solidaridad-Utz Certified, 2009 citing Doss, C.R. 2002).<sup>33</sup> Usually, women cocoa farmers have both smaller plots and lower returns per hectare. Where both husband and wife produce cocoa, women tend to obtain lower yields (Solidaridad-Utz Certified, 2009).

Table 24: Women in cocoa production

Category	of	Gender roles
women		
Wives cocoa producers	of	Active involvement in most stages of the production process, especially post-harvest activities, such as collecting and transporting harvested pods from the fields, taking beans out of the pods, drying and sorting. Men's jobs include climbing trees, pruning and applying agrochemicals. Women's labour important when cocoa trees are young and are cultivated together with food crops (IFPRI, 2002). Women do weeding, which is important for tree growth. Men tend to do heavier tasks. To remove beans from the pod husks, women tend to use a masher. Where a machine is used this is done by men. Female spouses are rarely involved in farm management. Men sell cocoa and receive revenues, while women manage income from food and market gardens. Men pay part of the family's expenses and sometimes pay their wives at the end of the season (in cash or in kind, fairly random calculation). Although men and women conduct different tasks, the time invested is similar. The distinction between traditional tasks for men and women becoming less clear as women take on activities previously undertaken by men. But adding these tasks to traditional roles of food growing, post harvest activities and household chores, strongly increased women's workload. Pregnancy and illnesses are not often seen as sufficient reasons for not working.
Women	а	In West Africa cocoa farms are increasingly run by women, largely due to age differences between husbands and wives (leading to a high number of widows), HIV/aids, social conflicts
farm Remunerat workers		and male rural-urban migration. 15 to 20% of cocoa farms owned by women in Ghana.  Day labourers: In general women earn lower wages. The best paid jobs are usually for men, who are regarded as being stronger. Female hired labourers often sort and sift beans on the drying tables.  Employees of the cooperative office: Women hired by cooperatives usually work as a secretary or cashier. Whether a man or a woman is hired depends on the season. A difference was found in the way temporary labour was remunerated – men are generally paid by the day, women by the task.
Young g and boys	irls	Young girls are practically invisible in the cocoa chain. After school they tend to help their mothers with household and food production tasks. They rarely receive a plot of land to cultivate on their own account. After marriage, they help their husband on his fields, cultivate food crops and under other subsistence activities. Young boys share men's tasks on the cooca plantation. When going to school they contribute to production during the school holidays. If land is available in the family, they obtain a plot from their father to cultivate on their own account. Young men without land often rent their labour to others. In the low season they work on food crop production.

Source: Summarized from Solidaridad-Utz Certified, 2009

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<sup>&</sup>lt;sup>33</sup> Doss, C.R. (2002) "Men's crops? Women's Crops? The Gender Patterns of Cropping in Ghana", World Development, Vol. 30, No. 11 pp 1987-2000.

In terms of the gender division of labour and cocoa production there did not seem to be any particular patterns emerging when comparing the certified and non-certified groups.

"Farming is our main source of livelihood and cocoa production is dominant in the community. However, females tend to focus on cassava, plantain, maize, etc that is food crops. We also do weeding to maintain the farms. Non-farming activities include sale of cooked food and general trading in raw food stuffs" (Women's FGD; Western Region, 2010).

"Women undertake only preparation of food and carriage of cocoa during harvesting of the crop" (men's FGD, non-certified group, Ashanti Region, 2010)

"Women undertake the preparation of food, carriage of cocoa and drying of cocoa". A different women's group (Men's group, Ashanti Region, non-certified) stated that there are no differences in what women and men do: "Cocoa cultivation was done by our mothers and grandmothers and so we are continuing the tradition".

"Men clear the land, whilst women do the planting with the help of the men and children. The trend is not changing at all" (men's FGD, Western region)

"Men buy seeds and women do the sowing. They all weed and do the same work and this has been the same for a long time". "Men do the first weeding, which is normally very hard work" (certified women's FGD, Ashanti Region, 2010).

A certified group reported that regarding the "application of chemicals, our husbands are responsible for this". Women do not spray or prune cocoa of mistletoe (mixed non-certified group, Ashanti Region, 2012).

A continuation of the traditional gender division of labour was reported by some focus group participants. However, a handful of focus group discussions indicated some changes are occurring. For example, in the Western region farmers said: "some women are clearing their own lands ... where no male labour is available in the family and women had no money to undertake hired labour". Other groups in Ashanti region said: "Previously women used to just prepare food and do a few things on the farms. However, we all do the same work now" (men's non-certified FGD, Ashanti Region, 2010). A women's group were in agreement that "Women and men do the same work now. However, the women at first used to uproot weeds while the men do the land preparation and other hard work on the farms" (non-certified women's group, Ashanti Region, 2010).



Photo: A caretaker harvesting while his wife gathers cocoa

In 2012 a similar picture was reported of overall continuation of the gender division of labour, but some changes were occurring, particularly where women own their own land. Women are mainly engaged as labourers, collect cocoa pods at harvest time and do some of the weeding as a spouse of the landowner (certified women's FGD, Ashanti Region). Women who own their own farms engage in all activities, including clearing the land, planting, weeding and the younger and more energetic even harvest, spray and apply fertilizers on their own. Both men and women engage in breaking the pods, fermenting, transporting to the house (head portage) and drying and selling according to one group. Some women (e.g. widows who own their own land, but have insufficient access to labour) engage hired labour to do more difficult tasks (certified men's group, Ashanti Region). Men generally plant the cocoa and do the weeding and harvesting. Some women intercrop cocoa seedlings with the food crops which they are responsible for (certified women's group, Ashanti Region).

A whole range of constraints face women in cocoa production. See the table 25 below summarizing the findings from a Solidaridad-Utz report (2009) on women in cocoa production in West Africa.

Table 25: Challenges for women in cocoa production in West Africa

Constraints	Causes	Opportunities/solutions
Limited access	Limited access to information	Stimulate coop membership
to cocoa	Distance to markets	Improve infrastructure and transport
markets	Lack of infrastructure and transport facilities Lack	facilities
(reliance on	of coop membership	Training on good post-harvest
intermediaries	Lower quality and quantity of cocoa	practices to improve quality
and lower prices)		Improve access to inputs and credit
Limited access	New agricultural knowledge and innovations are	Use approaches that are better
to training and	often not addressed to women	directed to women
information	Little attention for specific needs of women	Make training accessible for family
(extension	Lack of coop membership	members of cooperative members
services)	Lack of time because of other tasks	Recruit female advisors and rural
	Little awareness of opportunities for training	extension services
	Cultural barriers	
Limited access	Land tenure structures	Adjust heritance laws
to land	Heritance laws and traditions	Apply existing laws better
		Inform women about their land rights
Limited access	Lack of house title, land title, production of a	Forming associations of women to
to credit	profitable cash crop	obtain credit more easily
facilities	Approval of husband required	
	Credit schemes are often directed to associations	
Limited access	Only producers (land owners) can become	Awareness raising of men and women
to cooperative	members	separately,
membership	Lack of information on the benefits of cooperative	Capacity building of cooperatives on
decision-	membership	the issue of organisation
making bodies	Exclusion/discriminatory practices. Lack of time	Address gender specifically in statutes,
	Illiteracy	internal rules and other documents
	New laws make organisation in cooperatives more	(e.g. non-discrimination)
	complex	

A key challenge is women's access to land. In the past when a man died, the wife tended to inherit a very small portion of land and she relied on her male relatives who inherited most of the land. According to an analysis by Solidaridad-Utz Certified (2009) this situation is changing, with a change in legislation in the mid-1980s which determined that a third of the deceased's property would go to the widow, one third to the children and one third to the extended family. However, many women are unaware of this law. In the Western region there has been an increased demand for cocoa and more labour intensive and land-saving farming systems have emerged, with greater transfer of land

to wives and daughters through gifts, as their economic value and bargaining power intensifies. (Solidaridad-Utz, 2009).

In terms of **control of cocoa income**, most of the focus group participants (certified and non-certified) said that either there are joint discussions between women and men about how to spend the household income or men, as heads of the household, make the decisions — with or without consultation of women in the household. No real pattern emerged correlating one approach or the other with certified or non-certified farmers. As per the differentiation identified in the Solidaridad-Utz certified study, land ownership influences control of the income.

"Males control the income from the produce because the men own the land, put in inputs, etc and thus have to control the proceeds. But this varies if the women have played key roles in getting theand inputs for production. The money is used in house construction, funerals, stores, etc. Use of money for multiple wives is no longer acceptable due to poor standards of life from such activities" (mixed FGD, KK)

In terms of women's membership and participation, recent figures were supplied by KK indicating that 67.84% of members are male, and 32.13% are women. However, we were not able to obtain earlier figures for women's and men's membership, because Kuapa Kokoo did not have this data available. Therefore, it is hard to see the trend, but from the qualitative research and key informant interviews it does seem that women's membership in the certified organisation is increasing. In the non-certified organisations we were not given a gender disaggregated breakdown of farmers selling to the LBCs, but there is no specific effort made on their part to increase women's membership according to the focus group discussion findings. Progress

"Yes there are women farmers, and there are several of them that are Kuapa members, even at the executive level" (Certified focus group, Ashanti Region, 2010).

"Women participate in Kuapa and over the years their representation is improving" (Certified, men's group, Ashanti Region, 2010)

"There are more men than women in Kuapa. However, women's membership is increasing because when a husband joins Kuapa he ends up pulling the wife a long to join too" (certified focus group, Ashanti Region, 2010).

"KK is open to everyone regardless of sex. Women's membership has increased from five (5) to sixty (60) since Kuapa started, though the men are still more than the women. Women are also taking up leadership positions now as there is a female executive in their community who was appointed two years ago" (Certified, women's group, Ashanti Region, 2010).

"There is high women's membership with one of them being an executive member" (Women's certified focus group, Ashanti Region, 2012);

"Membership of KK is increasing and 2 women are members on the executive. Men make up about 75% of membership" (men's certified focus group, Ashanti Region, 2012).

appears to be more rapid in the certified organisation than the non-certified LBCs. This is because Kuapa Kokoo set a target of two women on every primary society committee. Certified farmers reported positively that women are free to join Kuapa and that they are represented in official positions.

In comparison, in the non-certified groups a mixed picture emerged, with some groups noting increased women's participation, and others saying there were unsure, or that women did not attend.

In 2010 some participants said that women's membership was increasing: there is "no obstacle to women joining as long as they cultivate cocoa" (non-certified, male focus group, Ashanti Region, 2010;

"For Fedco, more women have been added. This is because husbands come with wives to join" (non-certified, men's focus group, Ashanti Region, 2010); "Women are represented. It is improving" (non-certified, men's group, Western Region, 2010).

However, other groups were much less certain of improvement: For example: one individual in a FGD sells to CMB, but was not sure of the position of women in terms of membership position" (noncertified, men's focus group, Ashanti Region, 2010);

"Many women do not attend meetings of CMB. So they did not have knowledge of their representation" (non-certified, women's focus group, Ashanti Region, 2010);

"Women are represented, but we are unable to give you numbers" (non-certified, men's group, Western Region, 2010).

Beyond membership and attendance levels at meetings it is important to understand **how far women are confident and feel able to speak up during meetings.** The feedback from certified groups is generally positive, with women freely speaking up, although one women's group said that they do not hear about meetings and so their participation is low. Experiences in the non-certified groups are more variable, with two groups stating that women do not attend and that it is the responsibility of their husbands or the caretaker farmer.

Table 26: Women's attendance at meetings and ability to speak freely

# Comparisons Qualitative data Certified

- "Women attend meetings and are able to speak up" (Certified, men's focus group, Ashanti Region, 2010).
- "There is no meeting for Kuapa members in Siribuoso and therefore neither women nor men attend meetings" (Women's certified focus group, Ashanti Region, 2010).
- "KK meets them four times in a year to discuss issues relating to the company, which we all attend
  with our husbands. Women are given an equal chance to speak up at such meetings. But two of our
  husbands are PBC members" (Certified women's focus group, Ashanti Region, 2010). A different
  women's group in Ashanti Region (also certified) said that "Women attend meetings when they are
  called".
- A men's group reported that: "There is a six member executive position at the PS level. Two of these
  are held by women. There are treasurer and executive member. The participation of women is high
  during meetings".
- Women farmers in Ashanti Region (certified focus group): "Women claim they do not hear about meetings when they are scheduled. Participation is therefore low. Meetings are irregular".

#### Non-certified

- "Both men and women attend meetings. Women are able to speak out" (Non-certified, men's group, Western Region, 2010).
- "Women and men can attend meetings, and women can speak out on all matters if they wish" (Non-certified men's group, Western Region, 2010).
- Three women said that "they are seen as helpers to their husbands and for that matter attending CMB meetings is the responsibility of their husbands. For another woman, the caretaker goes for

- the meetings" (Women's non-certified group, Ashanti Region, 2010).
- "Yes if they are farmers, and are even more outspoken" (non-certified, men's group, Ashanti Region, 2010)
- "Women do not attend meetings was the consensus". No consensus was reached on the reason for this. Lack of time on the part of women to attend meetings was mentioned (Women's non-certified, focus group, Ashanti Region, 2010).
- "Both women and men attend meetings and everyone is able to express their concern at such meetings" (Non-certified, men's focus group, Ashanti Region, 2010).

As reported in section 5.17 the questionnaire survey results (final survey) indicate that non-certified producers report a significantly larger deterioration for women over the past two years than Fairtrade-certified producers in terms of wellbeing. Thus, while Fairtrade certification may not have led to a transformation in the position of women, it has made more progress than the non-certified LBCs.

# 5.20 Farmer views on challenges in cocoa production

Farmers were asked in the qualitative research about their perceptions of the major challenges they face in cocoa production. Several issues were raised frequently by groups — whether certified or non-certified, including the challenges of obtaining hired labour and the high costs of labour. The high costs of inputs and also a poor quality of inputs were widely noted. Difficulties in accessing credit were noted by certified and non-certified farmers, including complaints by one group regarding the transparency of Kuapa Kokoo's credit scheme. Limited access to pre-finance was also mentioned, as well as inadequate land availability, low prices, poor weather conditions, hazards such as snakes, lack of food prior to cocoa sale, and poor roads. There does not appear to be a change over the period of the study in the types of challenges being identified by farmers, or a clear difference between certified and non-certified groups. Many of these issues are essentially institutional (e.g. lack of access to and control of land) and structural (e.g. poor infrastructure) which lie beyond the capacity of Fairtrade.

Table 27: Farmers' perceptions of the challenges they face in cocoa production

# Certified

- "High cost of fertiliser; Weeds; Lack of quality of inputs" (certified, men's group, Ashanti Region, 2010).
- "All agreed that their main challenge is lack inadequate money to hire labour. Also, one woman said the inability to access pesticides. For another woman bad soil and no money to buy weedicides. Another woman said bad weather conditions do affect her farm sometimes. We think that farmers need training, and money to help improve farming. There is a need for better PC's. Our main challenges are bad weather, pest and disease attacks, the high cost of labour, bad transportation and high cost of pesticides and weedicides. Weeds are the main problem on our farms. Further, diseases were also mentioned as another major problem. Also, as they weed alongside casual labourers, they get very tired. One woman also stated that she sometimes takes her children to the farm, which most of them admitted to. The children are between the ages of 8 and 18. This does not however disturb their schooling as they only go to the farm on weekends" (Certified, women's group, Ashanti Region, 2010).
- "Some seedlings die and have to be replaced. High cost of labour for weeding at GH3.5-4 for males, GH3 3.50 for females per day. Cocoa diseases. Farm inputs. Credit problem" (Certified, men's focus group, Western Region).
- "Labour, pests and diseases, labour costs vary. Male 14, Female 3. No child labour" (Women's certified focus group, Ashanti Region, 2010).
- "Farmers do not have access to credit and inputs are expensive. Although Kuapa provides inputs, it is at a high cost and farmers are unable to afford. The women complained that chemicals are provided

- on bits. "If they can give us a whole bottle instead of the 'tots' that will be better said one woman (Certified group, Ashanti Region, 2012).
- "Unavailability of low cost inputs. Unavailability of credit for cocoa production" (Certified, men's group, Ashanti Region, 2012).
- "Inputs are expensive so we are not able to spray their farms as required. Hired labour is also expensive. They do not have access to credit to enable them to buy inputs" (Certified, women's group, Ashanti District).
- Inputs are not available. We buy some inputs which are mean to be free (GOG funded) on the black market. Some of the chemicals are adulterated. Credit is not easily available and KK credit process is not transparent. According to one of the farmers they started making contributions towards a credit scheme and until now they do not know what become of the monies they paid. Safety clothing and land for expansion are not available" (Certified, men's group, Western Region).

# **Non-certified**

- Two non-certified Ashanti Region groups (2010) outlined the following as key challenges: "Finance, farming inputs, pre-financing, low price"
- "High cost of labour, pesticides and weedicides. The government should help aged cocoa farmers in giving them retirement benefits for contributing to the development of the country. More pesticides and weedicides should be made available at lower prices to farmers. Loans should be provided to farmers to help them expand their farms" (non-certified, women's group, Ashanti Region, 2010).
- "Bad/poor road network. Difficulty in getting farm inputs. High cost of living" (Men's non-certified focus group, Western Region, 2010).
- "Inadequate land for farming, hazards on the farm such as hurting oneself and snake bites, lack of start-up capital and food to feed on before the cocoa starts yielding" (Non-certified, men's group, Western Region).
- "There are challenges in getting hired labour" (Non-certified focus group, Ashanti Region).
- "Lack of credit and financial problems. Labour intensive and ageing farmers, less strength. Inability to
  hire labour because the high cost of labour. Extreme weather or bad and unreliable weather. Ageing
  and dying cocoa trees. Deforestation causing harsh climate. Inputs are not made available at the
  right time in the season hence the cocoa is not able to yield even if chemicals are applied" (Noncertified, women's group, Ashanti Region, 2012).

A significant difference was found in reported changes in wellbeing with **Fairtrade-certified producers reporting a slight improvement and non-certified producers reporting a deterioration of general wellbeing over the past two years** (see section 5.17). Certified and non-certified farmers both expect improvements in their circumstances in the near future. Thus, the questionnaire data indicates the Fairtrade and Kuapa Kokoo have helped to sustain cocoa farmers who are struggling with rising input and food costs to a certain extent and more than those linked to non-certified LBCs. However, this does not represent a step change in poverty/wealth, and according to cocoa farmners there are still many challenges facing them.

# 5.21 Farmers' views on the sustainability of the cocoa industry

Focus groups were asked how they saw the sustainability of the cocoa industry. Many did not want their children to continue in cocoa farming, and gave reasons such as lack of land for farming, or said that their children were not interested in cocoa farming. These views were common across certified and non-certified groups in 2010 and 2012. Only one certified group said that women will encourage children to enter cocoa farming as it has a "longer lifespan" and "sustainable source of income".

# Table 28: Farmers' views on sustainability

#### Certified

- "The future of cocoa production as far as the youth are concerned is mixed. Some aspire to be cocoa farmers while others are not interested. Rising temperatures linked to excessive tree cutting in the community" (women's certified focus group, Ashanti Region, 2010).
- "We do not want their children to farm. The children don't also want to farm even, preferring business and city life" remarked one participant (Certified, men's group, Ashanti Region, 2010).
- "Generally we do not want children to farm because as farmers we have not been able to improve the quality of their lives" (Certified, women's group, Ashanti Region, 2010).
- "We do not want their children to be involved in cocoa farming. There is not enough land for farming. Children do not want to be farmers in the future. We want to school to be gainfully employed in other fields in the future" (Certified, women's group, Ashanti Region, 2010).
- "We do not want their children to be cocoa farmers due to the unavailability of land for their children to farm on. To improve KK, we suggest that services such as inputs, credit and educational scholarship for our children should be provided by the company" (Certified, women's group, Ashanti Region, 2010).
- "Women will encourage their children to go into cocoa farming as it has a longer lifespan and relatively provide a sustainable source of income" (Women's certified focus group, Ashanti Region, 2012).
- "Farmers will not encourage children to engage in farming, but will rather go to school" (Certified, men's group, Ashanti Region, 2012).
- "Farmers will not support their children becoming cocoa farmers. There is no land anymore, we as parents want to get away from farming, why will the children want to grow up and go into farming." (certified, women's group, Ashanti Region, 2012).
- "Where is the land for the children to farm on, even if they decide to farm?" Asked the participants (men's group, certified, Western Region, 2012).

#### Non-certified

- "No. We do not want to grow cocoa. Our children see us as poor men and are not interested in cocoa farming" (non-certified, men's group, Western Region, 2010).
- "No" as parents we will want our children to take to cocoa farming. We do not want to grow cocoa. We want our children to go to school" (non-certified, men's group, Western Region, 2010).
- "I do not want children to become farmers because not rewarded; children not interested either, if the children are interested I would encourage them to take up farming" (men's, non-certified group, Ashanti Region, 2010).
- "We do not want our children to be involved in farming at all. The children themselves do not want to farm either. Some have even travelled out of the village to attend school without returning during vacations because they do not want to farm (Non-certified, women's group, Ashanti Region, 2010).
- "We do not want their children to grow cocoa and the children are not also interested in farming in the future" (Non-certified, women's group, Ashanti Region, 2010).
- "Children will be encouraged to plant but they do not want to due to the current conditions. Children want to be part of the cocoa and are happy to be involved in the family farms especially when its activities are booming" (Non-certified mixed group, Ashanti Region, 2012).
- "We will not encourage children to grow cocoa. Children are not willing to participate in cocoa farming. Even by the time they grow, there will no land to farm on" (Non-certified, women's group, Ashanti Region, 2012).

Kuapa Kokoo has not managed to change aspirations of parents for their children, and nor have non-certified companies, but this situation is clearly related to fundamental challenges facing the cocoa sector relating to issues such as the lack of availability of land and poor returns. As reported in section 5.16, both certified and non-certified farmers remain optimistic for their children's future, but significantly more certified farmers expected an improvement for their children than non-

certified producers (questionnaire survey findings). Thus, it seems that Kuapa Kokoo farmers are more confident about the future for their children, than those linked to non-certified LBCs.

# 6. Family and hired labour on farm

This section explores the data gathered on family and hired labour use on farm. The lack of capital assets such as bicycles, motorbikes and pick-up vehicles in the industry is evidence of continued reliance on human labour in the cocoa production process. Reliance on migrant labour from the northern parts of Ghana has historically been the traditional source of labour for the cocoa industry. In recent times, however, non-farm activities have engaged the attention of this once cheap pool of labour, raising the cost of labour. Issues of child labour have also become of international concern, further complicating the access to labour for rural households.

### 6.1 Labour use on farm

In the baseline survey a large proportion of certified and non-certified household heads (83% and 89% respectively) **used additional labour** on their cocoa farms for one kind of farm activity or another and these revealed significant differences at P≤0.05, with the non-certified groups more likely to use additional labour. In the final survey 87% of certified farmers said they use additional labour and 89% of non-certified farmers. Thus more certified farmers are using hired labour in cocoa cultivation, and only a minority do not use hired labour.

We also asked **cocoa farmer interviewees** whether **they themselves work on the farm**. In the baseline survey, while 75% of certified cocoa farmers indicated that they were engaged in the picking of cocoa pods at time of harvest; fewer farmers (67%) of non-certified groups said the same. The differences were also significant at P≤0.05, and thus certified farmers were more likely to work on the farms themselves. In the final survey 68% of Fairtrade certified farmers said they themselves work on the farm, whereas 71% of non-certified farmers do the same, but the difference is not significant.



Photo: A farmer carrying fermented cocoa to the house for drying

In terms of reliance on family labour, the survey asked not only whether farmers work on the farm themselves, but if they are **assisted by family labour**. In the baseline survey, 53% of certified producers reported that they were assisted by family members, while only 42% of non-certified

farmers received assistance from family members in the harvesting of their cocoa. Thus a larger proportion of certified producers relied on family labour. In the final survey, only 36% of certified farmers and 39% of non-certified farmers receive assistance from family members; the difference between the two categories is not significant.

The **distribution of family members' labour** in cocoa harvesting showed spouses (41%), daughters (20%) and sons (23%), working amongst certified producers in the baseline survey. The corresponding figures for non-certified producers were (31%), (15%) and (18%) respectively. A significantly larger proportion of certified farmers reported that their spouses contributed labour on the cocoa farm than non-certified farmers. In the final survey family members involved in cocoa harvesting were as follows: spouses (24%), daughters (8%), sons (14%), amongst certified producers, and amongst non-certified producers spouses (24%), daughters (10%), and sons (19%). There were no significant differences between certified and non-certified farmers in terms of family members helping on the cocoa farm in the final survey.

In 2010, the **proportions of cocoa plucked by family and hired labour** on cocoa farms for certified and non-certified members showed significant differences at  $P \le 0.01$ . Family members harvested a significantly larger proportion of the cocoa for certified farmers than non-certified farmers. Non-certified farmers, on the other hand, had a significantly larger proportion plucked by hired labourers than certified farmers. Just over a third (36%) of the cocoa was plucked by the farmer (both certified and non-certified farmers).

In the final survey, farmers reported they plucked on average 41% of the cocoa themselves; another 43% is plucked by hired labourers, and 16% by family members. There were no significant differences in percentages between certified and non-certified farmers. In terms of hired labourer origins, the patterns are similar for both certified and non certified farmers (table 29). The two major sources are labour from their own village and labour from other regions.

Table 29 Sources of hired labour

Labour source	From the village	ne same	Another region		Same village & another region		Other villages in same region	
	2010	2012	2010	2012	2010	2012	2010	2012
Certified	37%	46%	38%	45%	20%	8%	4%	1%
Non cert	38%	50%	44%	45%	15%	4%	3%	1%

6.2. Payment of family and hired labourers Payment of family members' labour could be in cash, in kind, in combination, or not paid at all. In 2010, about 6% of farmers paid their family members in cash, whereas 37% paid in kind. In the final survey, 5% of farmers paid their family members in cash, and 44% paid them in kind; 8% said they paid their family members in a combination of cash and kind. There is no significant difference between non-

"the majority of them come from Northern Ghana, and a few come from our community. The labourers are employed as and when money is available for their payment. The majority of casual labourers are men. Both men and women are paid GH6 per day. While the men bear the bigger chunk of work, the women do the easier jobs such as uprooting/gathering weeds. The group also stated that casual labourers also grow rice". (KK farmer)

certified and Fairtrade-certified producers in either year in terms of how family labour is paid for harvesting cocoa (e.g. in cash, in kind, combination of in cash and in kind, no payment).

In terms of hired labour and the form in which they are paid, the baseline survey found that the majority of hired labourers are paid in cash. A significantly larger percentage of certified farmers (74%) than non-certified farmers (64%) paid their labourers in cash (baseline survey). 19% of hired

labour (including 'caretakers') in the baseline sample were paid in kind; 8% of farmers shared the produce on some predetermined ratio between the labourer and the land owner and 6% of the farmers followed the *abunu* and *abusa* systems of sharing produce in the ratio of 1:1 and 1:2 respectively. Except for the payments in cash, there were no significant differences between certified and non-certified farmers. A few farmers in the qualitative interviews, indicated that there is an emerging system of sharing, especially in the Western region, where it is the farm land that is shared and not the produce. What this implies is that both labourer and land owner harvest and own whatever produce their proportion of the farmland generates, rather than a pre-agreed ratio (as explained above).

In the final survey 75% of the farmers paid their hired labourers in cash, 12% paid them in kind and 1% paid their labourers with a combination of cash and kind. There was no significant difference between non-certified and Fairtrade-certified producers in terms of how hired labourers were paid for harvesting cocoa (e.g. in cash, in kind, combination of in cash and in kind, no payment).

In the qualitative field research, certified farmers (men's group, Ashanti region, 2010) said that: "family labour is used by all members of the group and no cash payment is made for family members. Participants in a female, certified focus group (Ashanti Region, 2010) said that: "Hired labour, GH¢5/ day for men and for women it is Gh4/ day for carrying of cocoa. These charges keep on changing always".

A certified group (Ashanti Region, 2012) reported that women usually use caretakers and pay them a third of the yield under the Abusa system. A different certified group (also Ashanti Region, 2012) confirmed that women pay caretakers and pay them a third or even a half of the yield depending on the agreement. Two members of a non-certified group (Ashanti Region, 2010) said that they practice share cropping, so their families are not involved in providing labour. The rest of the group rely on their families for labour on the farms. But no cash payment is made for family members and children help only on the weekends. A certified group (Western Region, 2012) said that: "Some of the farmers use hired labour when they are overwhelmed by work on the farm or have to spray the farm with chemicals. Those who have care takers divide farms' produce in three and give the caretaker a third". A men's non-certified group (Western Region, 2012) also said that 'men are engaged on a seasonal basis and a third share of all farm produce is paid to them".

In terms of wage rates, on average, in the baseline survey hired male labour per day cost GHC 7.49 (USD 5.35), and female labour cost GHC 4.44 (USD 3.17). Certified farmers paid female labourers significantly more (GHC 4.57 or USD 3.26) than non-certified farmers (GHC 4.13 or USD 2.95). In comparison, in terms of family labour costs, irrespective of gender, the average payment was GHC 2.71 (USD 1.94). In the final survey farmers paid on average GHC 9.50 (USD 6.33) to male labourers and GHC 7.46 (USD 4.97) to female labourers, whereas family members earned on average GHC 5.42 (USD 3.61). There were no significant differences in level of payments between certified and non-certified farmers. These results demonstrate the rise in labour costs faced by all farmers.

The qualitative research data confirms the approximate figures for wage rates in 2010 and 2012 for hired labourers and the difference in wage rates (and tasks) given to male and female hired labourers. The rates offered in 2010 for men were approximately 4 to 6 GHC per day. However, women were offered only 3.5 to 5 GHC per day.

A non-certified group (Ashanti Region, 2010) agreed that: "hired labour is employed at GHC6/day. However, they hire only men. There are changes in charges made by hired labour always".

A non-certified group (Ashanti region, 2010) reported that "Hired labour is employed. For men they are paid Gh c5/day and for women it is Ghc3.5/day". Participants from a non-certified group said that:

"Women are hired only for carriage – they are paid GHC4 or 5 depending on their location relative to farm. No cash payments for family members" (non-certified focus group, Ashanti Region, 2010). A men's non-certified group (Western Region, 2012) said that: "Men are hired and paid 6 or 7 Gh cedis, and women are paid 4 to 6 Gh cedis.

Labour requirements also change according to the age of the cocoa trees.

The basis upon which hired labourers are employed was explored in the questionnaire survey. No significant differences were found in either the baseline or final survey between certified and non-certified farmers in terms of employment conditions for labour. Table 30 shows differences in labour arrangements according to gender, with higher

"When the cocoa trees are 1-2 years old they require intensive labour. When 5 years or over, the labour becomes less — only pruning and insecticide sprays. When preparing a new farm you have to hire labour. (District manager, Ashanti Region, 2010).

percentages of female workers employed on a casual basis compared to male workers. 38% of male workers had seasonal contracts compared to just 10% of women workers.

Table 30 Employment conditions for male and female labour

	Casual		Seasonal contract		Piece rate	
	2010	2012	2010	2012	2010	2012
male	39%	60%	48%	38%	13%	2%
female	50%	88%	25%	10%	25%	2%

Note that it may be favourable for women to be contracted on a casual basis so they have more flexibility to take on other responsibilities (e.g. child care).

# 6.3 Changes in working conditions

Achieving improvement in farm workers' conditions is important in terms of tackling poverty. Several questions were asked about changes in working conditions for hired labour, namely: days of employment in the year; changes in wages; frequency of the use of children; and exposure to health and safety hazards. In the baseline survey, farmers reported on average improvements in the conditions of the labourers, except for the frequency of use of children where no change was reported. There were no differences in responses between the certified and non-certified farmers. Farmers also reported on average improvements in hired labourers' conditions in the final survey. There were no significant differences in the responses, in terms of days of employment or changes in wages. However, a significantly larger proportion of certified farmers reported improvements in the exposure to health and safety hazards for labourers than non-certified farmers in both the baseline and final survey. This has been one of the few areas that both certified and non-certified producer organization management focus on in their farmer training activities. KK training is open to caretakers farmers and labourers — so although these groups do not benefit from bonus payments, for example, they can participate and benefit from training on a range of topics.

### 6.4 Child Labour

Child labour is a critical factor in West African cocoa production. It is an issue of huge international concern and of great relevance to Fairtrade standards which prohibits the worst forms of child labour. The use of child labour on cocoa farms has been a traditional practice in the country and its prevalence is not helped with the increasing costs of hired labour. One of the most serious forms of child labour in West African cocoa is when children are brought from across the border or from distant communities to work on Ghanaian cocoa farms. Multi- stakeholder national initiatives are underway in Ghana to tackle child labour. Child labour is a critical issue for Kuapa Kokoo, because incidence of child labour leads to suspension from Fairtrade certification – as happened in late 2009, when a BBC programme reported child labour in the Western Region on Kuapa Kokoo members'

"Child labour task forces have been established in Western Region with ILO. ILO has some groups that do not overlap with Kuapa Kokoo, but some do... They are community level groups. The groups monitor child labour by travelling to remote parts of their community to see if children are being used and for what type of work. The monitors establish if the children are not from Ghana. They check whether the family have a plan [to tackle it], if parents have been given opportunities to prevent it, e.g. by offering loans to poorest, pay school fees for their children. Yes there has been improvement" (KKL officer, interviewed in 2011).

KKL has invested significant funds to tackle child labour challenges, following its suspension and since regained Fairtrade certification corrective following actions. Thev have established a child labour monitoring programme and are collaborating the ILO. In the annual report (2009/10), the KKFU Executive Director describes the KK Child Labour Action Programme (KK CLAP): "Last year 28 KK Child Protection Committees (CCPCs) groups in Western Region (Enchi, Juaboso, Asempanaye) and District Committees were formed to monitor the CCPCs.

ILO partnered with KK to form another 15 CCPCs. This year 10 more CCPCs were established in existing districts and Dadieso to make a total now of 38".

Kuapa Kokoo established an Internal Control System during our study which will support their action to tackle child labour. In the management interview (2012) the managers reported that the organisation has a child labour policy which forbids any members from using child labour and the Internal Control System provides checks. In one community, the KK group said that they have a byelaw which is ratified by the political district authority. There is a committee in place with the mandate to punish any adult who practices child labour.

The Cadbury Cocoa Partnership also donated 794 bicycles to enable children to cycle to school (in support of the KK Child Labour Awareness Campaign and to ensure farmers' children enjoy their education and childhood training (executive director, Annual report, 2009/10).

According to the questionnaire survey respondents there were no changes in the frequency of use of child labour on cocoa farms. In 2010, respondents reported no change in the use of children. In 2012, respondents reported a slight improvement (i.e. reduction) in the use of children in cocoa production. There were no significant differences in responses between certified and non-certified farmers. It was not possible to focus in this broad ranging study on child sensitive methods of research or to establish whether increased awareness has led to changes in actual practices.

Table 31: Child labour.

	Non-certified farmers	Certified farmers	Sig
-1 = deterioration; 0 = no change; 1 = improvement			
2010 survey	0.04	0.08	ns
2012 survey	0.25	0.29	ns

Sig = Significance of differences between groups (based on Mann-Whitney test): ns = not significant, \*P $\leq$ 0.05, \*\*P $\leq$ 0.01, \*\*\* P $\leq$  0.001

Questions were asked in all the focus group discussions about the incidence of child labour. Both certified and non-certified groups said similar things, namely that children only assist on farms at weekends or in the holidays and that this does not affect their schooling.

#### Table 32: Qualitative data on child labour

#### Certified

- A certified men's group, Ashanti Region, (2010) said that: "Children help only on weekends with no negative effects on their education".
- Another certified group (Ashanti Region, 2010) said that: "Children work in the farm on Saturdays alone and this does not affect them in their studies".
- A certified group (2012, Ashanti Region) said that "owners work on the farm alone, with his family or
  occasionally take labourers. There is a taskforce on child labour in the community that ensures that
  children do not go to work on farms during school days, etc. The taskforce was set up by the district
  assembly according to the farmers".
- In 2012 a different certified focus group said that family labour is used, with children on holidays and weekends.

Non-certified

- A non-certified focus group also said they did not use child labour: "Hired Labour is used on cocoa farms, but no child labour is used children only help on weekends and it does not affect their schooling (non-certified focus group, Ashanti Region, 2010).
- "Children go to farm only during vacations and Saturdays and this does not affect them at school at all. They do help in the farm in cooking and fetching of water for workers. However, those children who are above 10 years do weeding on the farms" (non-certified group, Ashanti Region, 2010). "Children and other family members (husbands) help. Children of school going age help in farming on Saturdays only. Sometimes they help in cooking for workers on the farm. This does not affect them in their education". (A non-certified group, Ashanti Region, 2010)
- Hired labour is used for 'clearing and harvesting' and 'family members and children help during the holidays and during school term when some children go for the cocoa beans early in the morning or in the late evenings. Caretakers are also involved. Women hired labour and men are paid the same 8-12 Gh cedis" (2012 a non-certified group, Ashanti Region)
- Two different men's non-certified group (Western Region, 2012) said that "children have been helping, but only on school days".

71

# 7. Organisational impacts

# 7.1 Democratic organisation, governance and management systems

Kuapa Kokoo has invested in developing a democratic organisation, run by farmers, with regular meetings held at different levels and opportunities for farmers to rise to management levels. However, it is a large organisation and the distance between individual members and managers (at different levels) can be large, with on-going issues of transparency and accountability, but also restructruring and investments to improve monitoring systems and communication.

"After the Kuapa Kokoo Farmers' Union was formed, it became a cooperative; one of the Fairtrade requirements. As it is a union, members have to pay dues; 20 pesewas per year...The Kuapa Kokoo National Executive Council head office is in Kumasi. There are district level offices of Kuapa Kokoo who have a list of the cooperative's primary societies and their members in their area. These lists are also held at the head office. The district offices keep records of individual farmers' contributions for the season and for payment of any incentives...The primary societies are each managed by a seven member committee comprised of a president, vice president, treasurer, secretary and 3 members. There is also a 'recorder' in each society who buys cocoa from the farmers and keeps records of these purchases. There are specified roles for office holders. Each committee member has a role to play. The treasurer and the recorder collect the money and buy cocoa; the president organises meetings, the secretary keeps minutes and the other three committee members make sure the general members are organised for meetings. (District KKL official, 2010).

Understanding of the organisation was strongest amongst management staff. Many of the district and primary society committee members interviewed were able to relay the history of organisation, understood its governance structure, and seemed proud of its status as a cooperative. It was also explained that clear roles are allocated at primary level society and that minutes are kept by the secretary. In terms representation Kuapa district Kokoo Ashanti

manager (interviewed in 2010) proudly reported how the organisation represents them and how there is scope for ordinary farmers to be promoted to positions of authority.

The increasing size of Kuapa Kokoo is driven by the need to buy more cocoa in a highly competitive industry, but this also creates challenges in terms of management and communication, and of supporting individual member participation, ownership and control There is a drive for expansion driven from the centre to enable the organisation to buy beans and compete, but farmer capacity to produce cocoa particularly in view of increasing challenges to productivity such as pests and diseases, is limited without further capacity building and agricultural advisory services

In Ashanti region a Kuapa Kokoo district manager explained the governance structure of Kuapa: "KK has a 3 tier structure, the Primary Society (PS), the District Manager and the Head office. The PS has a 5 member executive body including a recorder who purchases cocoa from members on behalf of the KKCL. Membership of KK at the district is 1057 as at the end of the 2010/2011 production year. At the moment an expansion plan is in place to increase the membership as well as production. The maximum yield per acre in the district is about 8 bags. Very few farmers are able to produce at this maximum yield. This plan is however initiated at the head office level".

In recent years there has been a process of decentralisation undertaken within KK, aimed at strengthening KKFU governance. Previously, as well as the National Executive Committee, there were area levels, but these did not have formal representatives from individual farmers, but had more of an operational function (key informant, ATO). Now the governance structure has been

linked up between the national and district levels. District Executive Councils (DEC) are elected from members of the primary societies and they try to meet quarterly for deliberations. They also meet with the National Exectuve Committee (DEC) four times per year. These meetings are a chance to share information and to enable communication of the decisions which have been taken higher up. District AGMs are held and delegates are elected for the national AGM in Kumasi (*KKFU senior official, pers.comm*). The process needs strengthening according to the KK Annual Report (2010). The aim is that this communication up and down the hierarchy can enable more participation in Fairtrade Premium Decision-making – see section 7.4.

This is a positive development for KK in terms of democratic organisation, few individual members are fully aware of how their organisation operates or the role of Fairtrade within this context. Many have not heard about Fairtrade at all. Where they have, there is often confusion about the source of the Fairtrade premiums paid to them by Kuapa Kokoo. While some might argue that it is not so important that individual farmers understand Fairtrade, and it is more essential that they are loyal to their cooperative, understanding Fairtrade is an important indicator of political empowerment and part of the ability of farmers to hold their organisation to account.

""Efforts have been made to continue to empower the various Kuapa Kokoo districts, with District Executive Councils holding their first AGMs under the 2009 Constitution". The Annual Report states that: "This was encouraging, but the aim is for more publicity and organization of the next AGM. District Councils are urged to hold quarterly meetings with Society Presidents as the Executive does with District Executive Councils" Annual Report, 2010, President of KKFU)".

This lack of understanding at individual producer level is

the result of the size of Kuapa Kokoo, and the weakness in its communications, management and governance systems, but steps are or have already being taken to begin to address all of these issues. For example, the KKFU secretariat has been strengthened and re-organized in recent years and the Internal Control System is now under the management of the secretariat. Thirty General Agricultural Extension officers have been employed to offer extension, technical and Fairtrade compliance services to members in the societies/communities. They have access to motorbikes, fuel and protective clothing and are located in the districts for close proximity to primary soceities. This strengthening of the KKFU Secretariat is important as it is helping to attract external donors and collaborators, and will help in ensuring continued compliance with Fairtrade criteria, and improve management capacity. It is also likely to support training and communication with individual members, but from the feedback at the individual level, a great deal more needs to be done in this regard. To ensure that the process of decentralisation is fully implemented KKFU themselves recognize that they have to do more in terms of communicating with individual members and extending participation in decision-making.

Because of the challenges involved in communication and enabling active participation and control by members, a review of the constitution and governance structures by Kuapa Kokoo is also planned for this year. This will explore what is the most appropriate model to enable farmer participation and control (Key informant interview, ATO). It is not necessarily easy to increase farmer participation, particularly, but not exclusively, that of women.

"Their members cannot meet once a quarter due to our busy farming schedule. So we would rather meet at the beginning and end of every cocoa season" (certified men's group, Western Region)

Innovations are underway to improve internal communications within the organisation. For example, TWIN is supporting a radio programme for Kuapa Kokoo farmers. The one hour programme is broadcast, including 20 minutes in which farmers can call in to ask questions. So far farmers have called in to express their pride in the organisation, but also to ask specific technical

questions (e.g. what chemicals to use) (Key informant interview, ATO). This project has begun since the impact study fieldwork was completed, however, it represents a step forwards to tackling the problems of internal communication – although insufficient on its own.

Amongst **non-certified LBCs** the purchasing clerks described the structure of their organisations. From this is it possible to see there is **less farmer organisation and political empowerment in non-certified LBCs compared to Kuapa Kokoo.** One group has managed some organisation into loose groups to deliver training, another has failed in its attempts to organise farmers, because they did not see value in it, and a third has the similar structure to Kuapa Kokoo but there is no mention of farmer organisation in terms of empowerment.

#### Table 33 Organising farmers – experiences from non-certified LBCs

One non-certified LBC has been organising farmers into loose groups to deliver training to farmers. Another purchasing clerk from a non-certified private company when interviewed was working in the Western Region, but came originally from Ashanti Region, and had previously worked for Kuapa Kokoo. He was thus able to draw some comparisons between the LBCs. He described how his company, a non-certified LBC (OLAM) is working with farmers in loose-knit groups and does attempt to provide them with some kinds of training: "OLAM has formed Associations among those who sell to them and provides them with training on farm management practices including cutting of pods, pruning, pounding of seeds with legs during fermentation and the importance of fermenting for 7 days. Other training includes quality production of beans. As an individual PC, he further provides cutlasses and other inputs for his farmers on credit". The PC left Kuapa Kokoo and was fairly disgruntled with their organisational set-up, but did say that they are good at mobilizing farmers, operating a credit union and providing extra bonuses.

One non-certified LBC reports limited success in farmer organisation. The non-certified PBC purchasing clerk indicated that despite their attempts to form the cocoa farmers into an association they had not been successful as the farmers see limited benefits in doing so. "The area manager is located in Bekwai and is also responsible for Kuntunase, all in the Ashanti Region. Farmers will always come with their produce to sell once a cocoa shed with a scale and a purchasing clerk with money is available. Farmers will generally want to work with an LBC that will support them in their cocoa production. There has been very little interest on the part of the ARMAJARO farmers to form an association, though several attempts have been made, they claim that they do not see any related benefits. Continuously, however, frantic efforts are being made by ARMAJARO to organize them into societies such as found in other more organized districts". For the purchasing clerks themselves he also thought the incentives ought to improve. When asked what should change in the Armajaro system in the future he said that: "The current practice where the PC looks for his own storage and labourers at his station should change. Also the system where PC must provide a guarantor with collateral before being employed must cease".

A non-certified district manager from the Produce Buying Company (PBC) explained the structure and functioning of the PBC (the government buyer), which does not involve the same kind of producer organisation and ownership as in Kuapa Kokoo: the "largest licensed buying company in Ghana owned by the government and has operated in this community for more than 30 years. In terms of structure, there are not organized groupings or associations for their members. But at the community level, a purchasing clerk (PC) is responsible for buying cocoa from farmers. Beyond the PC, there is a District Officer (DO) and a Regional Depot Keeper. The Depot Keeper reports to the national office and it is from his outfit that cocoa from the district is transported to the harbour for shipment".

As noted above there are some capacity issues in Kuapa Kokoo. Running a large organisation such as Kuapa Kokoo effectively and efficiently requires certain skills and management systems While Kuapa Kokoo has been building up its capacity over the years, with support from TWIN, FLO Producer Support and other agencies, this is clearly a slow process and **there are still significant capacity deficits**, given the size of the organisation. The different parts of the organisation also have to work together for effective functioning and KKFU needs greater capacity to manager KKL to ensure that it

operates as efficiently as possible and can maximize returns to members. There are professional staff personnel carrying out day to day duties, such as accountants, sales managers etc. While KKL staff members are professionals brought in to run the trading arm, there have been a number of suspensions of late. The KKFU membership has low levels of literacy and education. Several key informants said that the **distance between managers and individual farmers needs to be reduced**, especially in terms of premium spend decision-making and increased communication is needed internally.

A number of informants noted that Kuapa Kokoo is not only large in terms of the membership, but the membership are also quite dispersed over many communities, which further complicates communication and costs (e.g. in organising elections) as well as in collecting and transporting cocoa.

There has been support from Twin and FLO in terms of **capacity strengthening of the organisation** and they have provided training, technical advice, linkages to other organisations, and training on cooperative principles (KKL manager, 2011). The FLO liaison officers provide training and address issues of organisation. Certification is the main issue, and the review manual for the internal control system (KKL manager, 2011). FLO-Cert has provided training on premium management (KKL manager, 2011).

Kuapa Kokoo has made a significant investment in establishing and improving an **internal control** system (ICS). It became clear to the management that stronger control systems were needed, to

help strengthen monitoring systems in relation to child labour, but also to improve communication, awareness raising and training in other areas, such as mobilizing primary societies, cooperative principles and democratic organisation. The aim has been to move from a tick box approach to a better understanding amongst relevant personnel of the reasons for compliance with Fairtrade standards.

"Before becoming a member of Fairtrade you must comply with the principles. If you don't comply you forfeit the certificate. Kuapa has instituted a control system. That is the reason the KKL manager came yesterday to educate the farmers about the democratic aspects of primary society management. Everyone has a say..The manager had held a training session the previous day with representatives from 22 primary societies in the district dealing with the election processes for primary society leadership, including issues of the committee constitution, gender representation, principles and values, removal from office, rights and duties of members etc]" (District KK officer).

The Internal Control System will help to strengthen the producer

organisation in a number of ways. For example a database has been established, with support from Twin, that enables the organisation to track its membership, to monitor the cocoa bought and if farmers are being properly registered. It will also then facilitate the distribution of dividend investments (e.g. cutlasses), and helping to support quality management, improved communication etc (Executive Director's Report, Annual Report, 2009/10). Although KK have had an ICS for a number of years, following a 2011 renewal audit, several Fairtrade non-compliance issues were identified and this led to a restructuring, with the ICS being hived off from the trading arm, KKL, to the Union Secretariat. A key informant from the Fairtrade system said that with a cooperative the size of Kuapa Kokoo, it is critical that there is active participation and control by all, but the logistics of communication are very difficult. There is therefore a review of the constitution and governance structure planned for this year within Kuapa Kokoo to explore the best model to enable farmer control and participation.

#### Table 34: Investment in an Internal Control System

Kuapa Kokoo has established and extended a **Kuapa Kokoo Internal Control System (KKICS)**, which has involved a major structuring in terms of coverage and personnel. Prior to 2012 the KKICS operated only in Western and parts of Ashanti regions, and was run by staff from the Research and Development Department of KKL, who had variable education/skill sets, and the manual was difficult to understand and implement. Serious compliance issues were identified during 2011 renewal audit, and corrective measures proposed by KKFU included splitting off KKICS from KKL to the Union Secretariat, to allow the NEC to have a direct control over members' education and training, and with KKL tasked with concentrating on the cocoa business only. A certification and compliance manager was recruited to overse implementation of KKICS activities and three existing staff members were promoted to Risk Manager and Quality Supervisors. Thirty General Agricultural Extension Officers have so far been employed and assisgned to all operational districts of Kuapa Kokoo. The Field officers have received training on, amongst other things, the following:

- Kuapa Kokoo Internal Quality Standards;
- KKICS Manual;
- Fairtrade standards;
- Public compliance criteria;
- Child labour;
- Agro Chemical application and storage;
- Cocoa extension services among others. There are plans to enroll them in COCOBOD Cocoa Training School for intensive cocoa extension training.

The KKICS manual has seen a series of amendments and additions after testing and it is now being used. The KKICS is now able to proactively identify most risks for prompt corrective measures to address identified risks and enhance compliance with fairtrade standards and Kuapa Kokoo own internal quality standards. KKFU now boost of competent and dedicated KKICS team monitoring the activities of field staff in the communities. The field staffs are well resourced with logistics to facilitate field work.

Source: KKFU senior officer, pers.comm. 2013

The improvement of the ICS is an important investment for any producer organisation, but particularly one the size of Kuapa Kokoo. It will still be a challenge for field staff to cover (on average) two districts each, in the light of the number of members and societies involved, but funding is limited. KK's objective is to have one officer per district in the future.

According to a senior KKFU officer, despite these challenges 'there has been a considerable improvement in all aspects of KKFU as a result of these actions' [i.e. the establishment and operation of the Internal Control System]. More support is needed to strengthen the system, and to expand the number of those monitoring the system and those providing agricultural extension (key informant, ATO).

In terms of **strategic planning**, Kuapa Kokoo has been extending its planning and farmer involvement, and farmers get a chance to hear about plans at district and national level AGMs:

- According to a Kuapa document, a three year strategic development plan was said to be underway in 2010 with consultations of farmers (Annual Report & Financial Statement 2010). A key informant interview (2011) said that various development plans were being developed (by the KKU Trust, KKL business plan, and also an environmental plan, 2011).
- KKFU has developed a three year Strategic Plan which is going to drive its future operations, with specific objectives being set and strategies outlined to drive the achievement of those objectives (KKFU senior official, pers.comm. 2013). Of late Fairtrade Premium Development Plans are required by FLO: According to a senior KKFU official, as per the new SPO standards, "we submitted Fairtrade Premium Development Plan to AGM for discussion and approval for anticipated Premium inflows for 2012 and 2013" (KKFU senior official, pers.comm. 2013).

"Proper records have been compiled for PBC members and forwarded to the head office. All support is channelled through the structure and made available to the names on this list" (non-certified district manager, Ashanti Region).

It is difficult to ascertain how participatory the processes for developing these plans are, but the fact that they are being developed by the KKFU – a farmer owned organisation - is important and it shows increased attention is being paid to strategic planning.

In comparison the non-certified LBCs do not involve farmers in running their companies. The non-certified LBcs are not investing in the capacity building and political empowerment of farmers. The other LBCs can draw on corporate resources and can afford to pay qualified, professional staff. None of the interviews with non-certified LBCs district officers mentioned any planning with farmers, decision-making meetings or the taking of minutes etc. – records on farmers are kept to distribute some incentives.

It is also worth mentioning that Kuapa Kokoo has to **field numerous external studies and interest from visitors**. KK needs support to build their capacity to prioritize amongst the approaches from different groups and individuals, to avoid duplication of effort, to ensure that individual farmers are not repeatedly asked the same questionsand to engage with them to maximise learning opportunities<sup>34</sup>.

# 7.2 Overall size of membership and inclusion/exclusion

Currently, Kuapa Kokoo is very large. Membership figures were difficult to obtain for earlier years – largely due to the lack of management data available within KK itself. In 2011/12 the official membership figure was 65,000 (H. Davis, Twin, pers.comm). However, with the new ICS they are more able to give figures and the current estimates from the PO are as follows: Male members: 56, 624 (67.84%), Female members: 26,819 (32.13%). For male and female individual farmer members that makes a total of 83,443 (*April 2013, pers.comm. senior KKFU officer*).

As new primary societies are established, they are trained in Fairtrade principles, according to an Ashanti region district manager for Kuapa. He explained the **process for establishing new primary societies.** The membership is organized from the community level, with primary societies grouped under a district and all the districts report to the national office. New farmers and primary societies are registered between February and April of each year. Some groups have savings accounts, but not all.

"New groups are set up as a sub society to an existing group. This is particularly during the minor season when there is enough time to develop a new society. The district officer and the R&D officer work with the main society and provide education to the sub society for 4-6 months. They make feasibility studies on the calibre of people and hold 3-5 meetings with farmers. At times they visit the farms to check there is actually cocoa. The new society must fit the Fairtrade principles and the members must accept and agree. Farmer members are listed and elections held to choose the society executives. The district then decides whether to propose the society for approval at the AGM where new societies are announced and approved or not. A head office representative then inspects the new societies" (District officer, Ashanti Region).

77

<sup>&</sup>lt;sup>34</sup> It is not clear to the study team why a separate impact assessment was commissioned within the Fairtrade system, including more than one of the same commodities and including this producer organisation, despite our team's on-going communication and publicity.

The qualitative research indicated that according to managers many of the certified focus groups are operating fairly well and membership is increasing, although others report a more variable picture. In Western Region a district manager said their membership had increased rapidly due to recent educational efforts, but in another district, the manager reported that of 23 primary societies, one is not functioning.

Several of the district managers interviewed confirmed that **there are no restrictions on membership** of Kuapa, beyond being a cocoa farmer, and being able to deliver cocoa of sufficient quality. There is no minimum

"Any cocoa farmer is admitted as a member of KK. There are no restrictions to size of farm or production levels, no discrimination on the bases of religion, ethnicity, gender or political affiliation. Farmers pay membership dues of GHC 1.00 a year and a membership ID card of GHC1.00. Dues paid are accounted for to the parent organization (KKFU)" (Ashanti district manager, 2010).

amount of cocoa that must be sold – a farmer can sell as little as 1 kg.

KK members must also be willing to attend meetings and training sessions.

"Existing members propagate the society to new members. New members can only join if they agree to follow the principles. Kuapa is not an ordinary cocoa buying company. We want quality. Before becoming a member a farmer must be educated in Kuapa principles and concepts. New groups must work with the existing society first" (KK district manager).

However, there there are some **infrastructural prerequisites** such as road access, which shape the ability of different households to join Kuapa Kokoo.

Access to land is necessary to participate in Kuapa Kokoo as a member. Some members hired caretaker farmers to work on their farms on short-term contracts and they share the proceeds from sale of the harvested dried beans. Other farmers hire share

"The location of the society must have an accessible road. The societies we are trading with have access roads. If the road is a barrier to a new society we can't help. No KKL money is used on road improvement. Old societies can contribute. The society's shed for cocoa storage is also assessed" (KK district manager).

croppers to rehabilitate cocoa farms for a share of the trees, when the trees start bearing (KKFU senior officer, pers.comm, 2013). However, at a KK AGM, 'members voted against allowing caretakers and sharecroppers to join Kuapa Kokoo as members ... however, they approved that caretakers and sharecroppers can receive education and training from field officers, since they do the activities on the farms. Once sharecroppers are given their share of the farm, they can register to become members of KKFU, as this is an association of cocoa producers', (KKFU senior officer, pers.comm, 2013).

**Quality** does not seem to be a major factor excluding farmers, as all the LBCs require a certain level of quality before they accept the beans.

For more information on the demographic and socio-economic characteristics of members, please see section 5.1. One district manager interviewed said that there is some diversity within the membership; some members are well off, receiving training and various kinds of support; some have used credit when KKCU was in operation and some have even bought vehicles and used them to transport cocoa. However, he indicated that other groups are not well-off and have defaulted on loans and are in crisis, with some even having to sell their cocoa farms.

# 7.3 Gender equality and women's empowerment

Unlike the non-certified LBCs, Kuapa Kokoo has a clear **policy on gender equality and women's empowerment**. There appears to be a genuine commitment to supporting women smallholders (key informant, Fairtrade company). For example, the President of KKFU is currently a woman. Kuapa Kokoo states that it supports women's empowerment and a Gender officer has been employed in KKCU, with the task of mobilizing female KK farmers and building their capacity to take up leadership positions (Annual Report, 2009/10, President's address). Senior managers reaffirmed this commitment in a management interview.

In terms of women's empowerment there are indications that Kuapa has made more progress than the non-certified LBCs, because it sets clear quotas for women's representation at different levels (e.g.in the primary society

"There is a conscious effort to bring up women into leadership. At the primary society level two positions must be reserved for women, there is a formation of women groups and they are supported to establish income generation activities for women farmers....women farmers especially are being exposed to alternative livelihood activities. They are branching into other areas to ensure continuous cash flow especially in the lean cocoa season. They are also being assisted to manage their productions and sales through organized training" (KKFU/KKL management focus group, 2012).

committees at least two exective postions are reserved for women and are often, but not always, filled).

"Always the gender should be balanced. We would want about 2 or 3 of the committee to be women" (KK officials). "Women participate in all society meetings and are allocated 2 executive positions in all primary societies" (district manager). "When you go to a society, you find executive members who are women. Women have cocoa farms especially widows. There are many of them. Now they don't joke with cocoa at all. Men are doing well, women take over in their absence and they are also doing well" (district manager, Ashanti Region)

Unfortunately, Kuapa Kokoo and the other LBCs did not provide us with membership figures for most of the years, from which we could ascertain overall proportion of women members in the organisation or how this has changed during the course of the study. However, in 2013 Kuapa Kokoo supplied the following figures: 56, 624 (67.84%) — male members, and female members - 26,819 (32.13%), and others eg. churches 25 (0.04%). Without figures from the non-certified LBCs it is not easy to compare how good this performance is, but Kuapa Kokoo is clearly

much more active in seeking to support women's participation than the comparison group.

At the primary society level a Fairtrade certified primary society committee member reported that women are encouraged to stand for positions, and there are elections every four years. In contrast a non-certified purchasing clerk said that in his company: "There are women Purchasing Clerks, but few in numbers even though LBC has a policy of recruiting female PCs" (Ashanti Region).

At the individual level certified farmers were more positive about women's representation and participation compared to non-certified focus groups — although there is a great deal to do to improve women's access to training on cocoa cultivation, their participation in meetings (with more appropriate meeting times), but also in terms of their access to land, credit, training, inputs etc. Several income generating activities are being funded through the Fairtrade Premium for women's groups, but the study team did not hear about these from individual farmer interviews in the field. According to one key informant interview (Fairtrade company) women should be supported in their

cocoa farming and have the confidence to think this is possible, as well as the skills and resources, rather than focusing on alternative income generating projects, which take up more of their labour.

#### 7.4 The Fairtrade Premium & Divine dividends

Fairtrade trader standards require payment of a premium for cocoa. The current Fairtrade Premium (2013) payment rate for cocoa is 200 USD/1MT. The Fairtrade Premium is an important impact pathway for Fairtrade, as it is a means for supporting investments by producer groups in social and economic projects.

It has been somewhat difficult to obtain systematic figures for the Premium amounts generated each year and a breakdown of figures from the producer organisation. In 2010 the study team were given the following figures by KK management: the total Premium figure for 2009/10 was 1,398,094 GhC. In 2010/11 this figure was 4,697,556 GhC (Annual Report, 2010/11). Projected sales in 2011/12 season were for 18,000 metric tonnes (light monitoring management interview).

A recent multi-commodity independent Fairtrade impact study in which fieldwork was conducted October 2011 to January 2012 and commissioned by Max Havelaar Foundation, Switzerland and Transfair Germany, found that: "for the past 15 years the TG PO only sold ~7 % of its cocoa on the Fairtrade market and received an average of 375,000 USD of premium money annually (for more than 45,000 members). Only with a recently established partnership with a large buyer was it possible to sell 30 % of the total sales on the Fairtrade market and augment the premium money to almost three million USD" (CEVAL, 2012).

A news item<sup>35</sup> released by Kuapa Kokoo in 2012 stated that in the 2011/12 season Kuapa Kokoo purchased 43,544 tonnes of cocoa, 25,275 tonnes of which was purchased by Fairtrade customers.

In the 2012 season the Fairtrade premium income was spent on the following (according to the KK website)<sup>36</sup>:

- Cash bonuses per sack in total Ghc1,400,000;
- Machetes for all members at 7Ghc per machete;
- Farmer agricultural training total for 2011 COCOBOD-run services Ghc295,000, KK Internal Control System and Child Labour Awareness Programme Ghc1,379,093
- Medical clinics (including cataracts and hernias) Ghc336,138 in 25 districts, attended by 4605 members;
- Women's groups: Ghc 35,000 50 groups in 22 districts.

Examples are given of projects funded by 'Fairtrade premiums' over the last 17 years, including 348 boreholes, 8 schools (built/refurbished); 6 toilet blocks; 51 corn mills; 1 gari processor.

In 2011-2012 the KK website stated that KKFU had distributed cash bonuses and other incentives to members for the 2011 and 2012 main crop season<sup>37</sup> following a resolution at the Annual Delegates Conference in August 2012 and it states that GHC 1,240,060.00 was the total paid out to members for the cocoa they delivered for that year. The website also stated that farmers that delivered more than a single bag of cocoa would receive a cutlass with this bonus.

<sup>35</sup> http://www.kuapakokoo.com/index.php?option=com\_content&view=article&id=134:why-should-cocoafarmers-keep-on-growing-cocoa&catid=1:latest-news&Itemid=50. Thursday 22 November 2012.

http://www.kuapakokoo.com/index.php?option=com content&view=article&id=134:why-should-cocoafarmers-keep-on-growing-cocoa&catid=1:latest-news&Itemid=50):

<sup>37</sup> http://kuapakokoo.com/

Figures on the breakdown of the use of Fairtrade Premium were made available (early May 2013) by Kuapa Kokoo for 2012 and 2013. The total figure for 2012 was 9,640,969.6 Ghana Cedis. In 2013 the figure was slightly less at 8,360,000 Ghana Cedis.

# 7.4.1 Decision-making regarding the use of the Fairtrade premium

The decision-making process as to how Fairtrade Premium funds are used is supposed to be a democratic process according to the FLO standards. Until recently while farmers have been able to share ideas, it is decided upon by the KK Farmers Trust.

There has been a reported lack of of understanding at the individual farmer level as to how the Fairtrade Premium is allocated and that farmers lacked the capacity to articulate their views. According to the CEVAL study (2012) the trust sends list of possible development projects to the primary villages, the society

"The KK Farmers Union members at HQ decide on the use of the premium. They are there for their farmers. At the end of every 4 years, they have elections for farmers to serve at HQ. Any farmer could be president of the union. The current president was a recorder, now he is the president. They decide what to bring for farmers — whether in kind or cash. The union is there on the farmers' behalf. They vote for their representatives who determine how the premium should be shared among the 40-60,000 farmers" (district manager, 2010)

chooses the projects they might need and writes a proposal/letter, and this is then decided upon by the trust. Writing this letter represents a challenge for farmers with low levels of literacy as are to be found in this organisation and few farmers are aware that it is not that the investments are 'gifts', but are generated by the sales of their cocoa onto Fairtrade markets (CEVAL, 2012, p53-54). This study also found that few certified farmers understand the process of decision-making, have low levels of literacy and that there is a need for improved education and communication amongst members.

It is important to note, however, that the recent process of decentralisation, undertaken within Kuapa Kokoo, is intended to make the Fairtrade Premium decision-making process more transparent and accessible to individual members. A senior KKFU official said that the decentralisation process within KK has been able to "decentralize Premium Decision Making – a bottom up approach - using the new decentralized democratic structure". He also states that farmers can raise issues via their representatives in the district meetings. Similarly, a Fairtrade key informant said that Kuapa has "expanded decision-making recently to district level on the premium". A district forum is organised by the members to decide on what they want provided for them from the Premium. The list from the various districts are sent to the AGM, harmonised and prioritized for implementation depending on availability of money, and the AGM makes decisions on what to fund. This is a clear departure from the previous practice where the HQ decided on behalf of the districts what the premium should be used for (key informant, ATO). The study team were not able to verify this in practice, as our field research did not coincide with the actual AGM.

There is a need for more investment in organisational thinking and debate at different levels around what would be the most *strategic* uses of the funds available. When asked, most farmers indicate that they would like any funds from the Fairtrade Premium to be spent on bonuses and cutlasses, but a more strategic investment of funds (e.g. in productivity and quality) rather than 'scattergun' projects is possible (key informant, ATO). The Kuapa Kokoo management rightly defend the democratic process in which farmers decide on the use of the Premium, but so far the system is not fully empowering farmers to actively participate and more could be done to facilitate a strategic planning process in which farmers views are sought and articulated and prioritization is undertaken to identify specific funding theme priorities (e.g. agriculture, child health etc). The producer

organisation, especially at district level, would then decide on how best to invest the funds for greater coherence and impact against these key themes (key informant, ATO). If the district level was more empowered, then it is also likely that there could be more communication and greater relevance in how the funds are spent (key informant, ATO).

Despite the recent changes (which may not have had time to bear fruit), there is clearly a wide knowledge gap between ordinary members of primary societies and district managers. The district managers of Kuapa Kokoo are well informed about the premiums and their investment, but most individual cocoa farmers are either not aware of them and their uses or only limited knowledge. There were some certified focus groups, where participants knew of the Fairtrade Premium and could explain how it had been invested, but these were in the minority. Our field research shows that district managers are very clear on the Fairtrade Premium process of decision-making, in which the elected members vote at head quarters how to spend the funds.

"The KK Farmers Union members at HQ decide on the use of the premium. They are there for their farmers. At the end of every 4 years, they have elections for farmers to serve at HQ. They decide what to bring for farmers – whether in kind or cash. The union is there on the farmers' behalf. They vote for their representatives who determine how the premium should be shared among the 40-60,000 farmers. Every farmer should benefit. When the union representatives visit the primary societies they enquire what type of benefit or incentive the members prefer. Then they inform each primary society what they will receive based on their particular needs" (Ashanti Region, KK district manager)

Specific criteria for the approval of social development projects are used in decision making, according to one Ashanti Region district manager. These include production levels in a community, membership numbers and also the 'vibrancy' of the primary society — although it is not clear how the latter is defined.

"Premiums received are put in a trust fund. The trustees of the fund are responsible for managing the premiums. Farmers meet annually to decide on the use of the premiums" (district manager, Western region)

'The use of the premiums is decided by the KKFU members during their AGM's at the society, district and national levels. The societies request projects through the Kuapa governance structure. A request is granted by scoring high on the following criteria: efficiency and effectiveness of the primary society, production levels, regular payment of dues, and frequency of meetings" (district manager, Western Region)

In contrast, for the non-certified LBCs there are no Fairtrade Premiums generated on sales and they do not have similar systems for generating premiums and for any kind of farmer decision-making in a democratic organisation.

# 7.4.2 Uses of Premium Funds

The FLO rules on Premium use have changed during the project period. In May 2011, additions were made to the premium planning and reporting requirements in the Fairtrade cocoa product standard, requiring that there is *discussion* of quality and productivity issues and strong encouragement to spend at least 25% of funds on this area (See box 2 below).

# Box 3: Additions to the Fairtrade Cocoa Product Standard relating to Premium Planning and Reporting

Criterion 4.3.7 "Premium Planning: When planning for the Fairtrade Development Plan, you must discuss if investing the Fairtrade Premium in activities that increase quality and productivity would help your members to have more secure incomes. You must present the results of this discussion to the GA before approving the Fairtrade Development Plan. Guidance: Fairtrade International recommends prioritizing productivity and quality initiatives when planning for the use of the Fairtrade Premium, but recognizes that producer organisations are totally free to choose. You are encouraged to use at least 25% of the value of the Fairtrade Premium for productivity and quality improvement activities. The use of other sources of funding for such activities is also welcome. The intention of this requirement is that you and your members are aware that programs to increase productivity and quality may be an important tool to increase income and that you are able to assess whether or not these investments respond to the needs of your organization, members, workers and communities. A guidance document providing more information on productivity and quality improvement is available on the Fairtrade International website at: http://www.fairtrade.net/cocoa.html; this document is only for guidance". While producer groups can decide themselves what to spend the premium on, they are also increasingly encouraged by Fairtrade International to invest in productivity and quality improvements.

The recent figures shared by Kuapa Kokoo, provide an important insight into recent patterns of expenditure of Premium funds. The largest amount was spent on incentives and social projects (48.65%), followed by 21.78% on intercompany transfer (transfers to KKL, KKFU for member services and governance and KKICS for compliance and extension services etc). In 2013 the largest end usage of Premium funds was incentives and social projects, which is 49.84% of the total. Unfortunatley the categories to do not exactly correspond in 2012 and 2013, but it is interesting to note that the Internal Control System is the second highest end usage of Premium funds at 19.22%. Some of the Fairtrade Premium funds are used to capitalize the organisation so that it can compete in the cocoa industry and some of the funds cover administration and meetings, as well as audit costs.

"Some of the Fairtrade Premium is used for the credit union, something like 300,000 Gh cedis...not sure..or was it 100,000. Also the FT premium goes to capitalize KKL – also 500,000 GH cedis...This year the Fairtrade Premium paid for society, district and national AGMs (KKL manager, 2011). Essentially, a Kuapa staff member said that: "All union funding comes from the FT Premium" and "Some funding is also used from the Fairtrade Premium for a KKCU gender project (KKL officer, 2011).

Table 35: Summary of expenditure items, 2012

No.	Expenditure item ITEM	Amount	Percentage
1.	Incentives & Social projects	4,690,201.60	48.65
2.	Certification & compliance standards	332,900.00	3.45
3.	Communication & trade capacity building	60,000.00	0.62
4.	Trust running cost	136,775.00	1.42
5.	Kuapa Kokoo Child Labour Programme	649,000.00	6.73
6.	Admin overheads on KKCLP and KKICS	672,093.00	6.70
7.	Intercompany transfer	2,100,000,00	21.78
8	Investment	1,000,000.00	10.37
	TOTAL	9,640,969.60	100.00

N.B. Figures have been given in Ghana Cedis

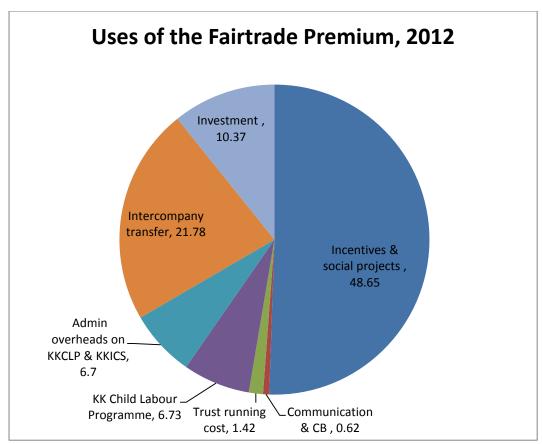


Figure 15: Uses of the Fairtrade Premium 2012

Table 36: Summary of expenditure items, 2013

No.	Expenditure item	Amount	Percentage
1.	Incentives & Social Projects	4,166,500.00	49.84
2.	Certification & compliance standards	150,000.00	1.79
3.	Communication & trade capacity building	35,000.00	0.42
4.	Trust running cost	143,300.00	1.71
5.	Professional & audit fees	64,744.00	0.77
7.	Kuapa Kokoo Internal Control Systems	1,606,500.00	19.22
8.	Kuapa Kokoo Limited	500,000.00	5.98
9	Kuapa Kokoo Farmers Union	918,956.00	11.00
10	CP loan interest	475,000.00	5.68
11	Investment	300,000.00	3.59
	Total	8,360,000.00	100.00

NB: Figures have been given in Ghana Cedis.

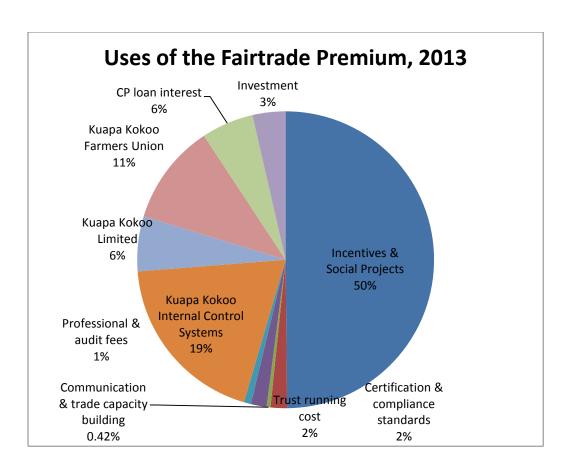


Figure 16: Uses of the Fairtrade Premium 2013

Unfortunately, we do not have figures prior to 2012 and 2013 and so it is not possible to establish earlier patterns and overall trends in Fairtrade Premium spending. It is clear that Fairtrade Premium spending is one of the more visible aspects of the Fairtrade standard system. Kuapa Kokoo have provided more detail on their website of late about how the Fairtrade Premium funds are spent, but it is still not possible to see from the website exactly the breakdown of funds and usage.

The Kuapa Kokoo website<sup>38</sup> summarizes investments made Fairtrade using premium funds and health safety (pump wells, mobile clinics, improved toilets), education (school construction, cultural exchanges), "One of the distinguishing activities that sets Kuapa Kokoo apart from all other players in the cocoa buying industry in Ghana are the social projects. Kuapa has over the years invested several millions of Ghana Cedis in the communities where the union has local chapters. The nature of the projects is geared towards the benefit of the entire community not just members of Kuapa. The projects are funded out of the Farmers Trust which is where the Fairtrade premiums and other funds are lodged. Kuapa Kokoo has a non-discriminatory approach to setting up projects. Eligible societies can apply to the farmers' trust which is represented by elected farmers who vet and approve projects based on publicised criteria" <a href="http://www.kuapakokoo.com/index.php?option=com\_content&view=article&id=71&ltemid=54">http://www.kuapakokoo.com/index.php?option=com\_content&view=article&id=71&ltemid=54</a>

economic and social empowerment (e.g. income generating activities such as corn mills and palm oil extractors, training in soap making, batik etc) particularly with women, international visits and voice.

<sup>20</sup> 

<sup>&</sup>lt;sup>38</sup> Source: Kuapa Kokoo website, accessed 9.1.2013: http://www.kuapakokoo.com/index.php?option=com\_content&view=article&id=71&Itemid=54

Recent investments using the Fairtrade Premium for 2013 are noted on the website and are summarized below – although exact figures of spend are not given (see box 3 below). It is also difficult to estimate the actual number of beneficiaries, given the historical lack of data available, although this may begin to change with the strengthened Internal Control System.

# Box 4: Summary of Kuapa Kokoo news item on the Fairtrade Premium (2013)

- Recruitment of 28 Internal Control Assistants in Internal Control Unit and to provide extension services to members.
- 4 more staff members recruited for the child labour unit to reduce the risk of children doing hazardous activities on cocoa farms. 20 more communities brought into Kuapa Kokoo/ILO child labour partnership programme (ECOWAS II).
- construction of 3 storage warehouses at Goaso, Sefwi Bekwai and Juaso to provide safe and ample space for cocoa collection
- 3 classroom block and a teachers' bungalow constructed at Anakum, a community in the Manso Amenfi District of the Western Region. The school will serve Anakum and several other communities nearby where children travel long distances before they can access school facilities. 5 boreholes constructed to provide potable drinking water to their communities.
- Purchase of Oil extraction machines and corn mills for several communities.
- Mobile health services to 17 districts serving 200-+ societies in the Ashanti, Brong Ahafo and Western regions. Medical personnel dispatched to the societies to attend to the medical needs of the farmers, their relatives and other members in the community
- Provision of agro-chemical inputs on credit to members through its credit union, KKCU and its partner CNFA. The Input credit Scheme by KKCU provides various types of certified agro chemicals and training to members. This ensures that only approved chemicals are used and members can pay after they have enjoyed good harvest.
- Kuapa Kokoo is a unique business model. It has since its establishment in 1993 showed the world how small-holder farmers can put their efforts together to strengthen themselves socioeconomically and improve their general standard of living.

In our field research we asked individual farmers in focus group discussions, what they knew of the Fairtrade Premium, how it had been spent in their area, and if they had benefitted. Some of the participants in the certified focus groups could identify the Fairtrade premium investments made (e.g. social projects, bonuses). In the field research the team visited one group where a corn mill has been constructed, but it was not in operation during the baseline. By 2012 it had been repaired and was functioning again. In other communities boreholes had been constructed and cutlasses distributed, and other incentives such as wellington boots had been distributed.

One group reported that Kuapa Kokoo have provided them with mosquito nets, which provides health benefits. Several district managers mentioned the

"The farmers' health care is very important to Kuapa. For this reason Kuapa organized free medical care for its farmers whilst complicated health cases were referred to specialist hospitals in Kumasi" (district manager, Western Region).

provision of access to medical care, particularly referrals. This was not mentioned to us by individual members in the FGDs, but it is possible that they are not aware of the referrals that have occurred.

<sup>&</sup>lt;sup>39</sup>http://www.kuapakokoo.com/index.php?option=com\_content&view=article&id=133:1112incentives&catid=1:latest-news&ltemid=50 (8.01.2013).

Another certified group said they have benefitted from the distribution of cutlasses, a bonus, social projects, and advance payments, which are deducted when the farmer sells to the recorder. Further,

the purchasing clerk and recorder assist farmers in emergencies. Another certified group said that Kuapa undertake development projects, such as corn mill construction, and distribute cutlasses, mosquito nets etc to

"Premiums are paid to farmers at GHC 2.00 per bag. A borehole has been provided as part of the use of the premium. Cutlasses are also provided to farmers. Chemicals and fertilizer are also provided to farmers on credit to help them improve yield". This respondent said that farmers are not consulted in the use of the premium (primary society secretary).

members, and conduct training for farmers on production techniques.

Few of the certified farmers interviewed mentioned investments in schools and education.

There were many focus groups of certified farmers that could not identify Premium funded projects in their area, and who had other concerns e.g. relating to timeliness of fund disbursement:

- sometimes certified groups said that Kuapa had been slow on delivering on promises (e.g. of material incentives);
- there is confusion amongst farmers of where the bonuses emanate from;
- although some groups have functional community projects (e.g. boreholes) there were few
  in our study sample, as some groups did not have obvious Fairtrade projects or there had
  not been adequate maintenance.

"Social projects are usually in the form of boreholes. About 17 societies have been supplied with boreholes, however currently 4 of them are not in working condition. Some societies sell the water, but others do not" (District manager). Apart from water, one society has benefited from an income generating activity in Dadieso District in the form of a Grinding Mill. Maintenance of these projects is borne by the Kuapa Kokoo head office in Kumasi" (District manager).

"Kuapa Kokoo disposable incomes are therefore higher on aggregate than that of the other farmers and this makes Kuapa farmers better off. Kuapa gives cocoa farming inputs on credit to its farmers. In addition, incentives in the form of cutlasses are provided to farmers and this makes them better off than other non-Kuapa farmers" (District manager)

We could not find strong evidence from individual farmer interviews that they and their communities are benefiting extensively from Fairtrade Premium investments, or that individual members understand how the Fairtrade Premium functions and have significant influence over its use. The funds are shared

out widely across the organisation and this diminishes the size of bonuses to individuals. The projects are widely dispersed. There also appear to be some difficulties with maintenance and community investment in Fairtrade investments. It is worth noting that although Kuapa Kokoo has been part of Fairtrade for many years, it is only since Cadbury began sourcing from the organisation that the overall proportion of Fairtrade sales has increased beyond single digits, although of late the size of the Premium has increased to become a sizeable amount.

District managers had good understanding of how the Premium is spent and gave examples of the uses of the funds. For example, a Western Region manager named a range of investments, e.g. bonuses, cutlasses, boreholes, milling machines and medical care, but also noted that almost half of the boreholes are not operational. Further, he explains the scheme by which inputs are provided to farmers on credit. Another district managers interviewed stated that KK farmers should be better off as they receive the bonus of GHC2 per bag in addition to the government bonus, although our income analysis does not show a significant difference when compared with non KK members. A KK

primary society interviewee listed some Fairtrade Premium investments, including the bonuses, borehole, distribution of cutlasses, although he also reported that farmers are not consulted on how the Premium should be used.

A Cocoa Extension Programme was also mentioned by the KK managers in 2010. This operates across ten districts and the plan was to recruit another five officers to cover a total of 15 districts

(i.e. one per district). This service has been extended of late — and now KK has 30 extension officers. We did not hear about the extension officers in our study — this may have been because the scaling up has only recently occurred. KK managers themselves recognized that the extension officers have only received some training, and say more is needed and more officers are needed given the size of Kuapa Kokoo.

The credit union and the provision of fertilizers on credit have been beneficial to some farmers, but the repayment rates are low according to one district manager.

Kuapa has a credit union which is expected to provide credit to farmers who contribute to it. The credit union is currently being restructured and decentralized. Inputs are also supplied to farmers on credit. During the last cocoa season, Kuapa supplied 4,403 bags of fertilizers to the farmers. The repayment rate is however very low. (KK District manager)

"So far the premiums are used to supply farmers with cutlasses each year. They are also given bonuses in the form of cash at GHC2.00 per bag of cocoa in the 2010/2011 production year. Free medical care is also given to farmers as part of the benefits of the premium. Other social projects are given to the communities usually in the form of boreholes. Currently, 13 boreholes have been constructed, however only 7 are operational. Income generating activities are also provided to communities. Three societies have recently requested corn milling machines and this is being considered by the Union. Inputs are also given to farmers on credit. Farmers are expected to make a down payment of 30% of the cost of the inputs and the remaining is paid when the cocoa is harvested. Alternative livelihoods are being considered for farmers. This is in the form of animal rearing and the cultivation of other crops. Farmers are being educated on the need to wear protective clothing during the spraying of pesticides. Farmers are also trained on the need to bury empty cans of pesticides after cocoa spraying exercise". (District manager, Western region).

It will be important to increase the KK bonus and to increase the number of social projects undertaken, according to one district manager, if KK is to retain the loyalty of members. He also suggested that farmers need

support to adapt to climate change through mixed cropping and provision of shade for cocoa.

"The amount of bonus paid should continue to increase in the near future. More social projects, such as schools, water, solar energy and corn mills must be provided in more cocoa districts to maintain and increase membership.."A means of transport must be provided for the Recorders to facilitate their work". (Ashanti Region, district manager)

Other district managers mentioned funding of street lighting and schools using Fairtrade Premium funds.

"The premium is not spent on technical training or certification costs. The government provides a bonus and KK provides its own bonus and incentives, e.g. cutlasses, boreholes for water, corn mills and schools. There has also been funding of street bulbs for lighting and mobile clinics to support farmers. Fertilizers are also provided on credit. Awareness is being built that these benefits are not from the company or government, but from Fairtrade (Ashanti region, District manager).

Some (but not all) groups are selling some of the water that they access through a new borehole funded by the Fairtrade Premium (district manager interview). Another district manager highlighted the income generating activities he had seen funded, such as snail rearing, but he said these have 'all collapsed'. It is not clear why this is the case. Maintenance is clearly an issue for these small scale community projects.

"Apart from water, one society has benefited from an income generating activity in Dadieso District in the form of a Grinding Mill. Maintenance of these projects is borne by the Kuapa Kokoo head office in Kumasi" (District manager).

The investment does appear somewhat fragmented without a strong system of maintenance support. The Annual Report (2010) states that in the previous year a number of projects were

approved for 15 KK societies, including a hand dug well, an oil palm processor, an oil palm extractor, 9 corn mills, and three boreholes. However, "most of the societies that had requested for corn mill or oil extractors failed to construct the sheds to accommodate the machines" (AR, p16, 2010). It is not clear if they lack the resources or a sense of ownership over the project to construct these sheds.

"KK does not engage in processing or value addition but provides corn mills as an income generating activity to its members upon request as part of the use of the premium" (District manager).

In the **non-certified groups** the farmers interviewed could also name the material incentives with which they are supplied, which are very similar to those provided by Kuapa Kokoo: i.e. soap, cutlasses etc to encourage cocoa farmers to sell to them. The PCs of the non-certified groups also provide support in emergencies (non-certified group, FGD). This is in part why many of the farmers interviewed do not draw huge distinctions between Kuapa Kokoo and the other LBCs.

Our company "has started giving out incentives like bags, bars of soap and mosquito nets to motivate farmers to work with the LBC. Education is on-going to discourage farmers from using certain chemicals especially some weedicides, but rather use manual labour (purchasing clerk, non-certified LBC).

# 7.4.3 Divine Dividends

As well as the Fairtrade Premium, Kuapa Kokoo part owns the Divine Chocolate Company Ltd. According to Kuapa Kokoo management and other key informant interviews this has multiple benefits for Kuapa Kokoo (e.g. an opportunity to influence end markets, understand the value chain, meet buyers etc). But the relationship not only generates Fairtrade Premium funds on sales, but dividends which are also paid to the Kuapa Kokoo Farmers Trust. The dividends are calculated based on sales. According to Ryan (2011, p111) "Divine Chocolate sales increased 20% in the UK in 2007 on a turnover of £10.7 million — a fraction of the global confectionary market, but an expanding business nonetheless". We do not have more up-to-date figures specifically for Divine Chocolate sales.

The dividends have fluctuated in size, but a 2% of profits are paid to producer support. The dividends are paid to the Kuapa Kokoo Farmers Trust, helping to fund producer

"The Divine dividend – has been used to buy machetes, one per farmer. This season 2009/10 Divine did not declare a dividend, because they had to recall products, due to a food safety issue, although they did contribute to the Fairtrade Premium though. The year before 2008-09 there was a dividend. In 2007 the dividend was £47,379.00 and this paid for cutlasses for farmers and many other things. The AGM decides what to use it for" and "The Divine dividend is paid to the producer support levy to 'make the primary society strong" (KKL manager, 2011).

support activities and community projects. We do not have data on the exact breakdown of spend of the dividend.

Kuapa Kokoo's large size means that the gains from Divine Chocolate sales have been spread very thinly. 'Farmers received their first dividend in payment in 2007, a cheque for £47,309, a little over a pound for each of its 47,000 farmers' (Ryan, 2011, p109). Sophie Tranchell, of Divine, argues that in the longer-term this profit could be the most valuable part for the farmer, but it is currently not that big, and until it increases it is 'too small to make a material difference to farmers' (Ryan, 2011). In 2010 this amounted to £19,852.35, paid to farmers as their dividend (Annual Report & Financial Statements, 2010). In the light monitoring interview with KK management they reported that Divine had had a difficulty with a food safety issue and so the dividend had reduced significantly for that particular year. The KKFU president's address (Annual Report, 2010) notes the 'turbulent' trading environment for Divine.

The benefits of being a part-owner of a chocolate company based in Europe are not purely about dividends. It also enables Kuapa Kokoo farmers to learn about the cocoa and chocolate industry and to make contacts with buyers. The part-ownership model, which goes beyond the Fairtrade standards, exposes producer organisation managers to end markets and is a potential vehicle to influence consumers and value chain actors, according to a key informant (key informant, Fairtrade company). We do not have direct evidence of this influence, and future research could quantify perceptions of change amongst managers and value chain actors about how this model is changing value chain relations.

"Through Divine, Kuapa Kokoo farmers have been exposed to the chocolate world through regular interactions in Europe and America with consumers and Divine will be used to continue to be an effective communication tool to influence value chain actors and to deliver dividends. Since 2007 Divine Chocolate Ltd in the UK has delivered dividends of KK farmers and in 2010 it was £19,852.35" (KKFU President's address, Annual Report, 2010).

# 7.5 Organisational financial viability

Cocoa farming is big business. This requires financial management skills and capital to be able to buy beans in competition with other buyers. Fairtrade sales volumes and values were shared by Kuapa Kokoo (see table 37 below). There has been a clear increase in volume and value since 2009/10 when Cadbury began to source from Kuapa Kokoo.

Table 37 Kuapa Kokoo Fairtrade sales volumes and values (USD)

Year	FT Sales- Volume	FT Sale -Value
2008/2009	6,750	1,012,500
2009/2010	21,800	3,270,000
2010/2011	23,850	4,555,000
2011/2012	29,175	5,802,500

NB: Cadbury started dealing with KKFT from the 2008/2009 main crop season. Fairtrade sales saw a significant growth from 2009/2010 main crop season (*KKFU*, *pers.comm*.)

In a meeting with Kuapa managers, a senior KKL officer told us (2011) noted that they experienced a severe smuggling problem in the 2009-10 season. They could not obtain cocoa beans and sales figures dipped. In 2011 (light monitoring) the KKL manager said things had improved as the government had increased the minimum price in January, coming closer to the Cote D'Ivoire level. This reduced smuggling again and KKL reached the 2011 target of 1 million tonnes.

we only managed to buy 28,000 tonnes, because of the severe smuggling problem to Cote D'Ivoire... In 2007-8 KKL bought 35,000 and of this 4,500 was on Fairtrade terms. In 2008-9 we bought 37,500 plus a late 6,750 (Cadbury came in late in the season to buy). In 2009-10 we bought 28,642 tonnes and on Fairtrade terms it was 21,848. We do not yet have 2010-11 because last part of smaller harvest not yet over. In 2009-10 the overall amounts were low because of smuggling and when Cadbury switched 20% Dairy Milk to Fairtrade they needed a whole big amount from Kuapa Kokoo".

Until recently the proportion of cocoa sold on Fairtrade terms was relatively low, particularly in view of the large number of members. However, in an interview in 2011, the KKL manager said that the proportion sold on Fairtrade terms was increasing rapidly, because of the Cadbury decisions to

"In the last 2 years – 30 or 40% sold of our cocoa on Fairtrade terms, we said 'that is a huge increase!' – because of Cadbury's. Cadbury want to buy from KK and others KK purchases also increased. I don't yet have figures for this season...Cadbury is a major source of income for the union, trust and farmers (KKL manager, 2011).

switch certain product lines to Fairtrade. In many ways it would be important to continue this impact study – given that we only had a study period of 2010 to 2012

and given the fact that the proportion of sales sold on Fairtrade terms is rising rapidly.

There are some internal tensions within Kuapa Kokoo between KKFU and KLL and some staff of KKL were suspended. Two key informant interviews suggested that the farmers union (KKFU) needs to be stronger to guide KKL and ensure it delivers benefits to

"It is the Farmer Union that is certified. They have Fairtrade ownership and should be empowered and be the strongest compared to KKL, but this is not currently the case" (key informant interview).

farmers. When Cadbury began to source from Kuapa Kokoo, there was a chance to restructure into smaller units of operation, but this was not the path taken, as KK managers felt that they need to be big enough to compete in the bulk cocoa business. Another key informant suggested that actually it is not possible to operate effectively as a cooperative at such a large scale, and that it would be better to break into groups that compete with eachother under a wholly owned joint venture (key informant). In her study of West African cocoa, Ryan reports that FLO auditors have frequently recommended that Kuapa be split into smaller co-operatives, so that it can offer its members more

It is "not possible to revolutionize this overnight – it might take 3 years, and they began 16 years ago in Fairtrade. The aim of Fairtrade is empowerment and this includes commercial activity. But cocoa buying and selling is more driven by KKL, but this is not Fairtrade".

effective services (Ryan, 2011, p109). However, Kuapa managers argue that Kuapa has to be the size it is in order to compete on the Ghanaian cocoa market (Ryan, 2011). Obviously, the decision rests with the farmer organisation management and one of the key informants interviewed suggested that the process of economic and political empowerment takes time. The recent move of the Internal Control System into the Secretariat may help to shift this balance of power, but KK may continue to struggle with its size and dispersed membership.

Kuapa Kokoo Limited – KKL (Commercial wing) has posted a consistent profitability over the last three (3) years after receiving a five million dollar (US\$ 5m) loan from Comic Relief through KKFU. KKL is a Licensed Buying Company owned by KKFU (Senior KKFU official, pers.comm. 2013).

External factors are important to consider in terms of the current and future viability of Kuapa Kokoo. Currently, a large chocolate company is supporting the formation of smaller farmer associations in Ghana, which ultimately could compete with Kuapa Kokoo.

"Cadbury is supporting seven marketing unions, each with varying numbers of primary societies. Just look at the context. LBCs rules and regulations have to be complied with, this is checked by Cocobod. All LBCs are given seed money and then the question is how efficient are they are turning this around. KKL operate to Cocobod structure — the Farmers' Union owns KKL. But KKL should operate as a business with shareholders. KKFT is not able to ask KKL — "do you work efficiently? Have you raised a profit? What are the signs that you are growing? They [KKL] should be answerable to KKFU. If KKL cannot do this (i.e. operate efficiently and declare profits), they should be able to subcontract to another LBC. The Liaison Officer should be there to help. They need profits to buy cocoa — but KKL need a terms of reference. So if they increased volumes (e.g. increased sales to Cadburys) then KKFU can acquire assets, hire more profitable staff, and invest in developing staff. We expect Fairtrade demand to increase. So POs need to increase production, so that buyers come to Ghana - if not buyers will go to Cote d'Ivoire" (key informant interview).

The newly certified groups will be more spatially focused, covering individual districts, rather than being so dispersed as in Kuapa Kokoo. According to one key informant in 2011 the "Cadbury Farmer Marketing Union will expand rapidly, but they will be many in number, rather than having thousands of farmers under one union. They are registered to operate (only) in their district catchment. This limits their size and focus on increasing farmers in their own district. Top structure does not bring any benefits. Managers of the union are not so far away. Some have already applied for certification". These smaller associations that are likely to be certified in the near future, as they will also supply Cadbury and maybe other buyers such as Nestle (key informant interview). These newer entrants may benefit from a leaner, more efficient set-up and from investment from the Cadbury programme, yet may not have the same level of administrative costs associated with a large organisation and the organisation of AGMs etc. Alternative trade organisations and Fairtrade companies which promote alternative fair trade value chains (with longer-term relationships) do not support this mainstreaming approach which expands numbers of participants, but could represent unfair competition and the depth of impact which can be achieved in this model is questionable (key informant). Fairtrade International does not sufficiently recognize the size of Kuapa Kokoo (e.g. its annual turnover is much bigger than Divine's) as a trading organisation according to one key informant.

One of the key challenges to date for Kuapa Kokoo and Fairtrade has been the **limited size of the Fairtrade cocoa market**. For several years Kuapa Kokoo sales on Fairtrade terms have been in the single figures. The limited size of Fairtrade sales has inevitably constrained Fairtrade

"In terms of "capture of national market, the national cocoa market share for Kuapa Kokoo is 5%. Not all of this 5% is sold on the Fairtrade market. The percentage sold to Fairtrade is dependent on the demand of the Fairtrade buyers" (KKFU/KKL management interview, 2010).

impact. However, sales to Cadbury are rising and are expected to increase further (interviews with KKL staff). There should also be the potential for increased impact in the future. There are risks of **dependency on one buyer** – not least because this buyer is also already supporting *other* cocoa farmers in Ghana to get organized and obtain Fairtrade certification. These new entrants, organized into smaller groups, may be more able to operate efficiently than Kuapa Kokoo with its huge size and dispersed membership. There is also a possibility that they could unionize at some stage, but according to a FLO key informant they are all now certified (key informant interview). If these farmer groups can choose which LBC to work with, then this could mean that Kuapa Kokoo is competing with large international LBCs, with all the resources they have at their disposal.

The cocoa industry is a business reliant on scale. For KKL to make a profit requires them to be able to buy sufficient quantities of beans. **Kuapa Kokoo policy is currently that KKL can only buy beans from Fairtrade farmers** (although the quantitative survey data indicates that some farmers do sell to Kuapa who are not part of the organisation).

All licensed buying companies need sufficient funds to buy cocoa at the appropriate time. Smallholders are often without access to a bank account and need to be paid in cash. To make a profit, local buyers need to be able to ship as many beans as they can from farm to port, so all buyers need to have sufficient access to funds. Most of the buyers borrow from the government, which in turn raises finance on the international markets to fund cocoa purchases, but the distribution of the seed funds can be slow and prone to delays, with high interest rates, and even once the buyers have the money

In a meeting in 2012 KKFU and KKL representatives said that: "non Kuapa Kokoo members also sell to Kuapa Kokoo recorders and this could compromise the standard required of KK. It is the policy of Kuapa that cocoa should be bought only from Kuapa farmers. To ensure this, new membership registration starts from February; the new members are taken through training to ensure they practice standards required under Fairtrade certification. New members can only therefore sell to Kuapa from October during the main cocoa season when Kuapa is sure they have had the chance to apply Fairtrade standards".

in their bank accounts they still need to get it to remote banks or villages and farms via trucks. 'Those with cash at the ready will get their beans' (Ryan, 2011, p105). Kuapa Kokoo, also uses this seed fund, like other buyers, and is also therefore subject to delays and any differentiation depends largely on how efficiently they can turn around their funds into beans for export.

Access to credit in Ghana is very expensive, hence the efforts at capitalization by Kuapa Kokoo, but this is still on a limited scale compared to need (Key informant interview). Kuapa Kokoo has invested some premium funds in **capitalizing their organisation**. At the management team meeting held in 2011 in the light monitoring exercise, the KK officers, said they are working to persuade members to allow for an increase in the capitalization of the organisation, to enable them to be able to compete in buying cocoa beans. Funding for KKL to buy food comes from the government Seed Fund, just as it does for all the LBCs. Some of the Fairtrade Premium is used to add to this. In 2007-8 a senior KKL officer reported that 19,800 GhCs were used to provide working capital.

"The future of Kuapa is very bright, but we don't have capital for the purchase of cocoa. If we follow democratic processes, the time will come that we get capital from foreign partners....When the organisation is short of money, all bring cocoa and it is sold – but farmers know if we do not have money we cannot do so" (KKL officer, 2011)

It is not Kuapa Kokoo policy to provide advance payment to individual farmers. However, some recorders at the primary society level may offer them out of their own resources and at their own risk. Kuapa Kokoo managers said that generally the policy is "cash and carry" (Management meeting, 2012).

Similarly, a certified purchasing clerk in Ashanti Region reported that farmers do not expect advance payments, but the recorder may provide advance payment when he has some money to spare in emergency situations.

"When farmers get their produce they are always in need of money. If no money is ready, they will divert. Payments are advanced and records kept on bags given and received. The primary society treasurers keep the money. Receipts are given and signed for. Files for each society are kept at district level". (certified purchasing clerk)

Fairer weighing has been noted as part of the Kuapa Kokoo approach. Primary society representatives said that farmers are keen on Kuapa because they do not adjust their scales.

Farmers sell to Kuapa because it is their "widespread belief that KK scales are not adjusted as much as the other LBCs, thus they are thought to be fairer than the other LBCs" (primary society representative). Another primary society officer said: "Kuapa farmers know the scales can be trusted – there is no 'adjustment' or cheating and they are open to inspection. Other LBCs come with cocoa to test the weight using Kuapa's free scale, before sending off. Kuapa only accepts cocoa from members. It is democratic; farmers are benefitting" (KK primary society secretary, Ashanti Region).

However, in the focus group discussions with farmers, no strong trend emerged with farmers favouring Kuapa Kokoos' practices in relation to others with respect to fairer weighing.

Ultimately it is not easy for Kuapa Kokoo to differentiate

itself from other LBCs in the Ghanaian context. Although both the Fairtrade Minimum Price and Premium have gone up, the FTMP is still below the COCOBOD price. Preventing side-selling is a challenge for many cooperatives around the world. The incentives associated with Fairtrade need to be higher to prevent side selling and to retain farmers' loyalty to the organisation according to several KK officers and key informants.

"Farmers have to 'bend over' in order to meet the standards of Fairtrade. Farmers require higher incentives such as input credit at lower rates and advance payments, otherwise members may decide to sell products to other LBCs who may not require the stringent standards. Labour cost is expensive and the farmers are aging. Kuapa should look into the possibility of providing subsidy to the farmers. Kuapa should be well capitalized in order to be able to purchase compete with the other LBCs to win members confidence. The good human relations of an individual KK recorder will continue to be an important social capital needed for future buying of cocoa. Kuapa should make it a policy to support the recorders to continue to attract the farmers" (KK district official).

Non-certified LBCs are also under pressure to attract farmers to sell to them, which is why they also offer incentives to capture sellers. For example, a KK competitor estimated that it advances \$400,000 zero interest loans to smallholders each season, is engaged in a three year training programme of 10,000 farmers, distributed material incentives (e.g. cutlasses, motorized spraying machines) and runs eight model farms (Ryan, 2011, p108). There are therefore clear incentives for some smallholders to sell to the non-certified LBCs, especially where the farmers have personal relationships with the purchasing clerk and where the company has adequate finance to buy beans in a timely manner. The public non-certified LBC (Produce Buying Company) has some advantages in this regard compared to the private non-certified LBCs, as it can access sufficient funds at the right time.

"With the presence of more than 5 LBCs in the locality, it is the personal relations of the purchasing clerks which lead farmers to sell their cocoa to PBC. PBC always has money available and are able to pay farmers any time they deliver their cocoa. This serves as an incentive and attracts lots of farmers to PBC who are in need of immediate cash. The PC also makes his shed available to farmers who wish to store their cocoa in a safe and suitable place until the season opens and new government prices are announced. There are high risks associated with being a purchasing clerk in terms of money loss either by theft or overpayment. PBC therefore organizes a risk reduction and insurance scheme for PCs where a proportion of their commission is withheld for emergency and loss in their operations. PBC is always able to pay their farmers promptly and this ensures that they have access to their money immediately they present their dried cocoa beans for sale. This is not the case for most of the privately owned LBC who are not able to provide cash immediately a transaction is made" (non-certified district official)

In this study the FTMP has been inactive for some years. Although both it and the Fairtrade Premium have gone up, the FTMP is still below the COCOBOD price. This is because: a) the price of cocoa has

risen, far above the Fairtrade floor of \$1,600 a tonne (due to rise to \$2,000 in 2011); b) the government has steadily raised the minimum price farmers receive. For the past several years, farmers across the country have received a steady and rising price for their cocoa. Further, a sudden fall of world market prices or the government changing its price policy is possible, but both are unlikely in the near term (Ryan, 2011). When global market prices are high for cocoa all relationships in the system are strained (Laroche et al, forthcoming). A sustained high level in international prices means the Fairtrade Minimum Price (FTMP) becomes inffective and relations between the producer organisation and their members are tested. Sideselling is an increasing temptation for members. Similarly the relations between the producer group and their clients is stretched as the PO may be struggling to buy enough beans to make a margin, so that cashflow and credit become a problem and clients can rarely pay more as their own selling prices are based on lower buying prices. Between the producer organisations and Fairtrade International the relationship can be strained as the main 'safety net' effect of Fairtrade has disappeared. However, world prices could potentially fall in the future – in 2000 the market price was \$700, whereas Divine paid \$1,600 (S.Trancell, cited by Ryan, 2011, p107).

Thus the trajectory for Fairtrade impact is not necessarily an even one, with more of a stepped profile in terms of delivery of economic benefits, for example, but other types of benefits such as organisational capacity building and the security of the safety net price could be considered more long-term. However, other safety net mechanisms could be explored (e.g. improved access to credit, temporary increases in the premium – Laroche et al, forthcoming). But in Ghana as well as setting the floor price, the government has recently established a stabilisation fund according to one key informant, so that if world market prices were to collapse the cocoa prices will be sustained for three years. This means that another of the Fairtrade mechanisms for delivering economic impact in this case is less relevant. Political factors make it unlikely that governments will lower cocoa prices – cuts would lead to greater smuggling of cocoa out of Ghana to Cote D'Ivoire and Togo, and the voting power of 720,000 cocoa farmers is not to be ignored (Ryan, 2011).

Diversification of crops grown or increased productivity is also able to reduce risks to smallholders as well as attempts to stabilize prices. These strategies can help to increase smallholder resilience and according to some are more sustainable in the long-term than paying farmers more for their produce. It is unlikely that one or other is the solution on its own, but it is the case that until recently the agricultural extension capacity of Kuapa Kokoo (or of local government services) has been extremely limited and investment in organisational capacity building (e.g. democratic organisation) and investment in community projects has had greater priority than productivity and quality. This may be changing, in part due to the concern showed by buyers (and reflected in other sustainability standards) of the need for more secure supply – which requires greater quality and productivity. Fairtrade has responded by revising its requirements so that Premium spending includes discussions regarding quality and productivity, and it is likely that this emphasis from Fairtrade will increase (key informant interview). Further, the existing and upcoming collaborations with corporate investors such as Cadbury, and development agencies (e.g. CNFA) tend to be concentrating on input supply, credit, business skills training etc.

Competition from mainstream buyers is a current challenge to Kuapa Kokoo and Divine, as the branded chocolate of these companies competes with Divine products on shelves. Other new Fairtrade entrant farmer groups are also seen as presenting a risk by Kuapa Kokoo managers. Cadbury has increased the cocoa it buys on Fairtrade terms significantly following their switch of certain product lines to Fairtrade in recent years (20% of Dairy Milk is now Fairtrade, key informant interview). Thus, Cadbury Fairtrade products may compete with Divine chocolate products, and as one key informant noted: "Divine – the company is smaller, pays dividends. Cadbury is big and can

afford to advertise". Fairtrade is seeking to support Kuapa Kokoo to find other buyers to reduce its dependency (key informant), but it is not clear how successful they have been as yet.

Competition is also increasing from other sustainability standards, such as Rainforest Alliance and Utz Certified ones, and from mainstream chocolate manufacturers such as Cadbury and their Fairtrade labelled products. There are also concerns within the Fairtrade movement about maintaining the balance between supply and demand. The current 'frenzy' of certification to different sustainability standards by producer groups in cocoa is problematic if there is insufficient market to support this process and some groups have already suffered in West Africa from this (key informant).

Our study did not extend to a full value chain analysis in terms of where value is captured in the chain. In one study of West African cocoa, Cadbury has committed to absorbing the extra costs associated with Fairtrade and it will not increase the price of the bar (Ryan, 2011). In some cases the money goes to the retailer, with some raising prices far beyond the increased costs implied by the

additional Fairtrade (Ryan, 2011). However, Divine invests 2% of annual turnover and argue that they offer farmer ownership, regular dividend payment in producer support, SO that the cooperative can borrow money at lower rates (Ryan interview with Divine manager Sophi Tranchell, 2011), but this does not translate into substantial material benefits unless Divine can expand (Ryan, 2011) - and it is now under competition from

"if a consumer purchases a Cadbury Dairy Milk, made with Fairtrade beans, it will cost him or her on average 25 pence less than a bar of Divine, which costs 80 pence for a 45 gram bar. Neither Divine nor Cadbury offers a breakdown of their costs, so it is difficult to establish how much more the farmer gets, considering the shopper pays nearly 50 % more for a bar which is roughly the same size. In the guidelines provided in its educational pack for schoolchildren, Divine says that for every £1 chocolate bar, only 7 pence is used to buy cocoa ingredients, while 13 pence goes on non-cocoa ingredients. On that basis, the Fairtrade premium for cocoa should only count for a penny or two more on the price. What accounts for the high price? Divine does contribute 2% of its annual turnover to Kuapa. The company, a small-scale manufacturer is clearly at a disadvantage to Cadbury, which benefits from economies of scale and manufacturing that Divine can only dream of' (Ryan, 2011, p 114).

Cadbury's own Fairtrade brands. Greater transparency is needed in Fairtrade value chains, whether alternative or mainstream, given that Fairtrade purports to achieve more equitable supply chains and empower producers.

#### 7.6 Yields

KKL staff reported that they hold information on acreage and volumes for each society and that they use this information to share the cutlasses. They reported that yields have increased, due to improved input supply, but figures are not available at the organisational level to substantiate this. However, the feedback from individual farmers was somewhat mixed on yields.

The collaboration with the CNFA Inputs Project is enabling some Kuapa primary societies to gain improved access to inputs such as fertilizers and chemicals. Kuapa Kokoo has also now established a team of agricultural extension advisors — although the communities we visited did not refer to these.

"The target is to obtain between 18 and 26 bags of cocoa/acre, currently the maximum yield/acre is 9 bags and the majority of farmers are only producing 4 bags/acre" (district manager, Western Region). Another district manager said that: "The agriculture people say 10 bags per acre at 64 kg per bag, but this depends on the conditions and whether the cocoa is properly maintained. If it is not managed well, e.g. no fertiliser, no sprays etc., you would not even get 1 bag".

"There has been some decrease in yields due to farmers' inability to sustain the application of fertilizer and other needed chemicals. In the 2012/2011 production year the PC was able to buy only 400 bags of cocoa but currently has about 100 bags with 2 months for the season to be over" (Area manager, non-certified LBC)

However, Kuapa Kokoo is not alone in seeking to increase cocoa productivity and quality. Other non-certified LBCs are also trying to increase yields, although they face similar challenges as KK.

Yields are also influenced by the age of the cocoa trees, which varies from region to region. An Ashanti region KK purchasing clerk said that in his community their ability to buy beans is affected by both competition from other LBCs moving into their area, but also because their current membership has a different profile with more recently established and hence lower yielding cocoa trees. One district manager noted that cocoa yields have been enhanced by the spraying programme and subsidized fertilizers etc, although feedback from other managers was mixed, with most saying the programme had been ineffective in recent years.

"In the recent past the recorder was able to purchase about 600 bags annually. This number has reduced drastically to about 150 bags in the 2010/2011 production year. Purchase has become low for two reasons: some of the LBCs have opened branches in the farm areas in recent times, so the farmers are no longer bringing their cocoa to the Kwaso town; again the current membership is dominated by women who have smaller and relatively younger farms and yet to reach its full productive age" (Ashanti Region, PC)

#### 7.8 Provision of services

This section sets out the perceptions and views of managers about the provision of services by their producer organisation or non-certified LBC.

## 7.8.1 Training and technical assistance

Kuapa Kokoo staff provides continuous training through regular meetings and training sessions. In 2010 Kuapa sought to continue its Cocoa Extension Programme for farmers in collaboration with Cocobod, with five additional extension officers to be recruited (Annual report, 2010). This,

"members are regularly educated. The regular meetings attract some farmers to join KK. Some farmers also do not attend meetings regularly and therefore have little knowledge on teachings on Fairtrade".

combined with the new credit scheme, this should increase farmer yields and thus livelihoods. This training provision has increased in recent years with the revamping (from 2011 onwards) of the Internal Control System, which is now housed under the KKFU secretariat. The KKICS is now under the management of the secretariat and there are 30 General Agricultural Extension officers employed to offer extension, technical and Fairtrade compliance services to members in the societies/communities. These officers have motorbikes, fuel and protective clothing and are stationed at the districts for easy proximity to the communities, but are too limited in number given the size and geographical spread of the organisation (according to senior KK officer, pers.comm. 2013). Training topics are varied. Meanwhile government extension support has remained weak in Ghana, but is improving (key informant).

"Technical assistance is also given through training. KK's Internal Control Unit assists and educates farmers on the following: How to maintain farms; Education on child labour: All KK farmers are now aware of child labour issues. Farmers now know what type of jobs children are allowed to do and who is classified as a child; Safe use of pesticides; and the benefits of Fairtrade".

The Internal Control Unit now provides technical assistance to cocoa farmers, training on post-harvest handling, safe use of chemicals and information on pruning and fertilizer application. Kuapa Kokoo is also working in partnership with various organisations and has completed some collaborative projects (e.g. the Cocoa Agroforestry Project (which included a partnership fund, biodiversity, and farmer field schools) and the Sustainable Tree Crop programme. The Katumba group is working on carbon offsetting. We do not have information on how effective these collaborative projects have been – they were not mentioned by the groups we visited and maybe were implemented in other districts.

Kuapa Kokoo is not the only LBC to provide training, however. Non-certified company district managers also reported various kinds of training which they provide, although oriented towards improving production largely and quality primarily.

"The PC usually undergoes training periodically and comes back to train farmers on best practices in cultivation, management and post-harvest handling of cocoa" (non-certified LBC district manager).

"My company provides training on farm management practices (e.g. cutting of pods, pounding of seeds with legs during fermentation and the need to ferment the beans for 7 days. They also provide training on quality production of beans"... "The company is discouraging farmers from using certain chemicals especially weedicides, and rather saying use manual labour" (purchasing clerk, non-certified LBC)

A similar story was told of other non-certified farmers, regarding the training they provide, combined with the distribution of material incentives to capture farmer's sales.

A PC interviewee from a non-certified private LBC, said that his company: 'is discouraging farmers from using certain chemicals especially weedicides, and rather saying use manual labour"..."has started giving out incentives like bags, bars of soap and mosquito nets to motivate farmers to work with the LBC. Education is on-going to discourage farmers from using certain chemicals especially some weedicides, but rather use manual labour. The company is very strict on child labour as a result farmers are being educated and are given GhC5 each to ensure they engage the appropriate labour. No extra bonus is paid to the farmers beyond what the government pays which is GHc2.00/bag and farmers are paid directly based on their passbook records

Notably, the questionnaire survey found that Fairtrade-certified producers report improvement in farming methods significantly more often than non-certified producers. This is consistent with the increased investment by Kuapa Kokoo in agricultural extension in the last few years. However, we did not hear a great deal about the extension officers during the qualitative field research discussions, perhaps because this is a relatively new initiative, but also because there have been too few officers in the past to cover the demand for advice.

## 7.8.2 Provision of credit

Early in its association with Fairtrade, Kuapa Kokoo established a credit union which provided many farmers with credit when they needed money and were reliant on local money lenders who charged high rates of interest. However, major problems were encountered with the running of the credit union involving the non-repayment of loans, leading to the suspension of the credit union. Members had to contribute in order to get a loan based on the amount deposited. But it got the point where members were not repaying and were not using the loan for the purpose intended (KK district manager). The KKCU lost a lot of farmers who collected loans and defaulted and the KKFU lost farmers.

However, when we visited in 2010 there were plans to re-establish the credit union and this process has been underway during the study. According to the KKL manager in 2011; 'Credit – it is getting on well." The Annual Report states that: "Support has been given to the rebuilding of KKCU and there are high expectations, as KKCU implements the CNFA-KK Hi-tech programme" (Annual Report, 2009/10). The "KKCU is a programme under KKFU and cooperative members are encouraged to invest. This was revamped when Cadbury came on board" (key informant interview). An external consultant was funded to analyse the credit union and re-establish it.

Currently, Kuapa Kokoo provides chemicals on credit to its members in collaboration with Chemico, an input supply company and the Citizens Network for Foreign Activities (CNFA), a United States Based Non-Governmental Organization. CNFA, which receives "funds from Gates and the EU" (key informant) are also supporting the development of business centres (store, training centres) and training farmers to use chemicals, provide input credit ("meeting the farmers halfway") and in this way the aim is to raise productivity so that they can then pay the remainder of the loan. The table 36 below presents the agrochemicals normally supplied to the farmers and the average cost per acre. On average, if the chemicals are effectively applied, the yield is about 5 bags/ acre in the major season and 1-2 bags in the minor season in the first year of application. It can increase to 11 bags/acre and even to 16 bags/acre in the subsequent years of continuous application. For the 2011/2012 cocoa season, a bag of cocoa sells at GHC205; if the farm yields an average of 5 bags/acre in the first year of chemical application, the gross income is GHC1,025/acre. The farmer can therefore pay for this direct input cost and use the remaining, GHC968, to defray the other indirect costs such as labour.

Table 38: Agro chemicals applied and cost per acre

Item	Qty/ acre	Cost (GHC)	Total cost (GHC)
Cocofeed (fertilizer)	3	29	87
Akatemaster (pesticide)	1	33	33
Champion fungicide	24	1.9	45.6
Fungikill (fungicides)	24	2.9	69.6
Sett Enhance (liquid fertilizer)	2	11	22
Pulmic Amazona (spraying machine)	1	65	
Solo motorized spraying machine	1	740	
Total			257.2

The managers interviewed said that in relation to labour, farmers are encouraged to form groups of between 5 and 10 people to help each other on the farms on a rotational basis. This is expected to eventually reduce their labour costs. Some communities have labour gangs to assist farmers on their farms. These gangs are paid by the farmer after the harvest. In some primary societies the recorder retains GHc1 per kilogram of cocoa from farmers and this is used to provide services to the farmers including paying the cost of transportation of the beans to the sales depot.

This input credit scheme was started in five cocoa districts and expanded to fifteen with 6,530 farmers as registered members to this input credit scheme. In the 2011/2012 cocoa year a total of 12,500 Kuapa Kokoo farmers have been registered. This is about 20% of the total membership. Among those who have registered and benefiting from this programme none has opted out yet. This gives the indication that the input credit scheme is valuable to the participants. In order to reduce the risk of non-payment to Chemico, farmers have been asked to have at least the cost of 1 bag of cocoa in savings with the credit union before they can benefit from the package. While management report that the scheme is expanding well, it is also the case that not all Kuapa Kokoo farmers benefit from this package. Members are required to pay a third of the cost of the total cost of input needed upfront and not all the farmers can afford it at the moment (Key informant interview).

It was assumed that by setting up the credit union once farmers' yields increase, they will be able to save more with the union for the purpose of encouraging investment among farmers and increasing income. However, our study shows that farmers' priority investments are currently in their children's education and improving their housing. This could change in the future if yields and savings can increase more.

Some challenges were noted in terms of Kuapa Kokoo's ability to deliver the inputs on time to farmers. A western region district Kuapa manager noted that although Kuapa provides cocoa farming inputs on credit to farmers, that there can be difficulties.

"The main challenge experienced by farmers is with respect to the KK input support projects. Inputs are delivered very late in the season, usually around June and July instead of February and March. At this time the chemical do not have any impact on the yield and farmers will still have to pay for these inputs and while they wait, they purchase them from the 'black market' at higher cost. It is recommended that the inputs are delivered on time for effective use".

In terms of non-certified LBCs, one district official reported that they too are considering provision of credit and inputs.

"does not give credit but negotiations are underway for farmers to receive such credit support and inputs for free. These arrangements will be available for farmers who are able to harvest and sell more than 20 bags to PBC" (non-certified district official, PBC)

#### 7.8.3 Post harvest management and quality

There are some incidences of post-harvest losses. According to district managers these are usually due to disease and pest on the farm. In storage losses are through wetting or theft. There is a security man at post at the storage shed to ensure theft the incidence of theft is minimized.

"Kuapa Kokoo provides education to farmers on cocoa. Farmers know better how to treat cocoa. Fairtrade stresses quality of cocoa. They sell direct to Fairtrade who can sanction the company if the quality is not good".

Kuapa Kokoo managers report that the quality of KK beans has improved tremendously as a result of various programmes and measures being implemented and this has gained international recognition (2012 management focus group discussion). In March 2012 Kuapa Kokoo was awarded a Century International Gold Quality Era Award in

Geneva for producing high quality cocoa beans. According to the managers this award is recognized by buyers worldwide.

"Kuapa has an Internal Control Unit whose responsibility is to ensure that the farmers have the requisite training for quality cocoa. The quality control unit ensures that the farmers use the appropriate chemical on their farms and that farmers practice all the requirements of Fairtrade. Good post-harvest handling practices are also ensured by the Unit, especially, the fermentation of the beans for 7 days before drying. Once the cocoa gets to the district shed, the beans are segregated by sieving and dried again. In addition the KK district officer ensures that all cocoa bought is traceable to the farmer. Hence KK does not buy cocoa from sources they do not know or from non Kuapa Kokoo members. These measures are put in place in order to meet the quality requirements of Fairtrade". (KK district manager)

Premium planning and reporting requirements were added in 2011 to the cocoa product standard (Fairtrade International). requires This producer organisations discuss investment of premium funds into quality and productivity related activities to secure member's incomes. The results of the discussion must be presented to the General Assembly before approving the Fairtrade Development Plan. While Kuapa Kokoo does not offer a financial incentive for quality, and in fact Cocobod itself has a Quality Control Unit which helps to ensure quality across all Ghanaian production, Kuapa is providing training for farmers on quality and productivity related issues. It has a quality control unit and Fairtrade is increasingly encouraging producer organisations to consider investing at least 25% of funds into such areas. Farmers reported that training has clearly increased in the questionnaire survey. The other LBCs are also providing some training (but to a lesser extent) and pushing for improvements – including on quality issues.

Kuapa Kokoo in the past also promoted organic production, but this was abandoned because the organic chemicals used had not been approved by COCOBOD and because of the costs involved. An Ashanti district manager emphasized the training given to farmers in society meetings (e.g. on how to spray properly, the equipment needed).

#### 7.9 Child and hired labour

Child labour is an incredibly important issue in the West African cocoa industry and is of huge international concern. The situation has not been helped by the rising cost of hired labour in Ghana. It is of relevance here, because Fairtrade standards prohibit the worst forms of child labour. The most serious form of child labour is when children are brought from across the border or from distant communities to work on Ghanaian cocoa farms. There are several national and international multi-stakeholder initiatives underway, and Kuapa Kokoo is collaborating with the ILO in establishing task forces to monitor child labour.

Child labour is thus an issue of relevance to poverty impacts, but there are specific challenges in understanding its' occurrence and changing incidence. It is a highly sensitive subject to raise with interviewees and in situations where awareness is high it would not be possible for a visiting study research team to investigate and reveal its occurrence. Child sensitive research methods are needed (e.g. firstly constructing household diaries in detail to investigate inconsistencies) which require time and training. Due to the nature of this issue and the broad-ranging scope of our study - i.e. the broad range of poverty impact indicators that we were asked to cover - it was not possible to assess change in this dimension in any depth by using child labour sensitive research or investigative techniques. This does not mean we did not ask in the questionnaire and the focus groups about child labour use and trends, but there are **limits to what this data on child labour can tell us**.

What is clear is the response of Kuapa Kokoo to their suspension. They have invested large amounts of money in establishing a monitoring system (see figures from the Fairtrade Premium spend for example). This follows their suspension in late 2009 following media reports of child labour on members' farms. The managers reported that Kuapa has a child labour policy that forbids any member from using children on his/her farm. The internal Control System provides checks and provides procedures to ensure child labour is not employed in the production of cocoa. Twenty eight child protection committees were established in one year (2009/10) in Western Region with monitors from the community checking whether children are being used for work, what kind of work, where they are from and what plans families have and what support is needed/has been provided to tackle/prevent it. District committees were formed to monitor the community level groups. ILO partnered with Kuapa Kokoo to form another 15 Child Protection Committees and 10 more were planned for the following year, making a total of 38<sup>40</sup>. The Annual Report states that the

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<sup>&</sup>lt;sup>40</sup> KKFU Executive Director (Annual Report): "KK Child Labour Action Programme (KK CLAP). Last year 28 KK Child Protection Committees (CCPCs) groups in Western Region (Enchi, Juaboso, Asempanaye) and District Committees formed to monitor the CCPCs. ILO partnered with KK to form another 15 CCPCs. This year 10 more CCPCs were established in existing districts and Dadieso to make a total now of 38"

Cadbury Cocoa Partnership donated 794 bicycles to enable children to cycle to school (in support of the Kuapa Kokoo Child Labour Awareness Campaign and to ensure farmers' children enjoy their education and childhood training (Annual Report, 2010).

"The cost of labour is high between GHC 5.00 and 8.00 and this makes up a large proportion of the cost of farming. There are educational programmes for farmers discouraging them from engaging children on their farms." (Ashanti Region, Kuapa Kokoo primary society secretary, 2012).

The questionnaire is a blunt tool for investigating an issue such as child labour and respondents said that no changes in the use of child labour on cocoa farms had occurred (2010) and in 2012 respondents reported a slight improvement, but no significant differences emerged between certified and non-certified respondents.

"Technical assistance is also given through training. KK's Internal Control Unit assists and educates farmers on the following: Education on child labour: All KK farmers are now aware of child labour issues. Farmers now know what type of jobs children are allowed to do and who is classified as a child (district manager, Ashanti region).

"Child labour task forces have been established in Western Region with ILO. ILO has some groups that do not overlap with Kuapa, but some do overlap. They are community level groups. The groups monitor child labour by travelling to remote parts of their community to see if children are being used and for what type of work. The monitors establish if the children are not from Ghana. They check whether the family have a plan, parents given opportunities to prevent, e.g. by offering loans to poorest, pay school fees for their children. Yes there has been improvement". (Senior KKL officer)

However, it is not possible to know what the level was initially so the question is unfortunately somewhat redundant. The qualitative research does indicate that there is widespread understanding that child labour should not be used. A great many respondents in both certified and non-certified groups said that if children help on the cocoa farm, it is only at weekends or in the school holidays and there are no negative effects on their education.

From the consistent remarks made by farmers and district officials, it is clear that there is significant investment in this programme, but we cannot say from our study how far this is changing practice on the ground, as we were not able to stay and conduct participant observation or investigative research.

The non-certified focus group participants also said that their children help on their farms, but only at weekends/holidays and this does not affect their education. Thus awareness is quite high in Ghana amongst the farmers interviewed, whether certified or not, but this does not equate to evidence of changes in the use of child labour in practice, which would require a different kind of study. Clearly, the engagement of Kuapa Kokoo with Fairtrade has, however, made a difference in terms of the scrutiny it is under and the response it has made in terms of time and funding.

"The company is very strict on child labour as a result farmers are being educated and are given GhC5 each to ensure they engage the appropriate labour" (Purchasing clerk, non-certified private LBC).

As explained earlier in the report, cocoa farmers do hire labour on regular basis. However, there have not been any major changes in the working conditions of hired labourers. Caretaker farmers are not able to participate in Kuapa Kokoo as full members, although they can benefit from attending training sessions.

#### 7.10 Environment

At the beginning of our study the FLO Generic standard for smallholders included the following criteria in relation to environment: Impact assessment, planning and monitoring, Agrochemicals, waste, soil and water; fire and Genetically Modified Organisms (GMOs). In May 2011 a new version of the Fairtrade Standard for Small Producer Organisations included the addition of new environmental requirements covering i) management of production practices and ii) environmental protection (environmental management, pest management, soil and water, waste, GMOs, biodiversity and energy and greenhouse gas (GHG) emissions. The updated standard is accompanied by supplemental documents, which give more detailed guidance on all aspects of Fairtrade, including environmental activities and requirements. There is also additional documentation on the FLO website, on the Fairtrade Development Plan (which requires that in year 6 the organisation does one activity to maintain or improve sustainable production practices within the ecosystem" and Reporting on Environmental Requirements), as well as a document on 'ideas for the Fairtrade Development Plan' which includes information on sustainable production integrated to ecosystems. These changes appeared relatively late in our study and so would not necessarily affected the impact on the ground.

KK management indicated quite a wide range of collaborative projects, as well as topics covered in training of farmers, that are of relevance to environmental conservation and sustainable agricultural practices. The FLO liaison officer in 2011 also said that Kuapa have created an Environment plan – covering training, research and development, and detailing approved insecticides. As FLO have ramped up their requirements, so Kuapa Kokoo will continue to invest. Therefore Kuapa Kokoo's association with Fairtrade has made a difference in terms of the producer organisations' commitment to tackling environmental issues. However, we do not have much information regarding the activities of the non-certified LBCs in this regard to enable a systematic comparison with the non-certified group, and nor were we able to measure actual changes in agronomic practices, for example.

"As Kuapa Kokoo is certified to Fairtrade itis therefore bound to observe all the standard expected of it and has mainstreamed issues of environmental concerns into the process and practices in the cocoa production. There have been investments in terms of finance and human resources...All these environmental investments are as a result of Fairtrade standards. Farmers are therefore made to know and understand the importance of these environmental issues" (KK management meeting).

Some of the activities listed by managers of relevance here are as follows:

- management of watersheds training e.g. farming and spraying along water sheds issues, as an integral part of farm management training.
- Kuapa Kokoo pays particular attention to the types of **agrochemicals** used on members' farms to check pest, disease and soil enrichment. Kuapa insists on the use of chemicals that are approved by the Cocoa Research Unit of Cocobod only.
- In collaboration with Conservation International, a US based NGO, Kuapa Kokoo implemented a cocoa conservation project to rehabilitate cocoa farms and introduced new techniques to farmers between 2000 and 2003 in the Ofinso and Nkawie Districts in the Ashanti Region.
- Establishment of an Environmental Department. This unit is responsible for educating farmers on environmental protection on the farm.
- KK's Internal Control System staff educates farmers on farm sanitation.
- Kuapa Kokoo has invested in afforestation. In the 2010/11 season, 50,000 trees were
  planted on 500 acres in four districts on a pilot basis in Ejisu/Juabeng, Agona, Mankranso
  and Ofinso covering 13 primary societies all in the Ashanti Region. The tree species planted

are Ofram, Emire, and Teak. In the 2011/2012 season the numbers of trees have increased to 100,000 trees at a cumulative cost of GHC 20,000. The afforestation programme is being done in collaboration with PUR Project in France. Seedlings are acquired from Forestry Institute of Ghana (FORIG). Kuapa Kokoo has been introduced to issues of climate change and its effect and it is hoping to sell carbon offset with its afforestation programme. See Box 5 below for more details.

 The Annual Report (2010) notes that linked to their environmental programme, the Chocolate Halba (Swiss Chocolate Manufacturing Company), partnered Kuapa Kokoo to plant 50,000 trees in 20 cocoa communities in Ashanti and Brong Ahafo regions. In future Chocolate Halba will buy the carbon credits from the trees (executive director, Annual Report, 2010). See box 5 below.

# Box 5: Reforestation to sustain cocoa production in Ghana involving Pur Project and Chocolate Halba and Kuapa Kokoo

Kuapa Kokoo has approximately 65,000 members. They do not own the trees on their land, so timber companies can buy concessions from government and cut down trees which provide shade for cocoa plants during the dry season, control pests and enrich the soil. Nationally, deforestation is currently occurring at a rate of 220 km2 per year and this is driving up temperatures and increasing drought stress and affecting Ghana's cocoa productivity.

Chocolate Halba is investing in supplier sustainability through a reforestation project managed by the Pur Projet. This project works with producer organisations to design reforestation projects that meet the needs of the farmers. Over two years, Kuapa's members have received technical training and a small payment of €0.25 for each of the 150,000 trees planted. The project aims to register the trees with the Forestry Department, so that Kuapa members have ownership of the trees and can conserve them to shade their cocoa plants in the future. The farmers hope that the trees will increase cocoa yields and help them recuperate local water sources that have been drying up during recent extreme dry seasons. Not only does the project aim to improve the environment and provide incomes for farmers, it also expects to help Chocolate Halba secure future supply of high quality Ghanaian cocoa.

Source: Summarized from: "Supporting ecosystem services in Fairtrade value chains" Twin and NRI, University of Greenwich, 2013

At the district level within Kuapa Kokoo awareness was also relatively good on environmental issues, e.g. tree planting, soil management, shade, fire prevention, safe use of chemicals and safe disposal of containers. Interestingly, several KK district managers emphasized the need for support to farmers to adapt to the changing climate.

"Farmers must be trained in mixed cropping to sustain the moisture of the soil and provide some amount of shade for the cocoa trees. This training will help to combat the threat of climate change which could cause extreme drought and affect production." (KK district manager).

"KK gave farmers Ofram tree seedlings to plant on their farms. The quality control unit educates farmers to bury used chemical containers to protect the environment. But it has not yet educated on the changing weather patterns and adaptability measures for farmers" (KK district official).

"Training on environmental issues is provided within societies, e.g. fire control. All societies have posters on fire control and fire extinguishers. In the dry season, we visit farmers and advise on what to do to protect farms. They have cleared spaces to stop fire spreading" (KK district manager).

At the individual farmer level there was a significant difference in the findings comparing responses of certified and non-certified farmers,

"Farmers are discouraged from growing rice as it has the potential of destroying the land. Advice is also given to leave buffer along water bodies when clearing land for farming. The education on the environment has helped farmers to improve on the quality of their environment" (KK primary society farmer)

with Kuapa farmers being more positive about the direction of change in relation to the environment.

Looking across all three levels it is clear that Kuapa's training, investments and activities on environmental issues have made a positive difference. We were not attempting in this study to try and measure changes (e.g. in water quality, soil quality or erosion, pesticide exposure), but it is clear that there have been some improvements in farming practices and environmental management.

### 7.11 Partnerships, networks and advocacy

Kuapa Kokoo has an **array of links to development agencies**, **NGOs and researchers**. It has been very successful in attracting partner development agencies to work with it — which adds complexity to the attribution of impact to Fairtrade. However, to some extent Fairtrade and support from ATOs such as TWIN, and part-ownership of Divine, is what has helped Kuapa Kokoo not only to develop as an organisation, but to sustain such a high public profile. It is also a driver of the scrutiny that is placed on Kuapa Kokoo — its operations and impact. Recently, the KKFU Secretariat has been strengthened and this is helping it to further attract external donors and collaborators. For example, there are on-going discussions with Mondelez, the company of which Cadbury is now a part, regarding about a new, large-scale cocoa programme.

"Membership of Fairtrade has led to collaboration and partnership with various agencies. These include: Sustainable Tree Crop Project (STCP) and Conservation International (CI). Other certification bodies such as UTz have approached for partnership. The Government of Ghana also links important visitors to Kuapa Kokoo, because of their well-organized structures. Among them is Ex-Prime Minister of Britain Mr. Tony Blair, who visited Kuapa Kokoo while on a state visit. Kuapa Kokoo has also been received at the White House at the time of President Jimmy Carter and has also been received by Mrs. Melinda Gates. (There are framed pictures of the two meetings on display in the office). Other research institutions have partnered with Kuapa Kokoo for socio-economic studies". (KKFU and KKL staff, management meeting, 2012)

Although, Kuapa Kokoo is attracting development agency resources and has a rising Fairtrade Premium to invest, resources are not the only factor – long term relationships and capacity building are what is important for their development (key informant, Fairtrade company). The role of alternative trade organisations is important in this regard, as they seek to provide longer-term support for organisational capacity building - investment that is being utilized by these other external agencies. In commercially driven value chains, this commitment and level of investment in democratic organisational development is less likely to be forthcoming. Although there is increasing interest from many cocoa and chocolate companies in securing supply, this is mainly to be sought through improving productivity and quality, with the value placed on institutional development often being much lower. The continuity of relationship (and part-ownership of) Divine is important because it enables a regular flow of information (there are meetings held each quarter) and a building up of trust (key informant interview). The security of the relationship can also provide the producer organisation with more stable markets (KKL officer interview). The on-going collaboration with TWIN has been a major part of Kuapa Kokoo capacity building. According to the KKL manager (2011), TWIN provides "technical advice, training, linkages to other organisations, training on cooperative principles".

Some examples of current collaborations, beyond the environmentally oriented ones mentioned in the previous section, are:

Cadbury Investment Programme - this programme is also working with Care International, VSO,
 World Vision. They are establishing small cooperatives and developing action plans etc. With KK

- they have provided some solar lights to farmers and 794 bicycles to children to get to school" (KK Annual Report, 2010).
- CNFA partnership running the inputs credit scheme and with funding from the Bill and Melinda
  Gates Foundation. According to a KKL officer (2011) the KK primary societies were the most
  successful in this programme which also covers non-KK groups. Ten business centres have been
  established to provide advice, fertilizers on credit and extension officers.
  - This was originally a pilot, but is now full-scale with 12,000 farmers of Kuapa Kokoo are to be involved" (a KKL officer, 2011).
- Divine has supported TWIN to undertake a Gender Action Learning System (GALS) project (ongoing).
- Comic Relief KKL received a five million USD loan from Comic Relief via KKFU.

According to one interviewee DFID also provided a loan guarantee for Kuapa Kokoo in 1998 of £400,000. This was paid back plus interest and was important in the development of the organisation (Key informant interview).

Interestingly, the Secretariat (which now houses the KKICS), has been "positioned as a Development Unit to source projects with renowned institutions/organisations" (KKFU Senior official, pers.comm. 2013). This explicit strategy is beginning to bear fruit, with international donors essentially building upon the investments made by Fairtrade and the producer organisation in organisational development.

Very recently, new collaborations have been established or are being discussed:

- KKFU has recently signed a Memorandum of Understanding (MOU) with the SNV Netherlands Development Organisation for a thirty month Cocoa-Eco Project.
- Mondelez Ghana is currently evaluating KKFU Technical and Financial proposal to take part in Mondelez International Cocoa Life Programme.

How effective these collaborations are, depends on further development of good governance and capacity strengthening of KK, particularly in terms of improving communication, increasing socioeconomic and empowerment benefits to individual members.

A West Africa cocoa producer network has been created with the support of Fairtrade, in which Kuapa Kokoo participates, according to a key informant interviewed in 2013. The network has met a few times already, but has already provided some insights for the participants: Ghanaian participants said they were 'shocked' at the challenges faced by farmers in Cote D'Ivoire (key informant interview).

Supporting commercial visits and exposing leaders of producer organisations to buyers and actors in end markets is an important part of Fairtrade. In terms of exchange visits, Kuapa Kokoo staff and some farmers have been involved in international trips. Because Kuapa Kokoo is fairly well known and because it has good connections to development organisations, particularly Alternative Trade Organisations such as TWIN, and its part ownership of Divine, it has been able to participate in numerous visits to meet buyers, attend trade fairs etc. For example, TWIN supported farmers to visit Malawi to learn how other cooperatives are run (KKL manager, 2011). The KKL manager (2011) said that farmer visits had occurred, with farmers going to Sweden to attend a Fairtrade Fair, which was a one week programme. Some went to the US for Fairtrade Fortnight. We did not meet the farmers who had participated in these exchanges, but the exposure is likely to have supported their increased understanding of end markets. Kuapa's part-ownership of the Divine Chocolate company is important not only for the dividends it brings, but also because it provides Kuapa Kokoo managers with "exposure to the chocolate industry through regular interactions in Europe and America with

consumers". Divine is an "effective communication tool to influence value chain actors and to deliver dividends" (Annual Report, 2010). At the same time some of these activities could be more embedded in a more strategic learning process (key informant interview).

Liaison officer inputs are important for assisting the organisation to comply with the Fairtrade standards (KK senior official). The liaison officer plays an important role in supporting the producer organisation, but they have limited time and have to divide this across a number of organisations. An organisation the size of Kuapa Kokoo could have its own liaison officer (key informant interview).

Advocacy and ability to influence the enabling environment is also part of the Fairtrade approach. It is understandable that many producer organisations concentrate on their own organisation building and delivering services to members. There can also be risks to engaging in advocacy activities. However, the KK Annual Report states that 'as part of our strategic plan, systems will be established to enable Kuapa Kokoo to improve its advocacy to influence the cocoa industry nationally and internationally' (Executive Director, Annual Report, 2010). A Ghanaian key informant interviewee said that: "The idea of a bigger farmer organisation is to have greater voice, but does not work like this in practice". This reflects both the context in Ghana in which they operate, namely the partially liberalized joint governance system where Cocobod sets prices, monitors quality, supports cocoa research and extension and breeding (improved seeds), and crucially gives licences to buying companies to buy cocoa, but also perhaps a lack of confidence and skills in advocacy.

Such a large farmer organisation does have the potential to advocate on behalf of its members – for example, to push government to improve service provision to cocoa farmers (key informant). Farmers also expressed complaints about the government scholarship for children's education I the focus group discussions. A passbook is issued which provides access to a scholarship, but in some instances buying clerks keep these for the farmers, but when a child becomes eligible and a scholarship is needed, the farmer finds his/her data has been used by the clerk for children elsewhere and no scholarship is available. Some support from other NGOs has been provided where they keep hold of the passbooks and education selection to enter a school, but schools anyway are of variable quality and Cocobod does not have much control (key informant interview). Cocobod is currently looking at the pension scheme for cocoa farmers (key informant interview). Thus, there are issues of concern to farmers which a producer organisation could potentially advocate for change. The non-certified LBCs do not have the same motivation or incentives to support farmers through advocacy activities of this kind.

### 7.12 Wider impacts – community

The Fairtrade Premium investments are intended to benefit the wider community, as well as the members of the producer organisation. Communities in which members live also benefit from the

Fairtrade Premium investments. Some non-Kuapa Kokoo farmers attend trainings and meetings according to the Kuapa Kokoo secretary of a primary society in Ashanti Region, including caretaker farmers. However, we have limited evidence of the extent of wider impacts beyond member cocoa farmers and their household members. In the questionnaire survey a significant difference in the change in health services was reported by non-certified and Fairtradecertified producers, with Fairtrade-certified producers reporting a slight improvement, and non-certified producers

For example, one focus group reported that:"the community will also see a lot e.g. the corn mill. The people used to come a very long distance – now the mill is available in their own community. Farmers who are not members of Kuapa have seen how it helps".

reporting a slight deterioration. This may be as a result of the mobile health clinic run by Kuapa Kokoo, but as all community members can use this service, the research team suggest it may be that Fairtrade certified producers were more informed about the benefits of the National Health

Insurance Health Scheme, than other non-certified farmers and so more registered as a result. However, we do not have evidence of this.

#### 7.13 Wider impacts - local and national economy

Kuapa Kokoo is a large organisation, with a growing membership. As a result it has the opportunity to benefit large numbers of cocoa farmers. Potentially, such a large organisation could also use its size to advocate for changes in the enabling conditions. We did not find evidence of a large-scale transformational impact on the local and national economy to date. Some initiatives which have been recently initiated (the resurrection and restructuring of the credit union, a new partnership on input supply and business services, appointment of more extension officers, establishment of the Internal Control System etc) and the increased proportion of sales on Fairtrade terms could increase the depth of impact of Fairtrade in this case in the future.

The structural and contextual factors in Ghanaian cocoa mean that it is hard for Kuapa Kokoo to differentiate itself amongst its members from other LBCs. It is competing with large companies, which can benefit from economies of scale and is investing in a democratic institution, which also brings costs. One assessment of Fairtrade impact points to these wider forces and structural issues which dwarf the influence of Fairtrade (Ryan, 2011), issues such as "diversification, land reform, rural banking and scientific research, lie beyond the remit of Fairtrade. Their resolution lies in the hands of the Ghanaian government and industry. Its advocates say Fairtrade offers farmers a voice in the world cocoa market. But the voice that counts is not that of Fairtrade, but that of the marketing board, which exports the cocoa on producers' behalf and has sufficient weight to secure a decent price for Ghanaian beans.. Far bigger factors than Fairtrade are shaping the country's cocoa industry..." (Ryan, 2011, p118). We have also found these same contextual factors and structural issues to be important in shaping the impact of Fairtrade in Ghanaian cocoa, but at the same time Fairtrade has made a difference in a number of ways, particularly in relation to organisational development, for example.

It will be important to continue impact assessment in Ghana and with this producer organisation now that sales are increasing, whilst recognizing that for the enabling environment to change significantly, concerted efforts by different stakeholders are required. The Abidjan Declaration is one recent attempt to bring together such stakeholders, with different types of representation from producer country governments, exporters, processors, traders, chocolate manufacturers and civil society. However, it is not how effective this will be and what role there will be for producer organisations to articulate their views. Fairtrade International has been supporting increased linkages to government and regional initiatives on sustainable cocoa (key informant interview).

## 7.14 Perceptions of the strengths and weaknesses of certification

The positive impacts of Fairtrade were explained by management as enabling Kuapa Kokoo in terms of the benefits to members: certification enables KK to "provide social services to communities, benefiting all members irrespective of their affiliation to Kuapa. The additional bonus paid to the farmers and the incentives such as cutlasses and mosquito nets are also positive impacts. The issue of mobile clinics is very important to the health of the farmers" (management team focus group, 2012).

The costs of certification were noted by KK management, including the audit costs and investments needed to achieve the standards. These annual audits cost between 15,000 and 20,000 Euros according to Ryan (2011). As well as the regular audit fees, Kuapa finances the elections for members – a Fairtrade requirement. Several other issues were noted, such as Kuapa Kokoo training farmers who are then poached by other LBCs and the bureaucracy and burden of documentation required by Fairtrade.

# **Section 3: Conclusions**

This section summarizes the conclusions of the Ghana cocoa study.



Photo: Interviews in Ashanti Region with farmers

# 8. Conclusions on the poverty impacts of Fairtrade in Ghana

Fairtrade seeks to have an impact on individual producers and on their organisations, as well as the environment. In this section we summarize our findings on impact, drawing on the different sources of information and datasets. Figure 1 (at the end of the executive summary) provides a visual summary of the actual Fairtrade poverty impacts found in our study.

#### 8.1 Fairtrade Pathways to Impact

The 'Fairtrade Minimum Price' (FTMP) for cocoa has been below the national COCOBOD price throughout the project, with the latter also rising as world market prices have risen. Farmers therefore do not obtain a price-uplift through the Fairtrade pricing mechanism. However, in the early days of the study organisation's formation the FTMP was above the national price and so farmers would have benefittedfrom this mechanism. The Fairtrade premium is paid to Kuapa Kokoo on Fairtrade cocoa sales, and farmers in the Kuapa Kokoo Farmers Trust (KKFT) decide on its use. In Ghana, because Kuapa Kokoo owns shares in the Divine Day Chocolate company, it is also paid dividends. Both KKL and private buyers offer 'catalysts' or incentives (e.g. bars of soap) to get farmers to sell their beans to them. COCOBOD also provides bonuses for farmers depending upon sales. Impacts may be achieved as a result of auditing and compliance with the producer standards, as well as continuing improvement over time. As well as these economic benefits, the producer standards encourage democratic organisational development, enable investment in community social projects and cocoa production and quality, and there is a prohibition on child labour - a significant commitment given the prevalence of child labour in West Africa. As the whole producer organisation is certified, the whole of Kuapa Kokoo risks being suspended as it was in 2009 for a

period. There are also networking, partnerships, and advocacy pathways to impact – KK has been active in the first two.

#### 8.2 Reach of standard

Does Fairtrade support producer participation in certified value chains or do its requirements mean that some smallholders are excluded? Kuapa Kokoo does not have specific entry requirements for membership beyond being a cocoa farmer, being able to supply one bag of cocoa, and requiring a certain quality of cocoa. However, this is similar to the counterfactual group of farmers supplying private LBCs. All LBCs are in competition to obtain cocoa beans as long as they are of sufficient quality for export. Kuapa Kokoo does require membership dues, but these are very low in reality. Structural factors form a barrier to participation in Fairtrade: access to land, for example, which shapes the ability of poorer groups, especially women, to participate in Fairtrade - these structural factors and entrenched gender inequalities in cocoa farming households have not been significantly transformed. However, KK has a clear gender policy and is working to increase women's representation in the organisation. Working conditions for migrant labourers had not changed in a meaningful way, and although they and caretaker farmers may be benefiting from access to training, they are unable to join the PO as members. It also seems that the poorest farmers may find it difficult to participate in the inputs on credit scheme.

## 8.3 Individual impacts on producers

#### 8.3.1 Household characteristics and land ownership

No differences were found between certified and non-certified groups in terms of total farm size, area and percentage of farm used for cocoa – both groups have approximately 75% of their land under cocoa. However, between 2010 and 2012certified farmers experienced a higher average reduction in farm size and area under cocoa compared to non-certified farmers. No clear reason for this change emerged in the qualitative research. Both certified and non-certified farmers reported a significant increase in the area of land on which they cultivate crops other than cocoa. Certified farmers reported a significantly smaller area for cocoa cultivation in 2012 compared to 2010. Further, significantly more certified farmers grow oil palm than non-certified producers, although there are no differences in terms of other crops grown. In terms of the specific land tenure arrangements, most farmers have customary freehold, but there are also many share croppers and tenant farmers amongst the certified and non-certified farmers. No significant differences were found in the average age of cocoa trees of certified and non-certified farmers.

#### 8.3.2 Impact on incomes

A key aspect of poverty impact of standards is impact upon farmers' incomes. However, the impact pathways are reduced with the FTMP being inactive and with FT sales overall being relatively low for the organisation until recent years. The FTMP still provides a safety mechanism in case of falls in commodity prices, although individual members did not mention this extensively and so it does not appear to provide them greater peace of mind. However, it is the case that should cocoa prices drop, then this mechanism will still be there. Fairtrade could have an impact on farmers' income through cash payments, raising yields and quality of cocoa production etc. Improving quality can lead to improved returns for farmers, as they can sell more of their crop to the LBCs, including KK, which require certain quality levels. Kuapa has invested in improving post-harvest handling and in quality, which members did appreciate, reporting increased access to training, for example. There is no quality premium paid by KK or other LBCs.

All farmers' (certified and non-certified) incomes are rising: farmers obtained significantly higher incomes from cocoa production in 2012 compared to 2010 and the average total household income was significantly higher in 2012 than in 2010. This study found no statistically significant differences

between certified and non-certified producers' average annual household income. Most farmers rely upon cocoa for their main income source. All farmers' incomes are rising due to the increase in cocoa prices on world markets and any changes resulting from certification are not that large and / or are being masked by the world market price changes. Thus Fairtrade has not had a significant impact in terms of raising farmers' income.

Bonuses of 2 GhC per bag are currently paid to individual farmers by KK on top of the government bonus, drawing on dividends from Divine Chocolate and the Fairtrade premium. These amounts are relatively small at the individual level. Some of the certified focus group participants mentioned these bonuses, but not all. It seems that the impact of the bonuses on incomes is too small to be visible, and is being masked by other trends such as rising input costs and the incentives offered by the other LBCs.

However, Fairtrade Premium investments could lead to income benefits as agricultural extension and training are stepped up, and as the business services and inputs on credit collaboration is scaled up. No significant differences were found in terms of average income obtained from different activities.

Although income levels have increased between 2010 and 2012, farmers say they perceive a decrease in income. In the final survey non-certified farmers reported a larger perceived decrease in income over the previous two years than Fairtrade-certified farmers. This difference was significant. This is an important finding and perhaps indicates that **Fairtrade farmers have been less affected by inflation pressures than the non-certified farmers**.

Overall inflation rates are 8.7% per year on average<sup>41</sup>, which would indicate that farmers still earn more in 2012 than in 2010. However, their perception of change in household income which could be affected by a number of factors, for example, inflation rates may have disproportionately affected key components of household expenditure (e.g. bread and other staples). On average, cocoa income covered less of the household expenditures on food, clothing, school and health in 2012 compared to 2010. This would suggest that all farmers – whether certified or not - are less able to cover their basic needs. The qualitative research also showed that farmers are struggling to cope, with cocoa income increasingly insufficient to cover basic household needs. Many households rely on remittances from children or borrowing from the recorder.

#### 8.3.3 Impact on cocoa production, productivity, prices and value of cocoa produced

There was no significant difference between the two groups in terms of cocoa production (either in the major and minor seasons or together) according to the respondents in the last four years. COCOBOD sets the floor prices and these have gradually increased each year, from GHC 138 per (64kg) bag (2008/9), to GHC150 per bag (2009/10), GHC 200 per bag (2010/11) and GHC 205 (2011/12). No significant difference was found in terms of the value of cocoa produced by certified and non-certified farmers.

#### 8.3.4 Impact on changes in household assets and access to services

Changes in individual household assets were assessed to establish if there is a difference in how certified and non-certified farmers have fared over the time period covered by the study. In 2012, few significant differences were found in household assets between certified and non-certified farmers except in relation to: i) the number of trainings held; ii) credit and cash savings. Fairtrade-certified farmers reported significantly more training in 2012 (and in 2010) than non-certified farmers. KK has made a significant difference to the training provision for their members, compared

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<sup>41</sup> http://www.statsghana.gov.gh/cpi release.html

to the farmers that sell to other LBCs. While training has increased for all farmers (certified or non-certified), the increase is more marked amongst the certified farmers and this is corroborated by the information provided by the PO about the new Internal Control System.

Both certified and non-certified farmers reported a significant increase in credit between 2010 and 2012, with non-certified farmers reporting significantly higher amounts of credit than certified farmers. There had been no significant change in bank savings. Certified farmers perceived a greater degree of improvement in credit availability than certified farmers.

### 8.3.5 Impact on expenditure

Expenditure for all items has increased significantly over the past two years for both certified and non certified farmers – indicating that all farmers are suffering from the rising cost of living. The rate of increase is similar for both groups. At the same time farmers do not have more income to invest overall as a result of Fairtrade participation: certified and non-certified farmers may invest in different things, but there does not appear to be a significant influence from participation in Fairtrade on cocoa income investment.

In both years (2010 and 2012), non certified farmers reported significantly higher expenditure on food than non-certified farmers. No significant differences between certified and non-certified farmers were found in expenditures for other household items in either year.

#### 8.3.6 Impact on household food security

No differences emerged in terms of food security (e.g. average number of meals per day for certified and non-certified groups). The findings indicate no significant impact by Fairtrade in terms of household food security, except in terms of satisfaction with the quantity of food by certified farmers where an improvement over the 2010 situation was reported in the questionnaire survey, 2012. Gender discrimination continues in both certified and non-certified situations, whereby women's food security and nutrition appears to be less secure than that of men. Those producing all their own food halved in number between 2010 and 2012 (although the proportions of households obtaining half their food from own production rose). More certified farmers than non-certified farmers produced all their own food in 2010, but there were no significant differences in the final survey. The qualitative research indicates that food crop production in the Western Region is challenged by land scarcity and farmers in this region in particular, complained about the high cost of living due to high food prices, with vendors bringing food from Ashanti region to sell. There are indications therefore, that with a higher proportion of farmland devoted to cocoa cultivation, less land is available for food crop production and therefore the higher the risk of food insecurity.

#### 8.3.8 Impact on savings and access to credit

Savings and access to credit are critical factors in the poverty status of farmers. In the early days of Kuapa Kokoo the credit union benefitted large numbers of farmers (Ronchi, 2004), but it was suspended prior to our study as too many farmers defaulted and some farmers said the system was not sufficiently transparent. During the course of this study, the credit union was re-established.

No significant differences were found between certified and non-certified farmers in terms of credit and savings in the baseline survey. On average, farmers had obtained GHC 83 (USD 59) credit in 2010 and their savings were GHC 300 (USD 214) on average.

In 2012, both certified and non-certified farmers reported a significant increase in credit in the previous two years, with non-certified farmers reporting significantly higher amounts than certified farmers. There had been no significant change in bank savings. Many farmers reported they had no bank savings or credit. When asked specifically about changes in credit availability for cocoa production (whether an increase, decrease or no change) the average score of certified farmers was

positive, indicating an increase in availability, while that of the non certified farmers was negative, indicating a small decrease. This difference was significant.

## 8.3.9 Fairtrade Premium investment and decision-making

The Fairtrade Premium was USD 150 per tonne in 2010 and rose to USD 200 per tonne in 2011. The payment of the Fairtrade Premium constitutes a clear impact pathway for raising incomes. The total figure for 2012 was 9,640,969.6 Ghana Cedis (6,427,313 USD). In 2013 the figure was slightly less at 8,360,000 Ghana Cedis (approximately 4,400,000 USD), but this still represents a sizeable amountThe premium funds are used to fund a variety of things, including cash payments to individual farmers, but at an individual farmer level these payments are not large (currently 2 GHC per bag of cocoa).

Kuapa Kokoo has for the past 15 years sold only 7% on average of its cocoa on Fairtrade terms, generating an average of 375,000 USD Fairtrade Premium annually (CEVAL, 2012),but the amounts sold on Fairtrade terms has increased rapidly during the study to approximately 30 or 40% according to KK staff toward the end of the study. In 2010 KK managers estimated that the Fairtrade Premium amounted to 1,398,094 GhC. With the increase in the Cadbury Fairtrade sales to 30% of Kuapa Kokoo's output, the Fairtrade Premium has risen to almost three million USD (CEVAL, 2012).

As well as individual cash payments, the FT Premium is spent on capitalisation of the organisation, administrative costs (e.g. holding elections, meetings), social projects (348 boreholes, 8 schools [built/refurbished], 6 toilet blocks, 51 corn mills, and 1 gari processor have been constructed according to the KK website. In our qualitative fieldwork investments in boreholes corn mills, hand dug wells, oil palm processors, cutlasses, and mosquito nets. The Fairtrade Premium is also used to fund the Internal Control System (extension and information system), as well as the child labour programme, incentives for farmers (e.g. cutlasses), etc. The internal control system is an important development for organisational capacity building, and the latter is likely to support improved quality production in the future. The child labour programme has helped to raise awareness at the local level, although we do not have evidence regarding actual practices on the ground. No women's groups were found in the study sample we selected – this is not to say that the women's groups are not effective or having an impact, but the fact that we did not come across these groups is partly a reflection of the large size of Kuapa Kokoo and the challenges for the organisation in having a significant impact in any one place as benefits tend to be spread fairly thinly.

The FT Premium projects were not highly visible in the qualitative fieldwork: i) investments have limited visibility as funds are spread fairly thinly across a large membership and coverage is somewhat patchy; there have been some implementation/maintenance issues. For example, the corn mill in one Ashanti village we visited was not functioning. The Annual Report (2010) states that in the previous year a number of projects were approved for 15 KK societies (9 corn mills, an oil extractor, three boreholds, an oil palm processor), but the communities that had requested a corn mill or oil extractor have failed to build the sheds needed to house the new equipment (AR, p16, 2010); There have been some delays on the delivery of incentives according to some certified FGDs regarding Kuapa Kokoo promises of investments and incentives; Other LBCs also offer similar types of incentives and so appear similar to Kuapa Kokoo to many farmers. For example, other LBCs offer cutlasses, soap, and their PCs provide support in emergencies just as Kuapa Kokoo purchasing clerks do. Also because farmers are not directly involved in Premium decision-making and are unclear on how Fairtrade operates, they have limited understanding of shaping investment decisions or of differentiating between gifts and funds generated by their own cocoa sales.

There is thus limited evidence of major community or agricultural infrastructure investment in study sample communities as a result of Fairtrade. However, this may be changing as the proportion of cocoa sales by Kuapa Kokoo on Fairtrade terms has increased significantly and there is new

collaboration with partners (e.g. in input supply), although capacity to implement and maintain community projects still needs to improve,

There is a very wide knowledge gap between ordinary members of primary societies and district managers. District managers of Kuapa Kokoo are well informed about the premiums and dividends and their investment, but many individual cocoa farmers were not aware of them and their use in the qualitative FGDs. There were some certified focus groups, where participants knew of the Fairtrade Premium and could explain how it had been invested, but the majority could not.

### 8.3.10 Farmers' assessment of change

To triangulate with other sources of information, farmers were asked to assess change over time in a number of indicators (e.g. training, availability of cocoa inputs, market access etc). The baseline study found significant positive differences between certified and non-certified farmers in access to training, post-harvest facilities, the environment and the producer organisation. In the final survey certified farmers again reported improvements in all areas, but non-certified farmers now reported on average, negative change for availability of cocoa inputs and the environment; these responses were significantly different from those of the certified farmers. Certified farmers also reported significantly more improvements in market access, access to training, extension services, transport of produce, on-farm value addition, and safe use of pesticides than non-certified farmers.

Market access has improved – with Cadbury buying increasing quantities of cocoa beans from Kuapa Kokoo on Fairtrade terms. Sales are also occurring via Divine and Twin trading, but a greater diversity of buyers is needed. Individual producers had limited understanding about what happens to their cocoa after sale to KK or other LBCs, although understanding at district level in KK (and amongst some primary society committee members) is much higher.

- Although in the baseline there was no significant difference in access to credit between certified and non-certified producers, in the final survey Fairtrade-certified farmers reported on average an improvement in credit, including access to farm inputs on credit, whereas non-certified farmers reported a small decrease; this difference is statistically significant. Kuapa Kokoo is currently partnering with the CNFA NGO and Chemico company to distribute inputs on credit. The KKCU has also been re-established. Both of these factors are likely to account for this positive trend amongst certified farmers. Although, inputs are also supplied by some LBCs, they are not supplied on credit. Kuapa Kokoo and the CNFA programme have an attendant investment in business services and agricultural extension.
- Farmers reported a small improvement overall in post-harvest handling facilities, but there was no significant difference between certified and non-certified farmers.
- Kuapa Kokoo does not offer a quality premium, but it has been providing some training to
  farmers to improve the way that they dry the cocoa and remove bad beans to improve
  quality and ensure the beans are up to standard. However, non-certified farmers also said
  that their LBCs require beans to be well-dried.
- Importantly, certified farmers report a small improvement in the environment, whereas non-certified farmers report a small deterioration. Kuapa Kokoo has an environmental plan and various measures have been instituted as a result of participation in Fairtrade. It is also the case that FLO has amended its environmental requirements during the course of our study, requiring even more attention by POs to sustainable agriculture and natural resources management etc. There are also a number of partnerships with external organisations which have been completed or are on-going, which are also focused on ecosystem services (e.g. the reforestation project with Chocolate Halba and Project Pur).

- In the final survey significantly more certified farmers report an improvement in the safe use of pesticides, compared to non-certified farmers. This is as a result of training provided by Kuapa Kokoo.
- There was no significant differences in terms of diversification of farming enterprises; on average both certified and non-certified farmers report a small improvement.
- In the final survey more certified farmers report an improvement in on-farm value addition than non-certified farmers.

### 8.3.11 Changes in the community

The baseline survey found that farmer perceptions of changes in their community over the previous two years showed a positive change, although this was largely attributed to government efforts at social service provision. However, in the final survey farmers reported very little change on average since the baseline. However, Fairtrade-certified producers did report a slight improvement in health services, and non-certified producers reporting a slight deterioration. There was no significant difference found in relation to education or the other indicators (communications, health services, household services, and other).

#### 8.3.12 Changes in access to household assets and services

In relation to changes in access to household assets and services, farmers (whether certified or non-certified) reported hardly any positive changes in either the baseline or the final survey, except in relation to house quality and farming methods in the final survey; certified producers reported an improvement significantly more often than non-certified farmers with regard to these two indicators. There is also a significant difference in change in medical facilities, with non-certified producers reporting a slight improvement and Fairtrade-certified producers reporting a slight deterioration. This is surprising, given the Kuapa Kokoo investments in mobile clinics.

Fairtrade has had a significant impact on access to training. For example, one FGD reported training from Kuapa Kokoo in producing snails. Another said that district level staff received training in Kumasi, but there is less at the producer level. The average number of trainings was limited, but KK is providing continuous training within regular meetings as well as specific training events, and is also increasing its capacity to provide training – although management also recognize that more agricultural extension capacity is urgently needed. The qualitative research showed that provision of training is patchy, with some groups stating that they received no training, but others reporting good quality training provision. Some LBCs also provide training according to the qualitative research. Women's attendance at training sessions is limited by their lack of spare time.

# 8.3.13 Perceptions of the producer organisation

We asked farmers about their perceptions of the producer organisation covering a number of indicators, such as satisfaction with their organisation in different aspects (e.g. financial management, overall management, leadership, technical assistance etc. This is an important indicator for Fairtrade impact. Quite often individual farmers are not aware of the role of Fairtrade with respect to their organisation's capacity building, but can rate the performance of and their satisfaction with their own organisation.

The baseline survey found that certified farmers were significantly more satisfied with their producer organisation on all aspects than non-certified farmers, except for financial management for which both groups were equally quite satisfied. KK members were satisfied with the quality of cocoa beans produced, technical assistance received, the way their views, concerns and needs as expressed are understood and the use of their Fairtrade premiums. Similarly, regarding financial management, general management quality, information communication and future plans of primary societies, members were even more satisfied. However, the qualitative data was less positive and it

is clear that members expect a great deal more from their organisation if it is to distinguish itself from the other LBCs. In 2012, certified farmers continued to be satisfied with all aspects of the producer organisation, with average scores around 4 on a scale of 1 to 5. The certified farmers were significantly more satisfied with most aspects of the producer organisation in 2012 compared to 2010. The level of satisfaction only remained the same for financial management, future plans and the use of the premium.

KK pays a Fairtrade **bonus** to farmers, but this amount is relatively small at the individual level and there was some confusion over the source of bonuses amongst farmers interviewed. Government LBCs have the edge over private LBCs, however, including KK in terms of payment as they have the easiest access to funds to buy the beans. KK as an organisation aims to institute **fairer weighing practices**. The qualitative research found a mixed picture on this front. Some Kuapa Kokoo members said that the weighing was fairer in the KK system, stating that while other LBCs adjust the scales to the farmers' disadvantage, this was not the case with Kuapa. But other groups said there was no difference between the certified and non-certified LBCs.

Views on the **differences between the LBCs** were solicited in the qualitative research, but provide a somewhat mixed picture. Some KK members said that the organisation provides various benefits (e.g. training), but many certified and non-certified groups said that there was little difference between the LBCs. There is a mixed picture with respect to the ability of the different LBCs, including KK, to pay for cocoa beans on time and to pay bonuses, as well as supply fertilizers on credit. Some of the larger LBCs clearly have an advantage as they can achieve economies of scale and have more access to cash to be able to purchase beans. Many farmers admitted that actually they did not know about the differences as they did not deal with other LBCs, so could not easily compare them. The management of KKFU and KKL both recognize the need to capitalize the organisation such that it can compete adequately in the cocoa business in Ghana. This has been underway, but it takes time to convince farmers that funds can be used for this purpose. One focus group reported that Kuapa should be run more effectively to deliver promptly on their promises and another said that not all incentives were delivered that were promised. Several Kuapa Kokoo members praised the **good human relations and skills** of their recorder/PC, although this kind of praise was not exclusive to KK.

Two Kuapa Kokoo focus groups said that the **credit union** had encountered difficulties and needed to be restructured and better regulated. This has happened during the course of the study, but it was not possible for this study to judge its effectiveness because of the timing. The new collaboration with external agencies is likely to improve KK farmers' access to inputs on credit.

In terms of choice of buyer, farmers make their decision based on different criteria, but primarily the availability of cash by the buyer. The questionnaire survey indicates that more non-certified farmers sell their beans to multiple buyers compared to Kuapa Kokoo members. Many cocoa farming households are in need of cash and so 'cash is king' in influencing who to sell to. The qualitative research shows a fairly mixed picture of farmers' rationale for choosing one buyer above another including: good inter-personal relationship skills of the purchasing clerk, a perception of fairer weighing, kin relationships (e.g. the PC is a relative or the cocoa farmers relatives have traditionally sold to the buyer in question), good experiences with the buyer in terms of their offer of material incentives or ability to provide support in a time of crisis and access to inputs, lack of knowledge of what other LBCs may offer, and willingness to experiment with other buyers.

The fact that some Fairtrade farmers also sell to other licensed buyers suggests that in some instances it may be more economic or convenient (if needing upfront cash) to sell to LBCs other than KK. This type of side-selling by smallholders is common in the cocoa industry, although in this case it does not appear to be happening on a very large scale.

#### 8.3.14 Child labour

Due to the sensitive nature of this issue and the broad-ranging scope of our study it was not possible to assess change in this area in any depth by using child labour-sensitive research methods or investigative journalism techniques. But child labour is a very important challenge in the West African cocoa industry and an issue of huge international concern. The situation has not been helped by the rising cost of hired labour. Fairtrade standards prohibit the worst forms of child labour. The most serious form of child labour is when children are brought from across the border or from distant communities to work on Ghanaian cocoa farms. There are several national and international multi-stakeholder initiatives underway, and Kuapa Kokoo is collaborating with the ILO in establishing task forces to monitor child labour. We did ask questions about this topic, and so have gathered data on the activities and inputs of Fairtrade and Kuapa Kokoo in this regard, and have some information on outputs (e.g. awareness raising), but do not have information on outcomes and impacts (e.g. changes in practices on farms, or the implications for the children in terms of their education and the economy of the households involved).

Kuapa Kokoo has invested large amounts of money in establishing a monitoring system. This follows their suspension in late 2009 following media reports. The managers reported that Kuapa has a child labour policy that forbids any member from using children on his/her farm. An internal Control System checks and implements procedure to ensure child labour is not employed in the production of cocoa. Twenty eight child protection committees were established in one year (2009/10) in Western Region with monitors from the community checking whether children are being used for work, what kind of work, where they are from and what plans families have and what support is needed/has been provided to tackle/prevent it. District committees were formed to monitor in turn the community level groups. ILO partnered with Kuapa Kokoo to form another 15 Child Protection Committees and 10 more were planned for the following year, making a total of 38. The Annual Report states that the Cadbury Cocoa Partnership donated 794 bicycles to enable children to cycle to school (in support of the Kuapa Kokoo Child Labour Awareness Campaign and to ensure farmers' children enjoy their education and childhood training.

The questionnaire is a blunt tool for investigating an issue such as child labour and respondents said that no changes in the use of child labour on cocoa farms had occurred (2010) and in 2012 respondents reported a slight improvement, but no significant differences emerged between certified and non-certified respondents. However, it is not possible to know what the level was initially so the question is unfortunately somewhat redundant. The qualitative research indicates that there is widespread understanding that child labour should not be used. A great many respondents in both certified and non-certified groups said that if children help on the cocoa farm, it is only at weekends or in the school holidays and there are no negative effects on their education. However, we do not have hard evidence as to whether there have been changes in actual practices as we were not able to stay and conduct participant observation or investigative research.

#### 8.3.15 Overall assessment of change in status by producers

An overall assessment of change in farmers' status found that both certified and non-certified farmers perceived that they have become better off over the past two years, but, significantly more certified than non-certified farmers reported an improvement. In the final survey, there is a significant difference in reported changes in wellbeing with Fairtrade-certified producers reporting a slight improvement and non-certified producers reporting a deterioration of general wellbeing over the past two years. This indicates that Fairtrade is supporting Kuapa Kokoo farmers and making a difference, but the poverty impact is not all that marked at least in the short term and under current conditions and in view of on-going structural features of the Ghanaian cocoa sector.

### 8.3.16 Expectations for the future

In the baseline and final survey both certified and non-certified farmers expect to be better off in the future. The farmers were all surprisingly optimistic about their children's future, but significantly more certified farmers expected an improvement for their children than non-certified producers in the final survey.

#### 8.3.17 Gender

In terms of the gender division of labour, there are differences in farming activities ascribed to men and women, although there were also reports that changes have occurred, with some groups stating that they do similar tasks now. Men tend to clear the land, whereas women do the sowing, especially of food crops and help with cocoa harvesting, which is primarily a man's job. Women also help with weeding the cocoa plot, but so do men. Men are also responsible for applying chemicals. Some women who own their own land do more of these tasks themselves, or if they can afford it they hire labour to complete these activities.

Control of income is another important dimension of standards impact. No real pattern emerged – men tend to dominate decision-making, although there may be consultation with women in the household, No clear changes have occurred in terms of intra-household decision-making.

Women's membership in Kuapa Kokoo has been improving and especially in comparison to non-certified LBCs. This is an area of positive impact. We do not have figures for women in positions of authority within KK, but there are clear targets for women's representation (e.g. two at primary society level). These are often filled, according to many of the farmers we interviewed.

Specific rules have been established to ensure that women are represented, including in official positions, including the executive. The Annual Report reaffirms a commitment to women's empowerment, and states that a Gender Officer has been employed and placed within KKCU (Annual Report, 2010).

Beyond membership, it is important to understand how far women are confident and supported to participate in meetings. Although the men's focus groups reported that women could attend meetings and speak freely, some of the women interviewed said that women have limited time to attend meetings, while others said they meet with Kuapa four times a year, attending with their husbands.

Certified farmers did not think that the position of women had changed, but non-certified farmers reported on average deterioration in the position of women. However, this difference in perception was not significant. In the final survey non-certified producers report a significantly larger deterioration for women over the past two years than Fairtrade-certified producers.

More action is required to achieve a transformation in gender relations and to support women's empowerment, but Kuapa Kokoo is investing in this area and much more so than the non-certified LBCs.

#### 8.3.18 Key challenges

Key challenges were identified by individual producers in the qualitative research and the challenges identified were common to both certified and non-certified producers, including the high costs of labour, pesticides and weedicides and living costs, and the need for finance. Further challenges mentioned were the poor quality and non-availability of farming inputs, low prices, pest and diseases, ageing cocoa trees, poor roads, deforestation, 'bad weather', inadequate land for farming, non-availability of safety clothing and hazards on the farm and lack of food before the cocoa harvest.

#### 8.3.19 Aspirations for children

Farmers' aspirations for their children were generally not based on a future in cocoa. A few said that their children want to follow in their footsteps growing cocoa, but most farmers reported that their children were not interested, or they had aspirations for them to work elsewhere. Lack of land for farming was cited as a major constraint for children. There was no difference between certified and non-certified producers in the questionnaire survey on this issue.

# 8.3.20 Knowledge of Fairtrade

Awareness of Fairtrade was relatively low in the baseline survey, but increased during the period of the study. This could be influenced by the visits of the survey team in this study, as well as by increased communication by Kuapa Kokoo and Fairtrade. The qualitative research showed fairly limited understanding amongst certified groups of Fairtrade, with only one or two being very clear about what it offers. Some farmers could explain the principles underlying Fairtrade (e.g. One farmer said: "This is the trading businesses where there is no cheating, such that all profits are made available to farmers i.e. transparency and all incentives promised are delivered. This came to our knowledge upon joining Kuapa"), but they were limited in number.

#### 8.3.21 Hired labour conditions

There is a relationship between the cost of hired labour and the sustainability of cocoa farming. Despite a range of recommended improved agronomic practices in cocoa production, the high and increasing labour costs and a dwindling supply of family labour are preventing the effective application of these, which threatens the sustainability of production.

Migrant labour from northern Ghana has historically been a traditional source of labour for the cocoa industry, but recently non-farm activities have provided this group with other possible livelihood opportunities and this has raised the cost of labour for hired labour in cocoa production. There were no significant differences between certified and non-certified farmers in relation to the origins of hired labourers.

Our study found that the majority of cocoa farmers use hired labour on their farm, but also work on the farm themselves in picking cocoa pods at harvest time, (no clear trend emerged in the comparison between certified and non-certified farmers). The baseline survey found that more certified farmers (53%) were assisted by family labour, including labour of their spouses, than non-certified farmers (42%). There were no significant differences between certified and non-certified farmers in terms of family members helping on the cocoa farm in the final survey.

In 2010, the proportion of cocoa plucked by family and hired labour on cocoa farms for certified and non-certified members showed significant differences. Family members harvest a significantly larger proportion of the cocoa for certified farmers than non-certified farmers. Non-certified farmers, on the other hand, have a significantly larger proportion plucked by hired labourers than certified farmers. Just over a third (36%) of the cocoa was plucked by the farmer (both certified and non-certified farmers). In the final survey, farmers reported they plucked on average 41% of the cocoa themselves; another 43% is plucked by hired labourers, and 16% by family members. There were no significant differences in percentages between certified and non-certified farmers.

Payment of family members' labour could be in cash, in kind, in combination or not paid at all. At the baseline, for example, about 6% of farmers paid their family members in cash, whereas 37% paid in kind. In the final survey, 5% of farmers paid their family members in cash, and 44% paid them in kind; 8% said they paid their family members in a combination of cash and kind. No significant differences were found between certified and non-certified farmers in terms of how they pay for family labour for harvesting cocoa.

Payment of hired labourers is mainly in cash. A significantly larger percentage of certified farmers (74%) than non-certified farmers (64%) paid their labourers in cash. According to thebaseline study, few of the hired labourers (19%) were paid in kind, 8% of farmers shared the produce on some predetermined ratio between the labourer and the land owner. 6% of the farmers include the *abunu* and *abusa* systems of sharing produce in the ratio of 1:1 and 1:2 respectively. Except for the payments in cash, there were no significant differences between certified and non-certified farmers. A few farmers in the qualitative interviews, however, indicated that there is an emerging system of sharing, especially in the Western region, where it is the farm land that is shared and not the produce. What this implies is that both labourer and land owner harvest and own *whatever produce their proportion of the farmland generates*, rather than a ratio agreed (as explained above). In the final survey 75% of the farmers paid their hired labourers in cash, 12% paid them in kind and 1% paid their labourers with a combination of cash and kind. There was no significant difference between non-certified and Fairtrade-certified producers in terms of how hired labourers are paid for harvesting cocoa (e.g. in cash, in kind, combination of in cash and in kind, no payment).

Figures given in the qualitative research indicate that current rates for hired labourers are in the region of GHC 5 or 6/day for men for harvesting and 3.5 or 4/day for women – the latter for carrying cocoa (2010) – whether certified or non-certified. Women headed households often pay a 'caretaker' and pay them a third or even a half of the yield under the Abusa system, as do some farmers who require help. In 2012, figures of 6 or 7 GhC/day were reported for male hired labourers and women were paid 4 to 6 GhCs. Certified farmers in the baseline questionnaire survey paid female labourers significantly more than non-certified farmers did. In the final survey, farmers said they pay on average GHC 9.50 (USD 6.33) to male labourers and GHC 7.46 (USD 4.97) to female labourers, whereas family members earned on average GHC 5.42 (USD 3.61). But again there were no significant differences in the level of payments reported by certified and non-certified farmers.

The questionnaire survey did not find significant differences between certified and non-certified farmers in terms of the basis for engaging hired labour. Fewer women than men are given seasonal contracts; they are more often employed on a casual basis. This may give them more flexibility for childcare.

Smallholder cocoa farmers were asked several questions about changes in working conditions for hired labour. We were not able to interview hired labourers themselves. Key indicators were days of employment in the year, changes in wages, the use of children's labour, and exposure to health and safety hazards. There were no significant differences between certified and non-certified farmers, except that a significantly larger proportion of certified farmers reported improvements in the exposure to health and safety hazards for labourers, which is likely to be due to increased training.

#### 8.4 Impacts on the Producer Organisation

In building organisational capacity strengthening, Kuapa has received support from different parts of Fairtrade, as well as other partner organisations: i) TWIN (on technical advice, training, and linking KK with other organisations, training on cooperative principles); ii) liaison officers (training, organisation, achieving certification, internal control system review manual) and iii) FLO-Cert on premium management. The organisation has been supported from the outset by Fairtrade and Twin. Its very existence as the only producer owned organisation in Ghanaian cocoa is laudable. Operating on a large scale it opens up the possibility of thousands of farmers benefiting from Fairtrade and being part of a farmer owned cooperative.

Individual members also receive training on Kuapa Kokoo principles, rights and duties during regular meetings and particularly at the formation of a new primary society. The development of an Internal Control System and training of staff, which has been on-going during the period of this study, will

bring benefits in future years, in terms of professionalizing information and management systems of such a large organisation and stepping up training of farmers (e.g. in quality, production, child labour etc). There are also signs of increased investment in planning processes (e.g. development of a three year strategic plan, an environmental plan). However, documentation still needs to be improved and transparency and communication of information within the organisation and externally.

The governance structure of Kuapa Kokoo allows for ordinary farmers to be promoted to positions of authority, including women farmers. The regular meetings, district assemblies and AGMs allow for some producer participation in decision-making and continual training, although this participation could be more active. During the study KK has decentralised to allow for greater emphasis on the district rather than the sub-regional level, but more could be done to support active farmer participation (e.g. in the Fairtrade Premium decision making process). At the same time the organisation is quite large and there have been some comments from key informants that perhaps it is too large and could be restructured to become more efficient and accountable. There have been some internal tensions between different parts of the Kuapa Kokoo organisation, a lack of transparency in some areas and there is a need for greater internal communication to support the political empowerment of members.

There is much less farmer organisation and political empowerment amongst farmers selling to the LBCs. Some of the LBCs have tried to organize farmers in order to deliver training to them, but without much success as the farmers did not see any benefit. It is clear that building up a farmer cooperative is a long-term project, given the literacy levels of many of the farmers within the organisation and even those in management positions. There has been progress in Kuapa Kokoo, but there is still quite some way to go in terms of capacity and transparency. While understanding of the history, governance and operations of the organisation was strong at central and district management levels, at the individual member level it was quite poor.

KK does not exclude producers, beyond requiring a nominal membership fee and the production of 1 bag of cocoa of sufficient quality. The farmers interviewed did not say that quality standards were preventing them from selling their cocoa beans. In terms of gender, Kuapa Kokoo is particularly strong compared to other LBCs in Ghana. It has a clear gender empowerment policy, supports some women's groups with the Fairtrade Premium and sets quotas to ensure women's representation at the primary society level and above. There is even a female President of the KKFU at the moment.

While many of the discriminations which affect women cocoa farmers in Ghana remain in place, it is important to recognize that these entrenched gender norms can take time to overturn and that Kuapa Kokoo has been taking steps to change current practices and mindsets. Some of the FGD certified women participants said that they did not have time to attend training sessions, and this kind of barrier is difficult to overcome in the short-term. We do not have data on farmers linked to specific non-certified LBCs in order to compare certified and non-certified groups in terms of gender disaggregation of members and there was a mixed picture as to whether women farmers were able to speak out in meetings in both certified and non-certified situations. In the FGDs women participants were fairly vocal where they were interviewed in women's focus groups, but less so in mixed focus group discussions. It is clear that LBCs are not making this their priority in any way, unlike Kuapa Kokoo that has a clear policy and has taken specific measures to institute change – but more needs to be done to overcome entrenched inequalities (e.g. in access to land and farm inputs and technical advice) which are obstacles to women's participation in cocoa farming.

Cocoa farming is big business. This requires financial management skills and capital to be able to buy beans in competition with other buyers. The cocoa industry is highly competitive, with LBCs competing to obtain large quantities of cocoa beans and this favours organisations (e.g. other LBCs)

that have access to capital, especially the government organisation, PBC, and can achieve economies of scale more easily. KK uses the government seed fund, like other buyers, and is also therefore subject to the same delays which they are, and any differentiation depends largely on how efficiently they can turn around their funds into beans for export. As mentioned earlier, Kuapa Kokoo has invested some premium funds in capitalizing and has invested in the construction of three storage warehouses to support the transportation of cocoa.

The internal difficulties within Kuapa Kokoo are in part a reflection of the intensely competitive business in which they are operating, but also indicate the need for organisational capacity building and possibly restructuring. It also reflects the fact that farmer organisational capacity building takes time.

The partial liberalization situation in Ghanaian cocoa has both strengths and weaknesses from a development perspective according to key informants. Cocobod has maintained quality, which Ghana is now known for. The farm gate price it sets is the subject of much debate, but on the other hand it provides some stability for producers.

Kuapa Kokoo has also been restricted in terms of a limited Fairtrade cocoa market, although this is changing and bringing the prospect of increased funds in the near future and potential to have a poverty impact. However, this relies on organisational capacity to be able to ensure community projects and agricultural investments are well managed and have an impact. The organisation has to be efficient and to be able to buy sufficient numbers of cocoa beans in order to be able to increase returns to individual producers – especially given the size of the organisation. The increased sales bring some risks - e.g. of dependency on a particular mainstream buyer. Because the buyer in question - Cadbury - is not a 'mission driven' Fairtrade organisation, it may be less likely to commit to a long-term relationship – unlike Twin Trading and Divine (of which Kuapa is a part owner). New farmer associations are being created in Ghanaian cocoa and these will be seeking Fairtrade certification. They therefore represent potential competition for Kuapa Kokoo, especially if they can sell to any LBC. At the same time Cadbury's projects which carry the Fairtrade label, also represent competition for Kuapa Kokoo, and Cadbury, being much larger than companies such as Divine Chocolate Ltd, appear more likely to benefit from economies of scale and access to credit. However, we do not have an in-depth value chain analysis revealing how value is added along the value chain in either business model which would allow us to compare.

Part-ownership of the Divine Chocolate Company Ltd is a critical part of of the Kuapa Kokoo and Fairtrade story. This is one of the rare examples of producers upgrading in the value chain in terms of ownership. Upgrading in terms of making chocolate in Ghana is complex and costly, but by having shares in Divine Chocolate this provides management with exposure to end markets and also an opportunity to influence consumers and value chain actors. However, the ability of Divine Chocolate Company Ltd to deliver dividends and Fairtrade Premium depends on it being able to sustain and grow its share of the market – and it is under competition from mainstream company certified chocolate products, both Fairtrade and certified to other labels, such as Rainforest Alliance.

High world market prices strain relationships along the chain – relations between the membership and PO management can be tested and side selling increases. The PO may struggle to collect sufficient cocoa and make a margin – cash flow and credit often become an issue – and buyers may be stretched to raise their purchase prices as they cannot easily increase their sale prices. Some authors argue that credit facilities should be improved for the organisation and/or a temporary increase (not a permanent) increase be supported in the premium from pooled funds (Laroche et al, forthcoming). The Fairtrade Minimum Price (1600 to 2000 USD/tonne during the study) has risen, but is still not active due to high world market prices and the government has steadily raised the

price farmers receive. A rapid drop in cocoa prices on the world market or changes in government policy are both unlikely in the near term – not least due to the political importance for Ghanaian political parties of sustaining the cocoa smallholder vote. However, it is possible that in the future prices may fall – in 2000 the market price was USD 700 per tonne, whereas Fairtrade was paying USD 1600.

One key informant said that during the course of the study the government has established a stabilisation fund which can sustain prices for cocoa farmers for three years should prices fall. There are other important, long-term strategies to reduce farmer risk, support livelihoods (and also to secure supply for buyers) such as diversification and increased productivity. The latter is particularly receiving attention in the investment programmes of various philanthropic and donor initiatives in Ghanaian cocoa - and Kuapa Kokoo itself is itself increasing investment in sustainable agriculture and collaborating with a range of partners on increasing productivity and sustainable production. However, the data to date does not indicate increased diversification or yields amongst Kuapa Kokoo members or non-certified farmers. Cocobod supports a heavily subsidized breeding programme and extension (although the latter has been weak). Kuapa Kokoo is investing in its agricultural extension, but coverage has been thin. This may change with the partnership with CNFA, but many farmers do not yet benefit. There were examples of both certified and non-certified FGDs reporting falls in yields. The questionnaire survey data showed no significant change in productivity between 2010 and 2012 for certified or non certified farmers, although for both groups there was a decline in the average number of bags produced in the major season and an increase in the minor season. Surprisingly Kuapa Kokoo district managers and KKL staff said yields had increased. The Kuapa Kokoo groups participating in the CNFA programme had performed better according to first results than other non-certified groups according to a KKL staff member.

Costs of production have been rising in terms of farm input and labour availability; land for the cultivation of new farms is dwindling and the farmer population is aging in addition to strenuous efforts to prevent child labour. To sustain the cocoa industry in Ghana, it requires heavy investment in technology and improved techniques of farming, efforts must be made to to improve access to input both in terms of cost and availability and incentive packages should be more attractive to retain and attract new and young farmers.

In terms of the organisation's ability to deliver services to members, the evidence relating to training provision is positive. Kuapa Kokoo farmers reported that training provision has improved. Continuous training is provided at regular meetings. The new internal control system trains farmers on how to maintain farms, educates them on child labour issues, the safe use of pesticides and the benefits of Fairtrade. Technical assistance is also provided (e.g. on pruning and fertilizer application – although the reach of agricultural extension advisors is currently limited. Non-certified groups are also providing some training to members and purchasing clerks (e.g. farm management practices, application of chemicals). Notably, the questionnaire survey found that Fairtrade-certified producers report improvement in farming methods significantly more often than non-certified producers, and significantly more certified producers report an improvement in training than non-certified producers. Advance payments are not provided by Kuapa Kokoo or by other LBCs, except by the purchasing clerks who decide to use their own resources in situations of emergency or at their own risk in expectation of sales of cocoa beans.

Credit provision (KKCU) had been suspended due to non-repayment of many loans by members. However, it has been re-established during the study and members are being encouraged to invest. There are high expectations as KKCU implements the partnership with CNFA. Other LBCs reported that they do not provide credit to farmers, but PBC is reportedly considering providing credit and inputs on favourable terms to suppliers producing over 20 bags of cocoa a season (i.e. larger

producers). More time is needed to see how successful is the revamp of the credit union and the CNFA-KK 'high tech' programme – timely supply of inputs has not always been achieved according to one district manager. It has been assumed that by setting up the credit union once farmers' yields increase, they will be able to save more with the union for the purpose of encouraging investment among farmers and increasing income. However, our study shows that farmers' priority investments are currently in their children's education and improving their housing. This could change in the future if yields and savings can increase.

Kuapa Kokoo investments and measures (especially the recently established Internal Control System and training for farmers, have led to improvements in quality according to the managers, and the organisation was awarded a major prize for quality in 2012. Other LBCs are also promoting quality amongst producers, with training for farmers.

Tackling child labour is a huge challenge in West African cocoa and the situation has been worsened by the rising cost of hired labour in Ghana. Fairtrade standards prohibit the worst forms of child labour. There are various major multi-stakeholder initiatives underway in Ghanaian cocoa farms. Kuapa Kokoo was suspended in late 2009 following reports of child labour. However, Kuapa Kokoo has made a significant investment in raising awareness and creating twenty eight community task forces to monitor child labour, and partnering with ILO to establish another 10. Cadbury Cocoa Partnership has donated bicycles according to Kuapa Kokoo managers to enable children of cocoa farmers to reach school. The broad ranging scope of our study and the particular child-sensitive methods or investigate techniques that would be needed to research this were not feasible with the resources available. In 2012 questionnaire respondents reported a slight improvement in the reduction of child labour on cocoa farms, but no significant differences emerged between certified and non-certified respondents. The qualitative research revealed widespread understanding amongst certified and non-certified FGD participants of the importance of avoiding child labour. Many said that children do help on the farm, but only during the school holidays / weekends and it did not affect their education. We do not have more detailed evidence as to whether practices have changed on the ground.

## 8.5 Impact on the environment

Fairtrade requirements in relation to the environment have been extended during the study. Initially the focus of the Generic standard for smallholders was on impact assessment, planning and monitoring, Agrochemicals, waste, soil and water; fire and Genetically Modified Organisms (GMOs). In May 2011 the new environmental requirements were set out: i) management of production practices and ii) environmental protection (environmental management, pest management, soil and water, waste, GMOs, biodiversity and energy and greenhouse gas (GHG) emissions. These changes appeared relatively late in our study so it is not possible to expect Kuapa Kokoo to have made significant changes as yet. Managers report that Fairtrade certification has led Kuapa Kokoo to observe all the environmental standards required of it and has mainstreamed environmental concerns into cocoa production amongst members. There have been financial and human resource investments. Training on watershed management, training on use of only approved chemicals, previous collaboration with Conservation International on rehabiliting cocoa farmers and introducing new techniques, establishment of an Environment Department and training of farmers on environmental protection, establishment of Internal Control System educating farmers on sanitation and investment in afforestration in collaboration with Chocolate Halba/Pur Project. At the district level awareness of environmental issues within Kuapa Kokoo was also relatively good, e.g. tree planting, soil management, shade, fire prevention, safe use of chemicals and safe disposal of containers. At individual farmer level there was a significant difference in the findings comparing certified and non-certified farmers, with Kuapa farmers being positive about the direction of change, reporting a small improvement, whereas non-certified farmers reported a small deterioration.

#### 8.6 Networks and advocacy

Kuapa Kokoo has an array of links to development agencies, researchers, NGOs, as well as the long standing relationship with TWIN. Through its participation in Fairtrade, including the part-ownership of Divine, Kuapa Kokoo has been successful in building up external legitimacy and credibility internationally and nationally. Kuapa Kokoo is able to attract these multiple external partners through partnerships which are likely to be beneficial to members.

Through Fairtrade Kuapa Kokoo and partners have supported and participated in commercial visits and exposed leaders of the organisation to end markets and to other producer organisations to learn from them. However, some key informants suggested that while these visits can be useful, they could be more embedded in a monitoring and learning process.

Kuapa Kokoo is a large farmer organisation and should be able to use its size to have an influence on government policy and value chain actors etc. However, managers reported little activity relating to advocacy on national and international issues – Kuapa Kokoo was planning in its strategic plan to improve its advocacy activities. It is quite difficult in the Ghanaian cocoa sector to speak out on government cocoa policies, not least because of the dependence of LBCs on Cocobod for their licence. Yet there are issues where Kuapa Kokoo might want to lobby – e.g. the operation of the cocoa farmer children's educational scholarship, lobbying for agricultural extension advice or other services to members etc. The fact is that many of the challenges facing cocoa smallholders are beyond the current scope and remit of Fairtrade, e.g. diversification, land reform, rural banking and scientific research.

## 8.7 Strengths and weaknesses of certification

The key weaknesses of certification according to Kuapa Kokoo managers are:

- The high costs of audits for large organisations (these are between 15,000 and 20,000 Euros according to Ryan, 2011).
- costs of achieving certification (E.g. holding AGMs, training and development, election expenses etc)
- while Kuapa Kokoo trains farmers they are then poached by other LBCs
- getting incentives to farmers the bureaucracy involved and documentation can cause delays:
- strengths include the benefits provided to communities in terms of social services, benefitting all, not just Kuapa Kokoo farmers, additional bonuses for farmers, and incentives.

## 8.8 Wider impact

### 8.8.1 Community

The Fairtrade Premium investments are intended to benefit the wider community, as well as the members of the producer organisation. The Kuapa Kokoo managers said that benefits are provided to the whole community and not just Kuapa farmers. We have limited evidence of wider impacts, beyond member cocoa farmers and their household members. In the questionnaire survey a significant difference in the change in health services was reported by non-certified and Fairtrade-certified producers, with Fairtrade-certified producers reporting a slight improvement, and non-certified producers reporting a slight deterioration. It is difficult to attribute this to specific interventions; Kuapa has funded a mobile clinic, but has also raised awareness on and encouraged registration for the national health insurance scheme. Other investments such as the corn mills can benefit the local community.

#### 8.8.2 Wider impacts - local and national economy

Kuapa Kokoo was chosen as an example of a large certified cooperative with many years of experience with Fairtrade. However, as explained earlier, the structural and contextual factors in Ghanaian cocoa mean that it is hard for Kuapa Kokoo to differentiate itself amongst its members from other LBCs. It is competing with large companies, which can benefit from economies of scale and is investing in a democratic institution, which also brings costs. We do not have evidence of large-scale impact on the local and national economy. The prime impact pathway in relation to producer incomes – the Fairtrade Minimum Price – is not active as world prices, and the Ghanaian price is higher. While Fairtrade Premium investments could raise yields and quality, the evidence does not point to a large impact on producer incomes as a result as yet. However, some initiatives have been recently initiated (the resurrection and restructuring of the credit union, a new partnership on input supply and business services, appointment of more extension officers etc). The size of Fairtrade sales has increased very recently, which will also increase the premium amounts available. To date they have been spread thinly across the large number of members and are not very visible, but this could improve as the proportion of Fairtrade sales increases. There is also competition to Divine products from mainstream company Fairtrade products and potential competition from smaller associations of cocoa farmers who are receiving support to become organized and certified. Competition is also on the horizon from the Rainforest Alliance and Utz Certified standards, which are increasingly active in Ghana. Thus there is the real potential for Kuapa Kokoo to increase its impact in the coming years, but also challenges ahead.

#### 8.9 Final comments

While Fairtrade is providing benefits to cocoa producers in comparison with non-certified producers, it is also the case that cocoa farming households are not escaping poverty as a result of Fairtrade certification. Although, large numbers of cocoa farmers are able to participate in Fairtrade through membership of Kuapa Kokoo, some of the impact pathways of Fairtrade are in effect inoperational in the Ghanaian and current conventional and Fairtrade market contexts. Fairtrade participation has led to the creation of a farmer organisation, representing large numbers of cocoa farmers, which is the only farmer owned licensed buying company to date. This is a significant achievement, and its history and part-ownership of Divine is proudly spoken of by the leadership and district officials, and by some primary society members. FT sales are now growing as Cadbury buys increasing amounts on FT terms. This could increase the poverty impact of FT, but only if internal governance is improved.

Capacity building on production-related issues has been limited to date, due to restricted FT Premium funds, but is now being expanded.

Unsurprisingly, in a context of low levels of farmer literacy and education, there is still a capacity deficit in organisational management, and KKL needs to be directed with a stronger hand by KKFU to ensure that it maximises efficiency and the return of benefits to members. Kuapa Kokoo is competing with a range of licensed buying companies that can count on more capital resources and more educated and professional staff, and hence benefit (especially PBC) from economies of scale etc. Thus, it is important that the PO develops greater management capacity, skills, and further improves its systems, as well as becoming more open and communicative with the membership. The proportion of sales on Fairtrade terms is rising rapidly at the moment and so there is scope for greater economic benefits to accrue to members, but market and political empowerment for farmers will depend upon greater accountability, transparency, and information sharing and more professional management to return benefits to members by the producer organisation. The establishment of an Internal Control System is an important step forward for the organisation, but further decentralization of decision-making and transparency and information sharing are needed. Efforts are already being made in this direction (e.g. the radio programme collaboration with TWIN).

It also requires recognition of the limits to what Fairtrade can achieve in certain conditions. An analysis of the Ghanaian cocoa sector reveals structural and institutional challenges beyond the scope of Fairtrade and one producer organisation. For example, farmers are not widely represented on the Producer Price review committee (PPRC) in Ghana. KK could advocate for this, but it is reliant on Cocobod to provide it with its licence. There are no premiums paid for higher quality cocoa beans in Ghana, although increased quality can increase the amount individual farmers can sell to the LBCs including KK. Land tenure insecurities and lack of access to land, increased commodity speculation, youth exit from farming, climate change etc. are all significant challenges, which require action from a range of stakeholders, significant investment and support for greater smallholder agency. LBCs have few incentives for high performance and little financial scope to establish strong relationships with farmers in Ghanaian cocoa, thus it is difficult for KK to establish loyalty amongst members by differentiating itself from competitors.

More investment and partnerships are needed to increase the scale of impact, so that farmers can escape poverty, and to achieve more sustainable production which would have both a public good element (environmental protection) and could improve yields. Major areas of investment are in farmers' access to finance and inputs, sustainable cocoa production techniques, crop and livelihood diversification, climate adaptation, developing high value options such as specialty cocoa origins with recognized or newly discovered flavour attributes which can generate market premiums for members, continuing capacity building and professionalization of producer groups.

KK has been relatively successful in the past in attracting NGO, ATO and donor partners, and increasingly it is attracting and negotiating with companies interested in securing supply to invest in rural agricultural development for KK farmers. This leverage strategy has been strengthened by the restructuring within KK, so that the ICS now sits within the Secretariat. It is notable that other organisations, including research organisations and NGOs, donors, philanthropic foundations and companies are in a sense building upon the organisational investment by Fairtrade and KK in their organisation – something which is not adequately valued in many Fairtrade impact studies.

To retain or attract young people into farming and to eliminate child labour requires significant transformational change in the sector. Fairtrade alone cannot achieve this. The exit of youth from the cocoa sector represents a significant challenge for the cocoa industry and for the cocoa and chocolate companies which source from Ghana, as well as constraints from declining productivity, climate change and pests and diseases. FLO has recently (2011) adapted the cocoa standard, requiring that more attention is paid in Premium investments to agricultural quality and productivity. This is important as improved productivity and quality can increase incomes. All LBCs are now encouraging farmers to improve quality and productivity, and many of the multistakeholder initiatives and corporate investors are now focused on these two factors. Other initiatives, such as philanthropic investment programmes and corporate investment programmes aim to tackle productivity and quality – which are important for sustaining livelihoods – but there is less action to support political empowerment of farmers to engage with government at district and the national level or to encourage value chain actors to change things for the better for smallholders. There is limited PO engagement with district level development planning or lobbying for improvements in services to cocoa farmers or in relation to other national policies.

The mainstreaming of Fairtrade, with Cadbury sourcing Fairtrade cocoa for some of its products, creates competition for Divine chocolate (part-owned by Kuapa Kokoo). Cadbury brings benefits by scaling up the volume of beans bought from KK and increasing Fairtrade Premiums, but there are also risks for the farmer owned organisation and Divine. Divine chocolate bars now compete with Cadbury's Fairtrade certified chocolate bars. Also the establishment of new, smaller, groups of farmer associations are being supported by Fairtrade and the Cadbury Investment Programme and

they are now Fairtrade certified. This potentially provides more farmers with the possibility of benefiting from Fairtrade participation, but at the same time represents possible competition for Kuapa Kokoo, which also seeks to retain members and volumes of cocoa beans bought and to have the iconic status of being the only Fairtrade certified Ghana farmer organisation. Smaller farmer associations may benefit from being smaller in size, having less cumbersome bureaucracy and Fairtrade Premium investments which are more visible to members. This could encourageg loyalty, but it is too soon to say how effective they will be in comparision to Kuapa Kokoo, or what effect their entrance into Fairtrade cocoa markets will have on KK.

It is now widely recognized that there is a need for collaborative action across the cocoa sector involving different stakeholders to drive change and respond to significant challenges. This is evidenced by the Abidjan Declaration of late 2012, involving cocoa producing countries and major corporate signatories, as well as civil society stakeholders, which 'aims to move the entire sector onto a path of sustainable development that will benefit all stakeholders along the cocoa value chain'. However, it is not clear how successful this initiative will be in terms of delivering equitable value chains, or for whom, especially cocoa smallholders at the end of the value chain. While Fairtrade can make a valuable contribution, it is not straightforward within the Ghanaian cocoa setup, for this certified farmer cooperative to distinguish itself in the eyes of individual members and so far there has not been a significant step change in impact on the wealth/poverty levels of members. There has been significant progress in terms of organisational development of a farmer owned organisation, but more needs to be done in terms of its internal governance and the political empowerment of members.

Table 39 below summarises the findings of the study on the *actual* impact pathways. Table 40 below summarizes the findings in terms of impacts on individual producers, producer organisations and beyond on local communities, regional economies and the environment.



Photo: Cocoa beans drying in Ashanti Region

A farmer stirring cocoa until thoroughly dry

Table 39: Table of findings on the actual impact pathway findings

Inputs	Outputs	Outcomes	Impacts
PRODUCER STANDA	ARDS		
Adds to Development (produce a FT Plan)	On-going activities to build organisational capacity, and recent decentralisation & establishment of ICS. Increased attention to strategic planning.	More strategic planning, restructured organisation means Secretariat is stronger in providing training, extension, and data gathering etc The PO is more able to comply with FT standards & deliver services, but still a great deal to do given size of KK as an organisation & highly competitive business context	Stronger PO (only farmer owned LBC in Ghanaian cocoa), but significant capacity & governance issues remain.
Members are small producers	No requirements other than being able to supply 1 bag of cocoa of sufficient quality, plus small membership dues. Some caretaker farmers are not able to join as members (and thus benefit from FT) as do not own land, although they can join in training. Women have less access to and control of land.	Large numbers of producers are members of KK and can participate in FT. All farmers (certified or otherwise) have to reach similar quality standards, and KK and other LBCs are training farmers to produce quality cocoa. Fairly inclusive organisation: women's participation is encouraged and is rising, and they are represented in in leadership positions), but women with limited access to land & many caretakers are not benefiting to the same extent.	Fairly inclusive membership, but caretaker farmers and women have less access & benefits from FT.
Equal distribution of profits among members	FT Premium funds generated on FT sales (rising of late, although low to begin with)  Need to improve accountability.	Investments made in a number of areas (e.g. cash payments) which are paid per bag of cocoa delivered. Social projects funded in diverse communities. Communities suggest projects & farmer Trust decides on use of FT Premium funds, but individual farmers are not clear on use of funds, which are spread thinly over a wide area/large membership. Also maintenance issues. Other investments by the PO using the Premium e.g. in mobile health clinics, agricultural extension but during fieldwork these were not mentioned in FGDS.	No price uplift from FTMP. Widely spread cash payments benefit farmers, and social projects can benefit FT households but are thinly spread (but limited individual producer understanding of FT Premium decision-making). No clear income impacts. All farmer incomes are rising according to our survey. At the same time farmers reported an overall decrease when asked about income trends: In the final survey non-certified farmers reported a perceived larger decrease in income over the past 2 years than FT certified farmers. Rising input costs are masking any positive income benefits from the cash payments (relatively small in scale). All farmers report that cocoa income has been less sufficient to cover basic needs.
Members should have a voice and vote in decision- making process	KK is a farmer owned organisation with democratic decision making (regular meetings, annual AGM) & farmer representatives (in the KKFT) decide on the FT Premium	Compared to non-certified LBCs, there is much greater democracy in KK, but there is still a lack of information shared with individual members and transpareny issues regarding the FT Premium. Also many women say they do not have time to attend meetings or that the meetings are not held at appropriate times.	Some limited producer political empowerment, although still more to do as the organisation is so large and there is a democratic deficit.
Non- discrimination	KK has gender policy with targets for women's representation in primary societies, funding for some	Positive impacts on women's representation in the PO. Women's membership has risen. Some women attend KK meetings, but they are not always able to speak up – however, the non-certified LBCs	Stronger organisation (more inclusive of women) but still huge effort required to overcome entrenched gender inequalities in cocoa farming.

income generation projects from the FT Premium – unlike non-certified LBCs. Caretaker farmers are not able to join as members.  do not make any specific efforts to promote women's participation.  More women in leadership positions than in non-certified LBCs (including a female president). (Some income generating projects with women reported, but not directly observed in study sample).  Women can participate in training activities in relation to cocoa farming, but not always able to attend meetings.	
certified LBCs. Caretaker farmers are not able to join as members.  (including a female president). (Some income generating projects with women reported, but not directly observed in study sample).  Women can participate in training activities in relation to cocoa	
are not able to join as members.  with women reported, but not directly observed in study sample).  Women can participate in training activities in relation to cocoa	
Women can participate in training activities in relation to cocoa	
farming, but not always able to attend meetings.	
Economic FT Premium investments; Stable Capacity of farmer owned organisation has increased, but need for Stronger PO in terms of financial viability, (but need for Stronger PO in terms of financial viability, (but need for Stronger PO in terms of financial viability, (but need for Stronger PO in terms of financial viability, (but need for Stronger PO in terms of financial viability, (but need for Stronger PO in terms of financial viability, (but need for Stronger PO in terms of financial viability, (but need for Stronger PO in terms of financial viability, (but need for Stronger PO in terms of financial viability, (but need for Stronger PO in terms of financial viability, (but need for Stronger PO in terms of financial viability, (but need for Stronger PO in terms of financial viability, (but need for Stronger PO in terms of financial viability, (but need for Stronger PO in terms of financial viability).	ut still lacks
strengthening of sales with Divine & exposure to end trading arm to be more strongly directed by KK, to be able to access to capital), increased buyers, but	ut risk of
the organisation   markets; On-going partnership with   compete in a highly competitive cocoa industry and to operate   dependency. Competition from other FT	suppliers
TWIN & producer support (liaison   efficiently so as deliver returns to members. Increased FT sales over   increasing and they may benefit from being	less highly
officer & FLO). time, especially of late, but risks of dependence on Cadbury, dispersed and able to sell to other corporate	LBCs which
potential competition from other farmer groups entering FT, have economies of scale. Services have	improved,
competition to Divine from other FT certified products produced by especially of late, (e.g. in training, marl	ket access,
larger companies and from other sustainability standards. Increased environment) according to members. But need	for greater
understanding of and exposure to the end market through part accountability & transparency, for	continued
ownership of Divine Chocolate. The comparison LBCs are large improvement in service delivery to mem	bers & in
companies or government operations (PBC) and have economies of management of trading arm to operate e	fficiently &
scale etc. In a context of limited literacy there are challenges to increase returns to members.	
managing a large organisation and this strains communication to	
members and accountability. Ability to deliver services mixed to	
date in terms of coverage, but new partnerships attracted which	
are supporting business services & inputs on credit to Kuapa and	
other farmers, re-establishment of credit union, training.	
Impact Increased efforts made in strategic Democratic participation via regular meetings and AGMs, and	
assessment, planning, environmental planning recent decentralisation to district level has been improving, but	
planning and etc. Collaboration with external more to do as individual members are unclear on decision-making.	
monitoring researchers. Introduction of an Internal Control System will improve data	
collection and monitoring, amongst other things, which has been	
weak to date, given the size of the organisation. The organisation	
produces various plans (e.g. an environment plan), although it is not	
clear how participatory these are – but no LBC representatives	
mentioned environment planning etc. It is not clear what the non-	
certified LBC systems are like, but there is no farmer participation.	
Various external impact studies havebeen conducted, including this	
study, and KK collaborates with each, but important to learn the	
lessons from the impact studies. Pressure from multiple external	
researchers requires stronger management and prioritization. No	
KK impact monitoring system in place, which could support	
learning.	
Agrochemicals Training on safe use of chemicals More certified farmers reporting an improvement than non- Likely health benefits for certified farmers	

	provided by KK. Some non-certified	certified farmers in the safe use of chemicals.	
	LBCs also report training.		
Waste	Training on disposal of agro-	Some improvements in disposal, although some groups found to	-
	chemical containers amongst	have poorly disposed of agrochemical containers.	
	certified members		
Soil and	No specific information available on th	ese points.	
water/Fire/GMOs			
Employment	Large investment by PO in recent	Widespread use of hired labour on cocoa farms. Training on health	Likely positive effects on child labour
policy, freedom	years in child labour awareness	& safety, but otherwise no impact on working conditions for HL	No significant improvement in conditions for hired
of association &	programme, with establishment of	Caretakers not able to join KK and participate in FT	labourers
collective	district and community monitoring	Widespread awareness of the need to avoid child labour on	Caretakers excluded from FT benefits
bargaining,	groups and training, with a	certified and non-certified farms, significant investment in	
freedom of	collaboration with ILO. Not much	monitoring system by KK (it does not seem other LBCs are making	
labour, freedom	action in relation to working	similar levels of investment), but not possible to investigate	
from	conditions of hired labour	changes in practices.	
discrimination,			
conditions of			
employment,			
H&S			
TRADER STANDARD	os		
Fairtrade	FTMP is inactive as below world	No price uplift for FT farmers, although still providing a safety net	No impact on price, although there is (a somewhat
Minimum Price	market and COCOBOD price	(to some extent) if world market prices fall	unrecognized) safety net
Fairtrade	FT Premium 200\$ per tonne (up	Bonus cash payments to individual farmers, although there is some	Bonuses are noted by some certified FGDs, but no clear
Premium	from \$150 in 2011). Sales of 5 to 7%	confusion over source of bonuses plus rising input and food prices	impacts on incomes. All farmers report rising incomes, but
	on Fairtrade terms for many years,	masking any changes in income. Distribution of material incentives	also rising costs of living and ability to cover basic needs is
	but increased during the study fairly	by KK but also other LBCs.	reduced for all farmers. Indications in questionnaire
	rapidly to 30 to 40%.	Investment in many community infrastructure projects such as	survey of positive impacts for certified producers in access
	, ,	education, health, corn mills, boreholes etc (KK website), but	to training, health, safe use of chemicals, reduced
		limited benefits in communities visited in our sample and some	exposure to health and safety hazards, market access and
		maintenance issues. More access to training for certified farmers	farming practices. Limited impact on household assets. FT
		(funded by FT Premium), but FGD participants did not mention KK	Premium is rising as FT market increases plus greater
		agricultural extension officers, which are only recently being	focus on and partnerships on agricultural production,
		expanded in number. FT Premium also funds administration and	access to inputs, quality etc. likely to have a future impact
		democratic organisation events (AGMs, meetings), Internal Control	on incomes. Stronger organisation (e.g. financially,
		System, capitalization etc.	management capacity, data collection etc), but capacity
		7, , ,2,	gaps & transparency issues
Longer-term	Part-ownership of Divine, FT buying	Part-ownership of Divine provides a dividend in most years, which	Benefits for strengthening the PO, but also vulnerabilities
relationships	partners gives stability to sales, but	has been invested in community projects and producer support –	as one buyer FT sales increase rapidly which may not be
· Sidelionionipo	new Cadbury sourcing presents pros	although limited impact seen on producer incomes and	sustained.
	(e.g. higher Fairtrade premiums	households. At an organisational level it provides exposure to end	- Sustained.
	(c.g. mgner rantrade premiums	I households. At all digallisational level it provides exposure to end	

	generated) and cons (e.g. potential	markets for KK management/leaders. Increased FT sales in recent	
	risks of dependency) & competition	years, which should provide some stability, but also risks increased	
	from new entrant farmer	of reliance on Cadbury.	
	associations seeking certification.		
Advance	No advance payment to the	-	-
payment	producer organisation from buyers		
PRODUCER SUPPOR	RT, GROWING MARKETS, NETWORKING	, PARTNERSHIPS & ADVOCACY	
Networking	Many different visitors, including high profile visitors. Visits facilitated of staff and members (e.g. to Fairtrade fairs, visit to Malawi to visit other producer organisations). Recent expansion of producer networks, including cocoa network.	Some exposure of farmers and staff to other producer organisations and end markets, although possibly visits could be more embedded in a learning process. International profile has increased.	Some benefits for strengthening organisational management and profile
Growing markets	Fairtrade has managed to convince Cadbury and other chocolate companies to switch product lines to FT. Liaison Officer communicates with KK about possibility of new buyers, but smaller buyers find it difficult to work with Cocobod compared to larger buyers.	Of late the FT market has expanded with Cadbury, for example, switching product lines to FT and buying more from KK. KK also sells via Divine. But is hoping to further diversify buyers, not least to reduce their vulnerability to external competition. A significant difference was found between certified and non-certified farmers regarding improvement in market access.	Stronger PO – increased market access.
Advocacy	Limited advocacy activities to date, partly due to context, but also limited advocacy capacity to articulate the concerns and voices of large membership on local, national and international stage.	No clear impact on advocacy capacity and ability to influence decisions at district, regional or national levels	No clear impact
Partnerships	A wide range of partners attracted, enabling increased support to members such as in agricultural extension, reforestation activities or access to credit,	Successful leveraging of partnerships especially in recent years. Partnerships build understanding, e.g. of environmental issues at the PO level, and provide benefits to members (e.g. agricultural extension, or access to credit), but the membership is large and so impacts are not very visible, and scaling up is needed to achieve more significant impact at scale.	Some benefits to PO and to members, but important to scale up in the future especially agricultural extension

Table 40: Impacts on individual producers, producer organisations and beyond

Impact	Findings
Indicators INDIVIDUAL FARI	MER LEVEL
Reach/coverage	Large membership (now approx 83,000 members. Members produced 35,000 tonnes of cocoa beans in 2008, which is the equivalent of 5% of Ghana's total production of 700,000 tonnes. Cocoa farmers who can produce 1 bag of cocoa of the right quality can join Kuapa Kokoo, but there are structural challenges with women and migrant hired labourers lacking access to land – their participation in Fairtrade is thus more constrained. Poorer farmers are less able to participate in the new partnership programme, as to obtain inputs on credit they require some savings with the union and have to pay a proportion of the costs upfront.
Income impacts	Most households are highly reliant on cocoa income. No significant difference was found between certified and non-certified producers in terms of income. Some certified FGDs noted benefits of bonuses from KK, but many did not, or confused these with government bonuses. The income related impacts are also masked by rising input and food costs. All farmers are less able to cover their basic needs. Non-certified farmers reported a perceived larger decrease in income over the past two years than Fairtrade certified farmers. All LBCs are pushing for quality improvements, but none provide payments on the basis of quality and so incentives are weak to improve, although only quality cocoa is bought by Kuapa Kokoo and other LBCs – Cocobod checks and maintains quality in Ghanaian cocoa exports. No marked change in gender relations and control of income within households.
Household access to and control of assets and	No impact on certified producer household ownership of and control of assets although there have been positive impacts in terms of perceived improvements by certified farmers compared to non-certified farmers in relation to market access, safe use of pesticides, access to training, health services (small improvement), and improvements in the environment etc.
services	<b>Education</b> : No significant difference between certified and non-certified producers in education levels. No significant difference in relation to changes in the community on education comparing certified and non-certified producers. However, significantly more FT certified farmers report improvement in access to training, with topics covering farm management practices, improving quality, democratic organisation and Fairtrade principles, safe use of chemicals, and child labour issues. Investments in child labour programme likely to support children's education and reduce child labour. Awareness is high amongst certified and non-certified cocoa farmers, but we have limited information on actual practices.
	Health: Health services are provided by Kuapa Kokoo according to management. This is not provided by non-certified LBCs: Mobile clinics visit 17 districts, although limited mention of this in FGDs in our study sample communities. Some distribution of mosquito nets, training on the safe use of chemicals amongst smallholders. In 2012 certified farmers reported more postive change in health services than non certified. Some boreholes and toilets constructed using FT premium funds, but in relatively few communities compared to the number of primary societies in the organisation and so the impacts are not very visible. A slightly mixed picture in the questionnaire survey: Both certified and non-certified farmers report very little change on average in health services in the final survey, but Fairtrade certified producers did report a slight improvement and non-certified producers reported a slight deterioration. Certified farmers report lower expenditure on health inputs in 2012 than non-certified farmers, but conversely non-certified producers report a slight improvement in medical facilities and Fairtrade certified producers report a slight deterioration.

**Financial capital** -Advance payments are not offered by KK and other non-certified LBCs to farmers, but by the purchasing clerks at their own risk. The KK credit union has been re-established, but only recently. A partnership programme has been established with an international NGO and is reaching approx. 6,500 farmers (not clear if these are all KK farmers), although it is not likely to be accessible to the poorest farmers. There was a perceived improvement in market access reported by certified farmers compared to non-certified farmers.

**Natural capital** – A positive improvement in the environment was reported by producers compared to non-certified farmers (statistically significant) and management report investment by KK in environmental measures, training and planning – none of which were mentioned by non-certified LBCs. Some farmers have received training on the use of approved chemicals, watershed management, rehabilitation of cocoa farms, education on soil management, shade, fire prevention and the safe disposal of chemical containers, but there needs to be scaling up and it was not possible to establish whether significant changes in farming practices have occurred.

**Political** – Representation in the only farmer licensed buying company, participation in decision-making (e.g. spending of the Fairtrade Premium), many staff and some FGDs expressed pride in their organisation. Greater representation by women in positions of authority and clear commitment to gender empowerment by the organisation. Plans to increase advocacy and influence, although constrained environment for political lobbying and no evidence of impact on decisions.

#### PRODUCER ORGANISATION LEVEL

# Democratic organisation

Huge investment in farmer organisation capacity building – only farmer organisation LBC. FT Premiums fund the organisation of meetings and elections, administration costs etc. Farmers are represented by elected farmers on the Trust in decision making on Fairtrade Premium and can put in suggestions for projects, but understanding at the individual producer level is limited. Recent decentralisation with greater focus on district level may help to shorten the distance between individual members and the management, but more could be done (e.g. to decentralize FT Premium decision-making to the district level). Increased women's participation in decision-making and leadership positions, but there is still a long way to go to overturn gender inequalities. The quotas set by KK mean that there is increasing representation on primary committees and in the organisation, including a female President of the union and the organisation has a clear gender policy – which marks it out from the non-certified LBCs ,where women's empowerment is not such a strong priority. While women's income generating projects/groups are supported by KK according to managers, they did not come up in our field research which indicates that they have limited coverage, but it is also not possible to assess their effectiveness from our field research.

# Management capacity

Increased management capacity, but still capacity gaps and internal tensions. Need for increased professionalization, skills and resources of the farmers union to compete in the cocoa business and to manage KKL so that it delivers benefits for individual members of the union. The development of the ICS is a positive step forwards.

# Financial viability

PO requires cash to buy beans from farmers in a timely fashion. Difficult for LBCs to differentiate themselves and generate strong relationships with members, as prices are set nationally. FT Premiums important to capitalize the organisation (although this has been on a relatively limited scale), but the FT Premium benefits are dispersed and other LBCs distribute incentives. All LBCs rely on seed funding from government to buy cocoa beans, and so KK experiences delays just as other LBCs do, but the public PBC has an advantage over the other private LBCs as they usually have money from the government earlier. KK are at a disadvantage compared to the economies of scale and skills/professionalized staff of competitors. However, partownership of Divine has reportedly enabled KK managers to build up greater understanding of end markets and value chains.

#### **Wider Impacts**

Local	Limited evidence of impact in study sample communities as Fairtrade premium investments limited, but where boreholes or corn mills had been
communities	constructed there were positive benefits.
National	
	KK - still the only farmer owned cooperative LBC in Ghanaian cocoa, with a large membership. The benefits – though spread thinly – do reach many farmers across the Ghanaian cocoa belt. However, the economic benefits are currently somewhat limited, and there is no clear influence over national policy or district level planning.
Environmental	
impacts	
	Improved awareness of the safe use of chemicals is likely to have environmental benefits in the longer run. Some reforestation activities reported (although not directly observed in study sample). Increased awareness at organisational level of importance of environmental conservation and sustainable farming practices.

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