



FAIRTRADE AND COCOA LIFE

Annual Partnership Statement 2021



Mondelēz
International



CONTEXT



Women from the Odaho community in Amansie West Farmers Union by a COVID-19 awareness poster

Cocoa is the backbone of Ghana's economy, with an estimated 850,000 families involved in cocoa farming. Fairtrade and Cadbury's have collaborated in Ghana since 2009 and in 2016 Fairtrade and Cocoa Life (the cocoa sustainability programme of Mondeľ International) launched a partnership focusing on improving the livelihoods of cocoa farmers in Ghana. Ghana is the second largest producer of cocoa in the world after Côte d'Ivoire, but many cocoa farmers still struggle to achieve sustainable livelihoods and deforestation and human rights violations are serious challenges in the industry.

The COVID-19 pandemic spreading across the world and into Africa has worsened the situation for cocoa farmers. With the average age of a cocoa farmer at 50 years old, poor healthcare facilities and transport infrastructure, cocoa farmers are especially vulnerable. The lockdown and price collapse in cocoa have impacted on the ability of farmers to access transportation, storage, finance, trainings and agricultural inputs needed for harvesting. The decreased global demand for chocolate, for example with the closure of many workplaces and cafes, has impacted on global prices and in turn on farmers.

In 2019 the governments of Côte d'Ivoire and Ghana introduced the Living Income Differential (LID), an extra fee of USD\$400/MT of cocoa on top of forward sales for the 2020/21 main crop. The consequent increases to farm gate prices for cocoa are an essential aspect of improving livelihoods for farmers. With global cocoa prices at unsustainably low levels, this is a welcome announcement. In Fairtrade's view, unless smallholder farmers can afford a decent standard of living from their earnings, there will be consequences for global food chains, rural communities and the natural environment. In Ghana Cocoa Life have also embraced the LID, paying the full increase of USD \$400/MT and an additional premium to farmers. Cocoa Life also invests in their programme to address the social, economic and environmental issues faced by cocoa farmers in a holistic way.

Across the industry there is widespread agreement that addressing livelihoods for cocoa farmers will call for coordinated action by industry, governments and civil society. By combining the scale and community programmes of Cocoa Life with Fairtrade's proven expertise on farmer organisation and empowerment, we are partnering on approaches to improving livelihoods, in alignment with government measures.

In May 2020 we published the Sustainable Livelihoods Landscape Study, an analysis of interventions across Ghana and Côte d'Ivoire to improve livelihoods from cocoa, and shared the findings at the World Cocoa Foundation. 2020 also saw the launch of the Climate Change and Organisational Strengthening Programme (CCOSP), to address key challenges identified by the unions. In July 2020, Fairtrade and Cocoa Life were successful in securing additional funding from the UK's Foreign, Commonwealth & Development Office (FCDO), to build on the existing programme to make sure that farming families could be resilient in the context of COVID-19, and to accelerate and deepen work on income diversification. The Vulnerable Supply Chain Facility (VSCF) grant from the FCDO supports the cocoa unions to research the market for potential climate-smart products and services, identify opportunities and provides start-up capital for their members to invest in these businesses. Thanks to the existing partnership between Cocoa Life and Fairtrade, it has been possible to expand the scope of the programme to support vulnerable cocoa farmers to weather the impacts of COVID-19 during the 2020-21 harvest and protect their livelihoods in the short and longer term, meeting the UK government's development goals.

The purpose of this report is to communicate the partnership's progress to date. This report, published in 2021, includes an analysis of Cocoa Life's cocoa sourcing for the cocoa season of 2018-9 and 2019-20 based on the data collected by FLOCERT, a third party audit body. Under the partnership, since 2016 Cocoa Life has committed to offer the unions that originally supplied Fairtrade cocoa to Cadbury: guaranteed high-volume purchases increasing year-on-year; clear terms of trade; loyalty payments of USD\$80/MT (for farmers to supplement their incomes or invest) on top of the benefits of the Cocoa Life programme.



Pastor Thomas Oppong, President of the Amansie West Union

The principles underlying the partnership were that farmers retain at least the same value compared to Fairtrade Premium, that farmers and communities be free to decide democratically how to spend the loyalty payments and that the unions be able to function without the financial support of the Fairtrade Premium.

Based on the data for 2018-9 and 2019-20 provided by FLOCERT, the volumes sourced and loyalty payments made by Cocoa Life to the cocoa unions have been incrementally higher than in 2017-8, in adherence with commitments. But for the partnership to achieve its goals as set out in our partnership principles, it is crucial that Cocoa Life continues to source high volumes, further improves terms of trade with long-term contracts and timely payments for the unions and expands purchasing to as many societies as possible within these unions.

In 2020, Cocoa Life has worked with their supply chain to improve in these areas and despite the impacts of the coronavirus pandemic, there has been excellent progress and strong collaboration on the CCOSP programme, particularly with the FCDO-funded expansion of the grants programme for unions. The well-received publication of the Sustainable Livelihoods research has set the standard for landscape approaches within the industry and we will publish the second phase of this in 2021, setting out a roadmap for the industry on achieving sustainable livelihoods.

Crucial to future success will be putting the voice of the farmers at the heart of the partnership. Cocoa farmers and the unions that represent them are the engines of development in cocoa-growing communities and the aim of the collaboration is to strengthen their ability to support these communities to thrive and benefit from their position in global supply chains.

Amansie West union has benefited from this partnership. Firstly, the union's poultry project has been on the drawing board for some time now due to lack of funds, but thanks to the grant facility the poultry farm is fully operational now. Many farmers of the union have also benefited from the yam, rice, maize farming projects funded by the grant. This will solve food security problems of many households. Climate change is one of the challenges in cocoa production now, so the project is a very good initiative for us and our communities. We are very happy to see Fairtrade and Mondelēz/Cocoa Life working together and we hope that this partnership continues for our benefit. At the Steering Committee this September, in our role as representatives of the unions, we will also highlight the need for to sustain this partnership in terms of commitment to long term volumes and pricing that brings farmers closer to earning living incomes and enables resilience in the face of changing climatic conditions.

Pastor Thomas Oppong

PARTNERSHIP FRAMEWORK

PARTNERSHIP OBJECTIVE



Mondelez
International



Achieving resilient livelihoods and economic growth for cocoa farming communities.

PARTNERSHIP SCOPE



Volumes used in Cadbury products sourced from Ghana, with scope expanding to other brands and origins in the coming years.



ABSOLUTE TERMS FOR FARMERS



A loyalty payment paid directly to farmer organisations



Written contracts ahead of the season



Producer-led decisions



Additional benefits directly accessible by the farmers



Annual increase in volume over partnership period

COCOA LIFE'S STRATEGY, PARTNERING WITH FAIRTRADE

Sustainable livelihoods

Identifies ways to scale up, innovate and create lasting impact for cocoa farming communities in West Africa beyond the existing partnership's work.



PROGRAMMES WORKING WITH FAIRTRADE

Climate change



Strong organisations



HOW WE WORK TOGETHER

The partnership builds our ability to understand the needs of farming communities, strengthen their voices through the cocoa societies and unions, and work together towards solutions to the challenges they face. We do this through a combination of industry-leading research into sustainable livelihoods approaches in Ghana and Côte d'Ivoire; the CCOSP programme addressing climate resilience and organisational strengthening for societies and unions; and Fairtrade's validation of Cocoa Life's commitments to farmers, as well as Fairtrade and Cocoa Life's own programmes for cocoa farmers in Ghana.

Our collaboration has been cemented in 2020-21 with the launch of the Climate Change and Organisational Strengthening Programme, expanded and pivoted to respond to the COVID-19 crisis, and with the additional FCDO funding for investment in further income diversification. Cocoa Life and Fairtrade have worked closely together with the unions and the farmers at community level to design a programme that would meet their immediate and longer-term needs.

Fairtrade and Cocoa Life share a vision of practice informed by learnings – the partnership strategy and programme development are informed by the insights from the Sustainable Livelihoods landscape study published in early 2020. A combination of measures including increased prices, productivity initiatives, farmer organisation and income diversification opportunities are necessary for cocoa farmers to improve their livelihoods – this requires co-operation across all levels.

Under both Cocoa Life and Fairtrade, there is investment in cocoa growing communities, payments to farmers above the market price and a commitment to long-term livelihoods improvement. But there are differences in the plans.

Farmers selling on Fairtrade terms are covered by the Fairtrade standards, which include environmental, social and economic criteria. Terms of trade are audited and include a Fairtrade Minimum Price (currently USD\$2,400/MT) designed to cover average costs of production, and a Fairtrade Premium (currently USD\$240/MT) for community investment. Members of the Fairtrade union decide democratically at their annual general meeting what they should invest in as a community, which could be additional cash top-ups or investments for the community or business.

The Cocoa Life programme invests in community initiatives delivered by local partners, towards sustainable cocoa farming businesses, empowered cocoa communities and conserved and restored forests. Cocoa Life buys tens of thousands of tonnes of cocoa from the unions each year and farmers receive an additional USD\$80/MT loyalty payment on top of the cocoa price, in addition to the wider community and agricultural investments made by the Cocoa Life programme. Sourcing is at market prices, unlike under Fairtrade. Cocoa Life's loyalty payments and volumes purchased are validated by FLOCERT, a third party certifier. Fairtrade's role is to communicate how far these meet the principles of the partnership. For 2019-20, the loyalty payments on volumes purchased plus average programme investment of USD\$185 per farmer are equivalent to or higher than the Fairtrade Premium the unions would have received for their volumes before the partnership.



PROGRESS



Woman farmer from Asunafo North

Sustainable Livelihoods study: industry reception and Phase 2

From the start, the Fairtrade and Cocoa Life partnership has been about learning. We wanted to understand why – despite the sector-wide investment of time and money from cocoa brands, traders and governments – the majority of cocoa farmers still live in poverty. In June 2018 the Fairtrade Foundation started a research project, led by the Monitoring, Evaluation & Learning (MEL) team and known as the Sustainable Livelihoods Landscape Study (SLLS).

The first phase of the research, the Cocoa Sustainable Livelihoods Landscape Study was a landscape analysis and comparative review of Sustainable Livelihoods Initiatives in Ghana and Côte d'Ivoire, where 60 percent of global cocoa is produced annually. This was the first analysis of its kind in the industry and its findings were widely disseminated in the industry press, with a launch event held in May 2020. The Fairtrade Foundation and Cocoa Life team were also invited by the World Cocoa Foundation to present to its members (representing more than 80 percent of the global cocoa market) in September 2020, to discuss the study's implications for the industry.

In 2020, we began the second phase of the research. Phase 1 of this research gave us a clear understanding of what is currently being done, we are now at the stage of asking what needs to be done (and change) to achieve sustainable livelihoods for cocoa farming communities in West Africa – and defining a role for our partnership on this journey. The second phase of the research will cover the following objectives:

- i. Identify the main challenges affecting the different types of cocoa farming households, including the most marginalised groups, to achieve sustainable livelihoods.
- ii. Identify farmer-centric strategies/models to address these identified challenges whilst meeting sector-level needs and priorities
- iii. Develop a sector roadmap to point the direction towards achieving sustainable livelihoods for all cocoa farmers in Côte d'Ivoire and Ghana.

By the end of 2021, we will have produced a publication defining a future vision for the cocoa sector to achieve sustainable livelihoods, which the partnership will disseminate and use to catalyse transformative and lasting change for the cocoa farming communities. We will also develop a set of interventions for the sector to move towards.

Climate Change and Organisational Strengthening Programme (CCOSP)

The £2 million Ghana Seven Unions Strengthening Programme (now known as the Climate Change and Organisational Strengthening Programme) exists to support the cocoa farmers in the Cocoa Life programme in Ghana to become more resilient against changing climate and to ensure ongoing viability of the Cocoa Life unions. The target beneficiaries were the farmers within the Cocoa Life and Fairtrade partnership seven unions for work in organisational strengthening and adapting community action plans, with a targeted focus on one union for income diversification. During 2020, Cocoa Life and Fairtrade increased the reach of the climate change resilience support to reach more communities, incorporated three new Cocoa Life unions in the programme and integrated nearly £500k of funding provided by the UK's Foreign, Commonwealth and Development Office (FCDO) under the COVID-19 Vulnerable Supply Chain Facility.

The additional funding adds a grants facility for climate-smart income diversification opportunities for the unions and guidance on COVID-19 safe cocoa production. Six of the seven unions, and three new unions, are currently participating in the programme and we anticipate 100 percent participation by 2021. Achievements in 2020 include:

Climate-smart income diversification

Outside the cocoa season, cocoa farmers benefit from additional sources of income to meet their costs. But many don't have access to information about which crops are climate-smart or which businesses would generate the best returns in their areas. We conducted a participatory market analysis to support unions and their members to assess climate-smart income streams and to research their market potential. 144 union leaders, society leaders and selected farmers from all participating unions were trained on climate-smart agriculture and additional livelihoods. Each union identified three best climate-smart crops and additional livelihoods opportunities, tailored to the unique geographies and experiences of the farming communities. The unions have designed projects, and with funding from the grants component from FCDO funding, will pilot these in 2021. The pilots which prove most successful will be closely followed to see what can be learnt for scale-up during 2021 and 2022.

Community Climate Adaptation Action Plans (CCAAPs)

Cocoa growing communities are directly impacted by the effects of climate change, but may not have access to information about how to mitigate these or adapt to them. In 2020, a total of 86 communities and 3,510 community members received training on the basics of climate change and the effects of climate change on cocoa farming/production and livelihoods. Farmers were also taken through various adaptation and mitigation measures that can be adopted to address the negative effects of climate change. With the knowledge built at these workshops, in 2021 the communities can move onto the development of

Community Climate Adaptation Action Plans (CCAAPs). In these plans they will articulate the community's greatest challenges and the actions they propose to address them, which they can then present to local authorities and funders for support.

Organisational strengthening

Cocoa farmers need strong organisations to represent them, seek out funding opportunities on their behalf and find economies of scale and sustainable ways to manage their production. In 2020 we held grant management workshops with 46 union leaders from the unions, covering topics such as grant implementation, grant processes and eligibility criteria for the FCDO grant facility. This training provided the union leaders with the requisite skills and knowledge to successfully develop grant proposals for their respective unions when the grant application window opened in December. This also strengthens their ability to bid for and manage funding opportunities for their members in future. In 2021, we will roll out further training and monitoring for the unions to ensure leaders have the skills, processes and structures in place to support their members and manage and report on the grants received.

COVID-19 communications

In response to the risks of COVID-19, many different actors have targeted communities in Ghana with COVID-19 communications. To avoid duplication and ensure the 9 unions and their communities understood COVID-19 risks and how these messages were being communicated. We then developed a COVID-19 awareness strategy, which built on these findings by proposing to channel messages through Community Information Centres and appointing community leaders as COVID-19 ambassadors. Posters have been designed to communicate key COVID-19 advice in a clear, picture-led format to accommodate non-reading members of the community. A radio jingle has been recorded with COVID-19 advice and a short radio drama dispelling myths around COVID-19 no longer being an issue.



Asunafo North Union meeting, Ghana

CASE STUDY: BASAARE NKWANTA FARMERS FIND ALTERNATIVES TO 'SLASH AND BURN'

Cocoa farmers clearing their land for the planting of crops have historically adopted a 'slash and burn' approach, where the vegetation (trees and woody plants) are slashed down, burnt and cleared. This practice destroys the soil and its content, increases carbon emissions and deforestation and wildfires can spread and damage property.

Building on an initiative from the Ministry of Food and Agriculture in Ghana, farmers in the Basaare Nkwanta Society received training under the CCOSP programme on moving to a different approach, the regeneration method. The regeneration method involves cutting down woody plants, breaking down their remains into a decomposable state and

scattering on the cleared land to decompose and feed the soil.

Through the CCOSP programme, the farmers of the Baasare Nkwanta Society were educated on regeneration agriculture to maximize their yield and protect the climate. At the end of the 2020 farming season, farmers who applied the regeneration farming method got a bumper harvest. Where one acre slash and burn farm previously used to give five bags of maize, now it gives 10 bags of maize on one acre regeneration farm. As a result, several other farmers in the community are applying the regeneration farming method in the 2021 farming season in the Baasare Nkwanta community and the outdated practice of 'slash and burn' is being phased out.

I WAS PART OF THE CLIMATE CHANGE SENSITISATION AND TRAINING IN MY COMMUNITY AND I HAVE LEARNT SOME CLIMATE SMART AGRICULTURAL PRACTICES. WITH THE KNOWLEDGE I RECEIVED FROM THE TRAINING, I DO NOT BURN ON MY FARM. I PRACTICE ZERO TILLAGE AND ALSO USE ANIMAL MANURE TO MULCH MY MAIZE FARM AND IF THERE IS ENOUGH, I USE IT ON MY COCOA FARM TOO.

Gifty Dede

Gifty is a farmer with two acres of maize farm and four acres of cocoa in the Baasare Nkwanta area.



PRODUCER VOICE



Thomas Adjei, President of the New Juaben Union and Basaare Nkwanta Society

In 2021, the partnership will work together on joined-up communication with unions and accountability to the unions. In 2021, the unions have been invited to send a representative to participate in the partnership Steering Committee, ensuring that their voice sets the direction for the partnership. Further review of the governance and measurement framework will be conducted with the unions to ensure the partnership is meeting the needs of the cocoa farmers going forward.

WHAT WE LEARNED

Scale

Cocoa Life committed to purchasing high cocoa volumes to ensure stability for producers over the next three crop years. Since the partnership started, overall Cocoa Life cocoa volumes from Ghana have increased year-on-year, as validated by FLOCERT. In 2019-20 volumes have increased by 111 percent compared to the start of the partnership. In addition, for 2018-9 the total membership of the seven unions increased by six percent since 2014/15. However, not all unions or societies within the unions saw increased volumes in 2018-9 or 2019-20. In 2020, Cocoa Life has worked with the unions to extend the benefits of the Cocoa Life programme to more farmers and more members and this will continue to be a focus in 2021, so more farmers previously selling to Fairtrade can transition successfully to Cocoa Life.

Farmer benefits

In the cocoa season 2018-9, the total value of loyalty payments generated for the seven unions increased by 22 percent compared to before the partnership and increased by 2.5 percent on the previous year. Although Cocoa Life loyalty payments at USD\$80/MT are lower than Fairtrade Premiums (currently USD\$240/MT), the high volumes purchased and the additional benefits from the Cocoa Life programme (investing around USD\$185 per Cocoa Life farmer) give Cocoa Life farmers security, income and community-level benefits such as savings and loans plans, good agricultural practices and COVID-19 PPE. The latest

Cocoa Life report on the programme in Ghana and impacts for farmers can be found [here](#).

Empowerment

The unions are guided by co-operative principles established by Ghana's Department of Cooperatives. Each union has democratic structures in place, have their accounts audited annually and make major decisions at the General Assembly, as operated when they were all under Fairtrade certification. The loyalty payments are paid to unions, who distribute at least 70 percent to members in the form of cash bonus, farm improvement activities and community projects, and can retain up to 15 percent for administrative purposes.

Cocoa Life have worked with their supply chain to significantly improve the timeliness of payments to the unions. However, provision of written contracts before the 2018-9 season was a key area for improvement, as reported by the majority of the unions.

In 2020, the pandemic has hit cocoa farmers hard. Key for the unions has been the need to generate alternative income streams for their members and to support their understanding of the risks of COVID-19. Building on the existing programme on organizational strengthening and climate change, the additional funding leveraged by Fairtrade and Cocoa Life from the FCDO will enable unions to pilot income diversification approaches, with the aim of improving the resilience of cocoa farmers. This injection of funds comes when farmers need it most and through the provision of market information, climate insights and business development support, the unions have been supported to design their programmes to be as sustainable as possible. The grants application process included a due diligence assessment which all unions applying were successful in passing, demonstrating their financial viability.

In 2020, Cocoa Life facilitated and supported the unions to acquire a Licensed Buying Company (LBC) certificate (Nananom Company Limited) from the Ghana Cocobod. As an LBC (the intermediary or agent buying cocoa from cocoa on behalf of Ghana's Cocobod), the unions are able to retain a greater share of value. This initiative has been transformative for the unions and Fairtrade applauds this step.

Transparency

Through the Sustainable Livelihoods research, we have deepened our understanding of how the cocoa industry is performing on livelihoods, where there are areas of duplication or gaps, and what this means for farmers. The second phase of research, for publication in 2021, will lead to recommendations on how Cocoa Life and the industry could have increased impacts on livelihoods.

Now that the CCOSP programme is established, it is key that Fairtrade and Cocoa Life communicate clearly to unions and farmers about the partnership and the role of each partner, which will be a focus for 2021. The union representative at the Steering Committee will be able to hold the partnership accountable at a senior level for achieving its ambitions.

THE FUTURE

Providing farmers with market access, clear terms of trade on price, volumes and loyalty payments is key to achieving sustainable livelihoods. Cocoa Life's sourcing continues to be the backbone of the unions, and their investments and programme have gone a long way towards enabling the unions to become strong development actors in the region. Continued high volumes and focus on timely payments and issuance of written contracts will enable the unions to plan their business going forward. We will focus in 2021 on joint communication between Cocoa Life and Fairtrade to ensure the partnership is well-understood and embedded in the sector and the communities it serves.



Asunafo North Union meeting, Ghana

Priority areas for Cocoa Life to focus on in 2021 and beyond:

Priorities		
	2021	Longer term
Scale	Incorporate all societies in the unions in the Cocoa Life programme, where possible	Continue to increase volumes sourced from seven unions
Farmer benefits	Capture learnings from the CCOSP grants programme to scale up beyond 2021	Seek further investment for income diversification opportunities for unions
Empowerment	Issue unions with long term contracts and demonstrate continued improvements on timely payments. Work in partnership with unions to ensure decision-making processes work within proposed African Regional Standards.	Further improvements on timely payments and contract issuance
Transparency	Publish roadmap for the industry on sustainable livelihoods. Continue to communicate as a partnership to the market, the cocoa sector and the farmers.	Work towards a collaboration in practice on sustainable livelihoods or Living Incomes

By next year, the unions will have been supported through the CCOSP to develop their organisations and invest in income diversification opportunities, with even more communities supported to understand how they can take control to address the impacts of climate change. The unions will continue to sell high volumes to Cocoa Life and will receive written contracts, timely payment and Cocoa Life loyalty payments, as validated

by Fairtrade. The unions' role in the partnership governance structure will drive the partnership's future ambitions and the partnership strategy will be informed by the publication of Phase 2 of the Sustainable Livelihoods framework, which will set out interventions aimed at achieving sustainable livelihoods.

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