



BASELINE FOR ASSESSING THE IMPACT OF FAIRTRADE CERTIFICATION ON COCOA FARMERS AND COOPERATIVES IN GHANA

Response from the commissioning agencies (Fairtrade Africa and Fairtrade International) to [an independent baseline study on Fairtrade cocoa cooperatives in Ghana](#), led by the World Agroforestry Centre (ICRAF) and Bioversity International.¹

THE STUDY AT A GLANCE

INTRODUCTION

Between 2014 and 2015, researchers from the World Agroforestry Centre (ICRAF) and Bioversity International carried out baseline research with smallholder cocoa farmers and their cooperative unions in Ghana. The rapid rise in the market for Fairtrade cocoa as well as the launch of the Fairtrade Sourcing Program for cocoa² provided an opportune moment to build a baseline to assess the situation of recently-certified Fairtrade cocoa producers in West Africa. Ghana was selected as a country with a growing number of cocoa-producing organizations joining the Fairtrade system. A similar study was carried out in Côte d'Ivoire, which will be published later in 2017.

RESEARCH METHODS

The study collected data using a unique set of indicators, which was inspired by the key themes of the [Fairtrade Theory of Change](#) and 5Capitals³ – a methodology that examines poverty impacts based on changes in asset endowments at the level of smallholder households and cooperatives. A combination of key informant interviews, household and cooperative surveys, focus group discussions, and secondary data analysis were used. Four recently-certified cooperative unions were selected according to predefined criteria, and a total of 422 cooperative member households were selected at random from 12 societies affiliated to these unions, accounting for 29 percent of the member households. In addition, 80 non-member households were interviewed to enable comparison between Fairtrade cooperative members and non-members.

THE MAIN RESULTS

COOPERATIVE LEVEL FINDINGS

- **Relationship with buying companies:** In Ghana, local buying companies (LBCs) act as the main cocoa traders and typically cooperative unions do not purchase, process or trade cocoa themselves. This relieves the unions of the high costs of purchasing, processing and trading cocoa and allows them to operate with relatively simple internal structures. They focus on delivering services to members and managing relationships with buyers and service providers. The study

¹ This document was revised in July 2018 to update the cocoa-derived income estimate, necessary due to an inconsistency in the prior estimate.

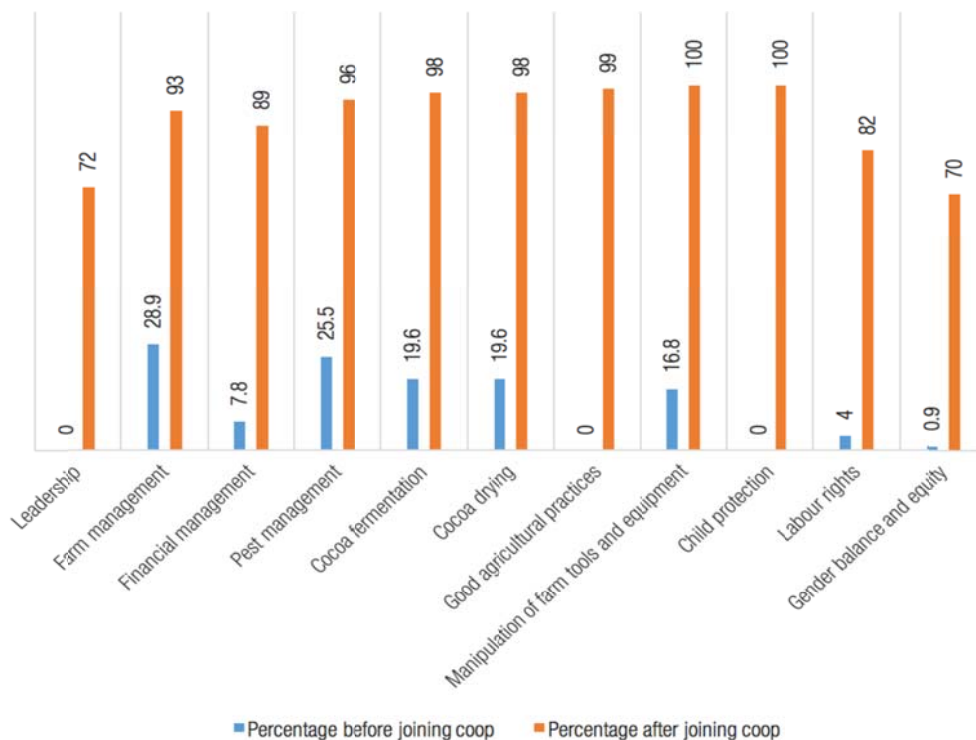
² The Fairtrade Sourcing Program for cocoa was launched in 2013. It provides a new way for companies to make commitments to sourcing cocoa to use across product ranges. See <https://www.fairtrade.net/about-fairtrade/fairtrade-sourcing-programs.html> for more information.

³ Donovan, J. & D. Stoian (2012) 5Capitals: A Tool for Assessing the Poverty Impacts of Value Chain Development. Technical Series 55, Rural Enterprise Development Collection 7, Turrialba, CR, CATIE.

found that training and technical assistance from Fairtrade business advisors on how to negotiate with local buying companies (LBCs) had assisted cooperative leaders to establish positive relationships with these companies. However, the limitations of their role in the cocoa trade process means that they cannot run their businesses on the basis of direct profit from the cocoa trade, but need to find other ways to finance their operations.

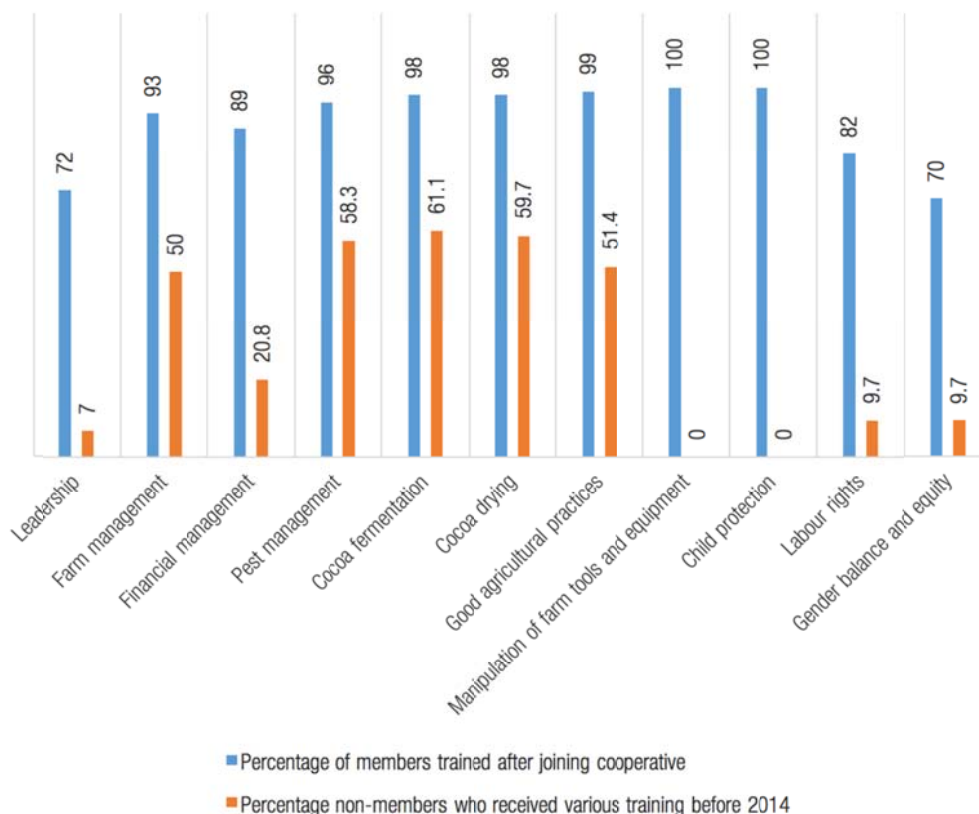
- **Volume of product sold to a Fairtrade buyer:** In Ghana all of the cooperatives studied saw an increase in their Fairtrade sales volumes between 2012 and 2014. However, the relative percentage of production sold to Fairtrade markets versus production sold into conventional markets decreased slightly over that period. In 2012-13 the cooperatives sold 3242 MT of cocoa on behalf of their members, of which around 51 percent was sold into Fairtrade markets. By 2013-14 their overall sales volumes had increased substantially to 9334 MT, of which around 45 percent was sold to Fairtrade markets. In other words, sales to non-Fairtrade markets increased more quickly than sales to Fairtrade markets. For the cooperative unions any decreasing relative percentage of cocoa sold on Fairtrade terms presents a challenge to future union membership growth. As more primary societies join the union and societies grow in membership, the amount of Fairtrade Premium and service support *per capita* will drop unless there is a corresponding increase in the volume of cocoa sold on Fairtrade terms. This threatens the cooperative unions' capacity to deliver effective services to members.
- **Fairtrade Premium use:** The fact that the cooperative unions do not generate any independent income from cocoa sales means they are heavily reliant on external support and the Fairtrade Premium. This is mainly used to support the cooperative's basic business operations, as well as to provide valuable services and benefits to members, such as cash bonuses and agricultural inputs for the cooperative members, and financing for community development projects. The Fairtrade Premium also funds the majority of the physical assets needed for the organizations to be operational. However, this high level of dependency may leave cooperative unions vulnerable to changes in the Fairtrade market.
- **Membership levels:** Membership levels have increased markedly for all but one of the cooperative unions. For two cooperative unions, membership levels more than doubled in the short time since their establishment. Access to benefits from the Fairtrade Premium and cooperative services to members, particularly technical assistance, are cited by union management as major drivers of this expansion.
- **Women's participation in cooperative unions:** Women make up a relatively large percentage of the cooperative membership base, from 30 to 40 percent for the sampled cooperative unions. However they only constitute 17 percent of the general assemblies (members selected from the primary societies to participate in the union governance) and 20 percent of the cooperative unions' boards of directors. Participation in Fairtrade was credited as the reason for women obtaining these positions, but their level of influence in cooperative decision-making is uncertain.
- **Provision of technical services:** The study found that access to training by cooperative members and their households had increased greatly. Figure 1 shows the range of topics on which members have received training since joining the cooperatives. This compares favourably with non-members, who had much lower access to training. For example, 99 percent of cooperative members reported having received training in good agricultural practices, compared with only 51 percent of non-members (Figure 2).

Figure 1 Percentage of members having received training before and after joining the cooperative



- Satisfaction with cooperative service provision:** Respondents in the household survey in Ghana expressed good levels of satisfaction with the services offered by their cooperative union. Fifty-seven percent of respondents stated that they most appreciated the training and visits offered by the cooperatives. This was followed by 'loyalty, good and transparent management' (16 percent) and distribution of tools and inputs (13 percent). There were a small number of negative comments made about the unions. These focused on criticism of the amount, quality and distribution of inputs provided, low amounts of Fairtrade Premium provided to the primary societies and members, and weak management.
- Governance:** In Ghana there is evidence that the cooperatives have been successful in building trust within their membership, and supporting a degree of member engagement. For example, one union's manager was replaced because the members were not happy with his performance, which demonstrates positive progress. Further, 91 percent of members declare that they have some level of trust or a high level of trust in the cooperative union leadership, while 92 percent have trust in the leadership at the level of their primary society level. When asked what they appreciated most about the primary societies, 23 percent of members cited a high level of commitment, mutual respect and trust within the cooperative membership. This was followed by 22 percent who cited good leadership, transparency and management shown by the leadership of the societies. Conversely, the cooperatives' capacities to share information and communicate with the membership were still quite weak. For example, fewer than half (47 percent) of the Fairtrade cooperative members could demonstrate a fair or good knowledge of Fairtrade. Thirty-two percent were considered to have no idea about the meaning of Fairtrade. This reflects the newness of Fairtrade among sampled households, as well as the challenge for emerging and rapidly growing cooperatives to communicate effectively with the membership.

Figure 2 Percentage of Fairtrade cooperative members and non-members having received training



HOUSEHOLD LEVEL FINDINGS

- Cocoa-production practices.** Discussions with cooperative leaders and focus groups in Ghana suggest that members are making progress towards the adoption of good agricultural practices in cocoa, based on the training the cooperative unions have delivered (Figure 1). The household surveys found that members do more pruning (94 percent) than non-members (88 percent). The rates of replanting are the same (66 percent) for both members and non-members. Around 37 percent of trees on cocoa plots are less than 10 years old and only 11 percent are more than 30 years old, suggesting that many of the cocoa trees in the research sites are at prime production age. Traditional varieties of cocoa are more common amongst both member and non-member farms, despite their susceptibility to cocoa-related disease and pests.
- Equipment for cocoa production:** The farming households have access to basic equipment for cocoa production, such as manual saws, axes and machetes. A relatively small percentage has access to motorized equipment, such as motorized sprayers (17 percent) and motorized cutting equipment (two percent). Such equipment would help members save time and money for hired labour, and enable them to increase their productivity.
- Cocoa yields:** The average cocoa yield among members (540 kg ha^{-1}) is in the range of cocoa yields reported elsewhere in Ghana, which is rather low compared to other major cocoa-producing countries. There was a considerable variation in the sample regarding productivity. Households with productivity estimates at or near the average are likely those that practise little or no pruning and have plots with irregular spacing, limited disease and pest control, and irregular harvesting and shade management.
- Cocoa-derived income:** In the 2012/2013 growing season, cocoa provided the principal source of household income, with an average gross income from cocoa of \$2951 per household. At this

level, cocoa production alone cannot lift rural households out of poverty. The average Fairtrade Premium paid directly to members as bonuses in the 2013/2014 season was \$36. While this is welcome additional income, it does not make a significant contribution to overall household income. However, if the cooperatives had been able to sell all of their Fairtrade-certified cocoa as such, the average Fairtrade Premium for 2013/2014 would have reached \$74 per member (assuming that the same percentage of the Fairtrade Premium was paid directly to members).

- **Standard of living:** Farmers' access to basic household infrastructure is currently limited. While most have cement built houses and access to electricity, the majority does not have access to a latrine, and drinking water typically comes from a variety of public sources. Fairtrade can contribute to improving the living standards of members through community development projects and the distribution of farmer cash bonuses, both funded by the Fairtrade Premium.
- **Food security and household vulnerability:** Some 90 percent of respondents reported other sources of income but only 46 percent ranked other food crops as the most important source of income besides cocoa. Further, only 20 percent of the sample plots are not engaged in cocoa production and only 17 percent are planted with food crops only. This suggests low agricultural diversification and a threat to local food security. Efforts are needed to increase agricultural diversification and small business to augment economic activities in the communities.

OUR RESPONSE TO THE RESEARCH FINDINGS

Fairtrade welcomes the baseline research findings. They provide an excellent knowledge base to help us as we develop our work with the cocoa cooperatives and other cocoa stakeholders in Ghana.

The purpose of this baseline research was to provide us with insights and data early in the development of these cooperatives' Fairtrade certification. The impacts of certification take time to develop, as cooperatives develop their market access, leadership capacity, deepen their implementation of Fairtrade Standards and start to gain more benefits from the Fairtrade Premium. Because this research is a baseline study with recently-certified groups, we were not expecting to see major impacts for Fairtrade in this research. Nevertheless it is encouraging to see that the participating cooperatives have already experienced a number of positive impacts arising in the early stages of their certification. The baseline findings suggest that the cooperative unions have taken the first steps towards building a viable business. They have forged commercial relationships with buyers, developed procedures for basic business operations and for ensuring compliance with government and Fairtrade Standards, gained valuable experience in the basic operation of a cooperative enterprise, and been able to deliver services and benefits to their members.

The research gives plenty of guidance as to how Fairtrade can best support these Fairtrade cocoa cooperatives, so they can succeed in their efforts to become established organizations providing important benefits to their members. Below, we set out our responses to the key recommendations in the report.

Recommendation: Support better resourcing of the Fairtrade cooperatives by increasing the percentage of cocoa sold on Fairtrade terms and supporting the cooperatives to access additional income streams beyond the Fairtrade Premium.

The report found that the cooperatives in Ghana would benefit from greater volumes of Fairtrade sales. This would increase the level of the Fairtrade Premium they receive, which is currently their only source of income. Fairtrade acknowledges that Fairtrade cocoa sales from the cooperatives in Ghana have the potential to be higher, and that the dependence of these cooperative unions on the Fairtrade Premium as a sole income source is a challenge.

The market for Fairtrade cocoa from Ghana has grown, with sales volumes of Fairtrade cocoa from Ghana growing by around nine percent from 2014 to 2015. Alongside this market growth, the number of cocoa cooperatives certified to sell Fairtrade cocoa has also grown. Fairtrade continues to work with traders and brands to build new commitments to purchasing Fairtrade cocoa from key origins such as Ghana. Growing the market for Fairtrade cocoa continues to be one of the highest priorities for the Fairtrade movement.

Fairtrade also works extensively on the ground in Ghana to support the certified cooperatives. The Fairtrade West Africa Cocoa Programme (WACP) offers a range of training and advisory services, aimed at supporting the certified unions and cooperatives to strengthen their operations, provide better services to their members, and become strong business partners.

Fairtrade will explore with the unions in Ghana how they can secure the long-term future of their businesses. This might include implementing income diversification projects aimed at increasing the viability and sustainability of their organizations. Income diversification can help to cushion farmers and their organizations against volatility in the cocoa trade, and may provide additional income to support organizational development, beyond the Fairtrade Premium.

Fairtrade also supports the Fairtrade cooperatives to move beyond Fairtrade sales to access broader sources of support and trade. In November 2016, Fairtrade announced a new partnership with Mondelez, a company which currently accounts for a large percentage of the sales of Fairtrade cocoa from Ghana. Mondelez is extending its Cocoa Life sustainable cocoa farming programme, in partnership with Fairtrade, to reach more cocoa farmers in Ghana and other countries.

Fairtrade will work with Cocoa Life to target increased support and sales to cooperatives in Ghana. A key focus of the partnership will be further strengthening of producer organizations, supporting these cooperatives to establish themselves more securely for the future. Fairtrade will be working with the unions that Mondelez source from in Ghana through this transition to help ensure their viability. Mondelez is committed to scaling up its cocoa purchasing under the Cocoa Life programme, which means that participating organizations and farmers can expect higher volume sales on better terms. They will receive a competitive price for their cocoa, additional loyalty cash payments, and investments in improved farming practices and community development projects.

Recommendation: Intensify support for increased productivity for Fairtrade certified cocoa farmers.

Overall, the productivity of Ghanaian cocoa farms is lower than cocoa farms in other major cocoa-producing countries. This is unsurprising given that many cocoa farmers in West Africa are very poor, and have low access to the knowledge, inputs and equipment that would support them to increase the productivity of their cocoa. Estimates put the potential productivity of a Ghanaian cocoa farm to be 1400 kg ha⁻¹ if the full package of recommended productivity measures were implemented. The average productivity of the farms in the Fairtrade sample was 540 kg ha⁻¹, a figure broadly in line with other estimates of cocoa productivity in Ghana.

Fairtrade believes in addressing the overall profitability of small-scale farms. Increasing farm productivity is an important tool for farmers to maximize the returns and profitability that they get from their plot. If yields per cocoa tree are improved, this allows farmers to earn more returns on their investment in cocoa, diversify into additional crops, and expand practices of agroforestry, increasing their resilience and improving their livelihoods.

The research identified that the Fairtrade farmers had made progress in relation to good agricultural practices (GAPs) – for example, many had recently replanted their cocoa trees, and were using pruning practices. Conversely, there was relatively low use of fertilizer, and greater reliance on traditional cocoa varieties over the more productive hybrid varieties.

Fairtrade supports cocoa farmers to increase their productivity through a number of measures. Since October 2012, the Fairtrade Standards have encouraged cocoa producer organizations to use at least 25 percent of their Fairtrade Premium in activities that will increase the productivity of members' farms

and the quality of their cocoa. Our data show that a significant proportion of the Fairtrade Premium is used for measures such as investing in inputs, equipment, and training in support of better agricultural practices. The five Fairtrade producer support staff in Ghana work with the cocoa unions and cooperatives to help them identify appropriate ways to use their Fairtrade Premium for the greatest impact.

New requirements in the Fairtrade Cocoa Standard formalize the establishment and implementation of internal management systems (IMS) for small producer organizations. The implementation of a good IMS supports SPOs in using tools such as needs assessments and farm improvement plans. This in turn enables them to plan long-term interventions for members such as increased adoption of GAPs and agroforestry techniques, and soil fertility management.

Fairtrade's West Africa Cocoa Programme includes training in good agricultural practices as part of the lead farmer scheme. From 2017, the Fairtrade lead farmer programme will train 60 lead farmers from 12 certified cooperatives in Ghana in core GAPs such as fertilizer use, integrated pest management, planting, pruning and harvesting practices. The lead farmers will in turn be supported to train more than 5000 wider cooperative members in 2017.

The Ghana Cocoa Board, through its extension arm CHED, supports increased productivity through the distribution of seedlings for new cocoa trees and hybrid varieties. During the last cocoa season, CHED distributed 50 million improved cocoa seedlings to cocoa farmers, and began a new fertilizer distribution programme. The government and private sector actors are also developing climate change programmes to support greater planting of shade trees on cocoa farms.

Strong and well-functioning farmer organizations are an excellent resource for stakeholders seeking to reach farmers with trainings or inputs. The Fairtrade cocoa unions have been working with CHED, Cocoa Life and others to facilitate such distributions. For example, the Fairtrade unions have undertaken farm mapping to support the fertilizer programme, and have distributed seedlings to their membership. There is considerable scope for further collaboration between the Fairtrade unions and CHED, Cocoa Life and other institutions on productivity issues.

Recommendation: Support the unions and cooperatives to strengthen their governance and communication structures to strengthen member awareness of the organization and of Fairtrade.

Fairtrade believes that strong and well-functioning farmer organizations have a key role to play in supporting small-scale cocoa farmers to access better terms of trade, to improve the productivity and profitability of their farms, and to develop their communities. We are encouraged by the many positive findings in the baseline report about the progress the unions and cooperatives have made in establishing themselves as organizations and responding to their members' needs.

The Fairtrade West Africa Cocoa Programme (WACP) is working with the cocoa unions and cooperatives to identify their key capacity building needs and to deliver targeted training and support to meet those needs. WACP training modules include training in how to set up and maintain internal management systems; financial and operational management; cooperative governance and decision-making processes; Fairtrade development plans and Fairtrade Premium management; increasing member engagement with the cooperative; empowerment of women within cooperative governance structures; and monitoring and evaluation. As such, the WACP modules cover the key areas where the report found capacity needs or weaknesses within the cooperative and union structures.

Five full-time staff are employed by Fairtrade in Ghana to work with the cooperatives to deliver this support and training. In 2016, in addition to providing certification advisory support, Fairtrade staff in Ghana delivered training in financial management and internal management systems to 337 farmers from seven cooperatives. Almost 20 percent of the farmers trained were women.

The Fairtrade Cocoa Standard has also been strengthened to place greater emphasis on the development of strong internal management systems within the unions and their cooperatives. This will aid the farmer organizations to provide better services to their members, ensure tighter implementation of management controls, and support better member engagement and outreach.

Recommendation: Ensure stronger coordination between government, Fairtrade and other service providers to ensure a complementary and targeted service offer to cooperatives and their members. Reduce cooperative dependency on a single service provider.

The Fairtrade cooperatives in the baseline research are relatively new organizations and have many support needs. As part of our West Africa Cocoa Programme, Fairtrade supports the cocoa unions with direct support which is targeted to the specific needs of the certified cooperatives, as outlined above. Cooperatives also receive training on rights-based issues such as child rights, prevention of child labour, and women's empowerment.

Beyond the support that we can offer directly to the cooperatives, Fairtrade also seeks to build collaboration with other important service providers. In Ghana, Community Extension Agents (CEAs) are employed by the government Cocoa Health Extension Division (CHED) to provide essential support to cocoa farmers and their organizations. However, the ratio of CEAs to cocoa farmers is very low, and this limits farmers' access to the extension services the CEAs provide.

Recognizing this, the Fairtrade cocoa unions are collaborating with CHED to put in place a system of Local Cocoa Facilitators (LCFs), whereby lead farmers are being trained to provide intermediary extension services to cocoa farmers in their communities.

Fairtrade is working with CHED and other service providers to ensure good coordination of the support offer to the cocoa cooperatives. In addition, Fairtrade is developing collaborations with other key institutional actors, such as the Cocoa Research Institute of Ghana.

Recommendation: Focus on diversifying income activities to strengthen livelihoods and reduce food insecurity and household vulnerability

The report found that the cocoa households were reliant on cocoa for around 74 percent of their income, having few other significant income sources. Yet the report concludes that cocoa income alone is not enough to secure significant livelihoods improvements for these farmers. They need to diversify their livelihoods, as well as to secure better prices and returns for their cocoa.

The Fairtrade cocoa unions have made some steps towards supporting income diversification amongst their membership. This goes hand-in-hand with efforts, supported by Fairtrade and other actors, to increase cocoa productivity. Increasing the yields per cocoa tree creates more scope for farmers to diversify into other crops.

Some of the unions and cooperatives have initiated new enterprises intended to support income-diversification. Whilst currently at a small scale, these include promoting pawpaw farms, plantain cultivation and livestock production; small-scale soap-making using cocoa by-products; and developing batik and dyeing businesses. With the cocoa unions, Fairtrade is supporting a project to promote commercial yam production for local industry and export. An established system of "seed yam" distribution has been put in place to ensure that a greater population of farmers can access the seed yams for cultivation as another livelihood option.

Other livelihood options that might offer cocoa farmers viable additional income streams include fruit trees, maize farming, mushroom and grass-cutter production, and beekeeping. Fairtrade will continue to support the farmer organizations in their efforts to support their members both to get better returns from their cocoa business, and to develop a broader base for their livelihoods.

Recommendation: Examine women’s roles in cocoa production and possible ways to increase their ability to access investment and influence decisions, both at the household and cooperative level.

The research found that the cooperatives have a large female membership, but that women’s participation in cooperative governance structures is still not at the desired level, though there has been an improvement over recent years. Currently the decision-making about positions in a cooperative’s governance structure largely takes place at the General Assembly. Women’s participation in general assemblies is increasing and this is beginning to translate into their increased representation and participation in governance structures.

This has contributed to the cooperatives initiating livelihood enterprises and financial inclusion projects that target and benefit women in particular. These include initiatives such as soap-making, pawpaw farming, pig farming, fish farming, livestock rearing, and village savings and loans associations.

Nevertheless, Fairtrade is working to identify projects to build women’s leadership capacities to enable increased female representation and participation. This forms part of our overall 2016-2020 gender strategy.⁴ SPOs should also be encouraged through programmes and services to take affirmative action to increase women’s representation and participation in their governance structures. With this in mind, in 2017 Fairtrade Africa will be launching a Women’s School of Leadership in Côte d’Ivoire. The intention is to train all of Fairtrade Africa’s West African staff on the modules created for this school and incorporate this within the training modules offered through the West Africa Cocoa Programme.

NEXT STEPS

The research findings have been a very helpful input to the process of designing and developing the support which underpins the Fairtrade West Africa Cocoa Programme going forward. Extending and deepening our support to help the Fairtrade cooperatives to strengthen their operations as businesses, as service providers, and as organizations is essential. In addition, the research emphasizes the importance of building stronger collaboration with government and private sector stakeholders within the cocoa sector and beyond in Ghana, in order to focus a wider range of targeted support and other resources on the certified cooperatives. Broader support is needed to ensure that Ghanaian cocoa farmers can access support to maximize the profitability of their cocoa crop, and can also invest in other livelihoods options in order to bolster their income and their food security. Ensuring this will also be a priority for Fairtrade going forward.

Fairtrade will continue to monitor the progress of the Ghanaian cooperatives. Our intention is to undertake impact evaluation with the cooperatives which have participated in this baseline research in three years’ time.

⁴ For more information about the Fairtrade gender strategy see: <https://www.fairtrade.net/programmes/gender.html>