FAIRTRADE COCOA IN WEST AFRICA
Approximately 140,000 cocoa farmers in West Africa are Fairtrade certified.

Fairtrade is working with some of the smallest and most disadvantaged cocoa farmers in the region. Their average plot size is 2.6 hectares. On average, Fairtrade farmers in Ghana farm the smallest plots.

Nine out of 10 West African Fairtrade cocoa farmers are in Ghana and Côte d’Ivoire. The rest are in Sierra Leone, Cameroon, Togo, and São Tomé and Príncipe.

West African farmer organizations sold an average of 36 percent of their cocoa on Fairtrade terms (among those that were Fairtrade certified and eligible to make Fairtrade sales during the full 2012–13 reporting period).

Notes: These data are provisional for 2012–13, based on information collected from audits conducted with Fairtrade producer organizations during 2013.

Average plot size calculations include only those producer organizations that reported both their number of members and the total area under Fairtrade certification.
FOREWORD BY CHIEF ADAM TAMPURI, CHAIR OF FAIRTRADE AFRICA

Last year marked 25 years since the start of Fairtrade labelling. Looking back I feel very proud of all that we producers have achieved in this time, and acutely conscious of how much more must be done.

Currently over 1.4 million producers across 70 countries benefit from the fairer terms of trade that Fairtrade offers. We gain the safety net of the Fairtrade Minimum Price, together with the Fairtrade Premium to invest in developing the projects we need most. These economic benefits are hugely important for enabling farmers to plan for the future and to make our farms viable.

But the benefits of Fairtrade stretch much further. Fairtrade standards give producers a clear guide on how to build strong, democratic organizations. With these structures we can negotiate better trade terms, attract investment and invest in better farming practices and quality.

All of this makes us strong and attractive trading partners for buyers. It helps us gain consistent and increased sales under Fairtrade terms, and more money to invest back into our businesses and communities.

This is good for everyone. When farmers are strong and organized, when we have income and investment, we solve problems. We take action on the most important challenges our communities face.

As you will read in this report, farmers invest in improving our farms. We invest in shared facilities for storing and processing our crops. We invest in the future generation, our children. And we invest in ourselves—in training, in building our knowledge and skills, and in boosting our income to a dignified level.

That producers will determine their own development has always been a key element of Fairtrade's standards. In recent years we have taken this idea even further. As well as farmers being in charge of the development of their farms and businesses, we now co-own and co-govern the entire Fairtrade system.

Last year I had the joy and privilege to take part in the Fairtrade General Assembly where producers now have equal representation. Hearing producers and workers at the meeting having their say on Fairtrade strategy and jointly deciding on the future of Fairtrade was extremely powerful.

This experience for producers is unfortunately too rare in the world today. Although farmers understand sustainability challenges better than anyone, our voice is still hardly heard in all the global debates. This must change. Together with our Fairtrade partners in the North, we are busy working to find solutions, coming up with common proposals to drive the transformation that we seek for the many farmers we still need to reach. We are excited to be part of this journey and invite you to join us.

ECONOMIC BENEFITS OF FAIRTRADE

The Fairtrade Premium
A Fairtrade Premium of US$ 200/MT of cocoa is paid to the cooperative in addition to the purchase price. All Fairtrade producer organizations must complete a Fairtrade development plan detailing how they will spend the Premium and this is presented to the General Assembly of members for their approval.

The value of the Fairtrade Premium is fixed and cannot be negotiated by buyers. No deductions may be made by actors along the supply chain. The Premium payment goes through a rigorous audit and FLOCERT checks that the correct amount has been paid by buyers (based on volumes purchased). Producer organizations must have an accounting system in place and evidence that the money has been spent in line with their Fairtrade development plan.

The Fairtrade Minimum Price
The Fairtrade Minimum Price is the floor price at or above which buyers must pay. For cocoa this is set at US $2000 for FOB level, or the market price when this is higher. Analysis by Fairtrade International found that Fairtrade farmers in West Africa received higher prices than conventional farmers in 2010 and 2011, during which time the higher market price acted as the price floor. This demonstrates that the higher income received by Fairtrade cocoa cooperatives from the minimum pricing plus the Fairtrade Premium is flowing through to the farmer.

Trading terms
Fairtrade buyers are expected to engage with the producer organization under specific terms, including providing contracts, sourcing plans and payment details. This provides greater predictability and protection from price volatility for farmer organizations.

Other benefits
Fairtrade standards support farmers’ long-term development by fostering strong producer organizations, sustainable farming practices and social compliance. Fairtrade offers additional support services via our field staff, through the network of other Fairtrade certified producers and through external partnerships, including training and capacity building, financing and market development. For example, in 2013 training was held in West Africa on negotiating contracts. Fairtrade also runs consumer awareness, marketing and advocacy campaigns on behalf of producers.
Figure 1: How Fairtrade cocoa producers in West Africa used their Fairtrade Premium in 2012–13
- Services for farmers and their families 64%
- Credit and finance services for farmers 1%
- Scholarships, bonuses, school equipment for members and their families 3%
- Farmer training and extension services 6%
- Health insurance and medical treatment for members and their families 2%
- Implementation of on-farm best practices 1%
- Payments to farmers 43%
- Provision of tools and inputs 9%
- Other services to farmers 0.2%

Figure 2: Provision of tools and inputs
- Provision of health and safety equipment to farmer members 3%
- Provision of pesticides to farmer members 26%
- Provision of tools to farmer members 71%

Figure 3: Facilities and infrastructure
- Crop collection services 45%
- Warehouses for crop and pesticide storage 28%
- Internal control system (ICS) implementation 0.4%
- Office facilities 12%
- Processing facilities 10%
- Quality and checking facilities 13%
- Rental or purchase of buildings 1%
- Rental or purchase of land 1%
- Other facilities and infrastructure 1%

Figure 4: Farmer training and extension services
- Farmer training in pest management 11%
- Farmer training in productivity improvement 38%
- Farmer training in social compliance 5%
- Other farmer training 46%
Includes environment management e.g. water management, biodiversity; as well as business training on traceability. Also includes additional farmer extension services with unspecified categorization.

Figure 5: Implementation of on-farm best practices
- Seed introduction and replanting programmes 2%
- Harvest/replanting of plantations 56%
- Other support to improve farm practices 41%
Includes additional measures to increase productivity and quality; as well as support for pest management.

Figure 1: How Fairtrade cocoa producers in West Africa used their Fairtrade Premium in 2012–13
How cocoa producers in West Africa used their Fairtrade Premium in 2012–13

Members of the Fairtrade certified producer organizations decide collectively how to use the Fairtrade Premium according to their priorities, as set out in their organizational development plan. Since October 2012, cocoa producing organizations have also been encouraged to at least 25 percent of their Fairtrade Premium payments in activities that will increase the productivity of members’ farms and the quality of their cocoa. In fact cocoa organizations in West Africa spent around 36 percent of their Fairtrade Premium in 2012–13 on projects to improve productivity and quality, including 16 percent on farm level improvements including farmer training, tools and inputs, and 19 percent on shared facilities and infrastructure (details below).

Figures 1–5 show detailed breakdowns of how Fairtrade cocoa producer organizations in West Africa chose to spend their Fairtrade Premium in 2012–13. The figures show that producer organizations used 64 percent of their Premium to provide direct services to their farmer members. Many organizations chose to pay a proportion of their Fairtrade Premium directly to the farmers. In some cases the organizations use this extra payment to reflect the relative quality of the cocoa that individual farmers are producing. It is also being used as a tool to incentivize higher productivity and greater member loyalty, with farmers who produce and sell more cocoa through the organization earning higher Fairtrade Premium bonuses. This is a very high allocation of Premium to individual farmers relative to other Fairtrade products and regions, which we can assume is related to the high levels of poverty among West African cocoa farmers. Put bluntly: the farmers need the cash.

The investments in farm-level improvements include the provision of tools, equipment and inputs. These most commonly included machetes for harvesting the cocoa; pesticides and sprayers; wellington boots; and pruners to support better tree management. It also includes farmer extension services and the implementation of better agricultural practices at farm level. Farmers received training on productivity and quality improvement; sustainable tree management; pest management; child protection; and environmental protection.

Around 32 percent of the Fairtrade Premium is being used by producers to invest in strengthening their organizations and infrastructure. In particular, 19 percent of the Fairtrade Premium was used to invest in shared facilities and infrastructure—particularly building warehouse facilities for the cocoa crop and storage depots for inputs; purchasing shared vehicles for crop collection and transport; developing improved facilities for drying the cocoa; and establishing tree nurseries for new cocoa trees. Investments like these support the proper management, storage, and processing of the cocoa which are key to ensuring quality and reducing wastage—and so ultimately increasing sales and income. These shared facilities and services are an essential and much-appreciated support for farmers, who could not make these investments individually.

Fairtrade costs for producers

Certification Fees
A non-refundable application fee (currently EUR 525) covers the initial application process and all future applications. An initial certification fee is then charged for the first audit. Following certification, producers pay an annual certification fee beginning in year two.

These fees vary according to the number of members in the organization, and whether there are additional products or processing/subcontracting facilities. The fees cover all direct and indirect audit costs, including transport, accommodation and FLOCERT staff time.

Support for certification
Small producer organizations can apply to the Producers Certification Fund for support for up to 75 percent of their certification fee. Producer organizations may receive funding up to two times.

Costs of Compliance
“Fairtrade is most affordable to put in place… You can’t consider holding well-run and well-documented Board meetings or General Assemblies for instance to be a new expense imposed by certification. They are auditing us on good governance and management practices that we should hold ourselves to in any case.”
Mamadou Savane, Sustainability Manager, ECOOKIM

A cooperative’s costs of compliance vary depending on the changes they need to meet the Fairtrade standards. Producers must meet all core criteria but can prioritize the development criteria most important to them. This ensures that certification serves the development goals of the organization and minimizes costs. A network of Fairtrade field officers provides training and support to producers in all aspects of compliance.

All investments that support compliance, such as internal control systems and training programs, are directed, overseen and managed transparently by the producer organization. It is not permissible for an external organization to make deductions from the Fairtrade Premium in order to recoup its costs. The key for farmers is the cost-benefit ratio. Our research shows that the more organizations sell on Fairtrade terms, the better the ratio and the higher their satisfaction.

Fairtrade costs for others in the supply chain

Companies in the supply chain—importers, exporters, processors and manufacturers—pay a non-refundable application fee (currently EUR 525), then an annual certification fee based on their size and function in the supply chain.

Brands pay a license fee for use of the FAIRTRADE Mark or Fairtrade Program Mark. The license fee is determined by the national market or a global fee structure, with significant volume discounts. A portion of this fee is redirected towards producer services.

1. Calculating the FLOCERT fee structure
In year one, the costs of certification for a primary cooperative range from €28.60 per member (for groups of 60 members) to €37.70 per member and lower (for groups of 1000 members and more).

2. A 2012 ICoCO-commissioned study by KPMG Advisory found, based on both qualitative and quantitative research, that the net benefits of sustainability certification outweigh the investments required. The projected benefits were highest for Fairtrade.
ECOOKIM CASE STUDY

“The Fairtrade Premium allows us to deliver meaningful services to members and this builds loyalty. The training programs allow members to feel that their cooperative is interested in their daily activities and their well-being; we are not there simply to collect the cocoa but to accompany them on their individual development pathways.”

Mamadou Savane, ECOOKIM Sustainability Manager

ECOOKIM (Entreprise Cooperative Kimbe) was formed in Côte d’Ivoire in 2004 by several cooperatives joining together to enable farmers to negotiate from a stronger position. Their goal was to create greater security of supply for clients and to gain access to export markets.

Around 2,800 farmers from the west, south-west and central areas of the country are in the eight cooperatives which now make up ECOOKIM. All but one of the eight are Fairtrade certified. Of the total production, 43% is sold on Fairtrade terms.

ECOOKIM Sustainability Manager Mamadou Savane says he has seen a steady increase in the number of primary producer organizations joining the union. He credits this to the strength, good organizational practices and build-up of momentum within the cooperative. He believes all of this has improved as a result of Fairtrade certification.

“Fairtrade allows the cooperatives in Côte d’Ivoire to succeed,” he explains. “The operating margins here are tight, productivity is limited and only certification allows for the investments needed for increased productivity.”

He adds, “There is value to the annual audits we undergo as these force us to be rigorous. It is not a way of policing us, it is a way of supporting us—we have the flexibility to define for ourselves our approach to any corrective measures that have been identified.”

Key challenges facing ECOOKIM across its member cooperatives have been productivity at farm level and the quality of its cocoa.

Lack of awareness among farmer members had led to poor post-harvest techniques. This meant some cocoa was too humid and grew mould while it was stored.

Now approximately eight out of ten of all of ECOOKIM’s producers have been trained in Good Agricultural Practices which include correct fermentation and drying processes.

ECOOKIM has also constructed two storage warehouses for the member cooperatives, in Bonon and Dibobly. Some of the funding for this came from the Fairtrade Premium and this leveraged additional financing from Alterfin, an international social lender.

The union has also secured loans to construct upgraded drying racks at the cooperatives further improving the post-harvest handling of cocoa. Siaka Foufana, a cocoa analyst at one of the member cooperatives, says around 90% of members are now able to deliver the quality of cocoa required by the international market which can then be sold on Fairtrade terms.

The members of ECOOKIM were clear that they wanted the Premium to be spent improving productivity and quality—an example of how the Premium is an easily accessed source of capital to invest in vital areas. ECOOKIM’s vision is to continue to make long term investments to increase the farmers’ share of the value chain, but it is hoping for longer term assurances from its buyers.

“Our members are demanding Fairtrade sales but we are not always certain of the end-clients’ commitments,” says Savane. “We need to see more tripartite contracts between the chocolate-maker, the trader, and the farmers via their cooperatives, and we need more long-term agreements for sourcing.

“Every year we wait to see how the sales for the season will turn out and this makes it difficult to plan well, to ensure consistent delivery of programs for our members and to make continuous improvements. We want to work in long-term partnership with our end-clients and have them actively participate in our development path.”
CANN CASE STUDY

“One of the most important aspects of participation in Fairtrade is a change in behaviour. Fairtrade asks our farmers to think systematically about their work—this has been a major shift in approach.”
Fortin Bley, Secretary General, CANN cooperative, Côte d’Ivoire.

Since it was established in 2005 CANN (Coopérative Agricole N’Zrama de N’Douci) has doubled its membership of cocoa farmers north of Abidjan in Côte d’Ivoire, to nearly 600 members.

According to the cooperative’s Secretary General Fortin Bley, it is the additional services offered to members such as access to training programs and credit facilities which are the key to its growth—services which have been significantly enhanced since Fairtrade certification in 2010.

“Fairtrade has meant deeper and more regular contact with the members and stronger management and governance of the cooperative. This has had a significant impact on the quality of the cooperative’s services,” explains Bley.

Cocoa farmers set up CANN in order to bring fair buying practices and better prices to its members. Bley says, “Fairtrade allows our cooperative to deliver on its mission and goals.”

The farmers have their share of difficulties. CANN’s members struggle to raise the productivity of their cocoa farms as a result of ageing cocoa trees, soil degradation and outdated agricultural methods. Poverty levels among farmers mean they lack the financing to make improvements.

The cooperative’s response has been to invest a share of the Fairtrade Premium in programs that address these issues. Around 60% of members have been able to access training from CANN on good agricultural practices and 25% have bought subsidized pesticides. The co-op has handed out kits which include machetes and wellington boots to ease the work of the farmers.

Sixty thousand new cocoa seedlings have been distributed to members; the seedlings and plant nurseries were funded by the Nestlé Cocoa Plan while the costs of distribution were funded by the Fairtrade Premium.

The Premium has also been used to rebuild two primary schools in local villages. Both had been in ruins; one in the village of Tiemokoiko had survived with a single volunteer teacher. Now, after lobbying the school inspector for support, the rebuilt school has a principal, two teachers and three volunteers teaching 200 students. In addition, approximately seven out of ten eligible members have taken advantage of CANN’s scheme to provide advance payments to help with school fees.

CANN has also run trainings for community members on child labour, evaluated community-level risks and established a child labour remediation fund. “Building schools is one thing, but if parents are not educated on the real dangers for their children, the risks are still there,” explains Bley.

CANN can still face challenges to member loyalty when conventional buyers have greater access to financing, offering members cash-on-delivery when the cooperative may have to offer payment terms. Yet the quality of services provided by the cooperative has been attractive for local farmers and the growth in membership provides clear evidence of this.
THE WAY FORWARD

Fairtrade is having positive impacts for cocoa farmers in West Africa. Fairtrade standards and certification provide the framework—and Fairtrade sales the investment—for farmers to pursue their own development path. Fairtrade cocoa farmers are seizing this opportunity and strengthening their farms, organizations and communities.

At the same time, the challenges are great. The cocoa sector as a whole is facing a sustainability crisis. Cocoa farming communities are experiencing the effects of years of under-investment. They have many difficulties yet to overcome.

Enhanced impact for Fairtrade

In addition to the core Fairtrade approach, including Fairtrade Premium, minimum pricing and Fairtrade standards for development, here are some of the projects we have underway to further strengthen the position of Fairtrade farmers:

In January 2014 we launched the Fairtrade Cocoa Sourcing Program to open up new market opportunities for farmers. Nine companies have signed up under the new commodity sourcing approach since January, including Ferrero, Mars, and major German, Swiss and Japanese retailers and brands. These commitments alone represent a 22 percent increase in Fairtrade cocoa farmers’ sales globally in 2014 with further growth over the coming years.

Fairtrade will be rolling out Enhanced Producer Support Programs. Our approach aims to deliver quality, long-term services to increase the resilience of producer organizations, based on extensive consultation with the producers. Fairtrade will focus our direct producer support services on organizational development (internal control systems, business capacity, professionalizing governance and management), an important focus in West Africa where many cocoa cooperatives struggle to engage, inform and benefit all of their members, especially in remote areas with low literacy levels. We will then work with technical partners to deliver further services to farmers, including programs on productivity, quality and community well-being. We will begin pilots with a number of cocoa cooperatives in West Africa later in 2014.

During 2014 the management and delivery of Fairtrade support services to farmers and workers across Africa will migrate from Fairtrade International to Fairtrade Africa. Fairtrade Africa is fully owned and governed by Fairtrade producers. In addition to their involvement in the organization’s governance, cocoa producers are also actively engaged in advising staff and informing Fairtrade’s local and global strategies via Fairtrade Africa’s cocoa network and cocoa consultative committee. Ensuring we are accountable to cocoa producers both for strategic direction and for the support services they receive is a further step in Fairtrade’s commitment to farmer empowerment.

We are working with Fairtrade producer communities to encourage them to establish Youth-Inclusive Community-Based Monitoring and Remediation Systems on Child Labour in partnership with child rights NGOs. This system combines community realities with international and national legislation to enable producers, their communities (including young people themselves) and their producer networks to become key agents of change in the identification and remediation of unacceptable child labour practices. Based on pilots, training and testing by producer organizations, a manual outlining this approach is due to be published in 2014.

Fairtrade is continually improving its Monitoring Evaluation and Learning system. We published our Theory of Change in January 2014, which explains the long-term change Fairtrade seeks to make and the indicators to measure our progress. We have been investing significantly in commissioning independent research into the impacts of Fairtrade. The data from monitoring and evaluation will help us to learn about where we are performing well and where we need to improve. Over time this learning will enable us to deepen our impact for farmers and workers, to communicate about the difference Fairtrade certification makes, and to ensure we are accountable to our internal and external stakeholders.

Long-term loans and working capital for Fairtrade-certified producer organizations. This will build on existing partnerships with social lenders.

We are also launching a new project to improve Fairtrade’s impact for workers on smallholder farms and better support the vulnerable farmers who employ them. As a first task we will conduct qualitative and quantitative research to gain a clear picture of those who are working on Fairtrade small farms.

Achieving long term change

For transformational change to come to the cocoa sector in West Africa, it will take the participation of all actors. Fairtrade has a role to play, but of course farmers also need strong partnerships with traders and brands, their governments and with technical organizations.

Income from cocoa farming generally remains low and unpredictable and farmers continue to have difficulty managing the crop flow cycle given their limited access to credit. They struggle to make the necessary investments into their farms, businesses and communities under these conditions.

Industry partners including traders and brands must make long-term sales commitments to farmer organizations and work towards relationships of transparency, trust and loyalty. Trading relationships must go beyond procurement and involve shared, long-term objectives and the delivery of joint cocoa sustainability programmes.

Farmer organizations are best placed to deliver such programmes to their members and communities. Farmer organizations bring scale and provide a structure for crop improvement and joint investment. They allow farmers to negotiate from a position that would otherwise be beyond their reach. They can be strong partners with other supply chain actors and with the public sector.

Furthermore, a growing body of development research shows that when farmers are involved in decision-making and take ownership of the programmes there is a much higher success rate. Independent research into the effects of Fairtrade identifies well-functioning producer organizations, with good management and leaders, and good communication with their members, as well as adequate levels of Fairtrade sales as the critical factors for success.

In Fairtrade we are therefore committed to strengthening farmer organizations and the role they play in building solutions for the sustainability of the cocoa sector. We believe that farmer ownership and the farmers’ voice in decision-making is the key for long-term change and meaningful impact at farm and community level, and for more stable and equitable trading relationships between farmers and industry partners.

1. Based on 2012 estimated retail sales of Fairtrade cocoa. 2013 figures will be released later in the year.
above: Siaka Fouana, cocoa analyst for ECOJAD (member of ECOOKIM), checking the quality of the cocoa. © Éric St-Pierre

front cover image: Ernest Kouadou Konani, cocoa producer and “producteur relais” (lead farmer) from the regional cooperative ECOJAD, member of ECOOKIM in Côte d’Ivoire. Location: Woroyiri village. © Éric St-Pierre

front cover inset: Traore Issouf, member of ECOJAD, ECOOKIM © Éric St-Pierre
© Fairtrade International & Fairtrade Africa 2014