WHAT MAKES CO-OPERATIVES WORK?

EXPLORING VALUE CREATION AND DISTRIBUTION IN COCOA CO-OPERATIVES IN GHANA

FAIRTRADE FOUNDATION

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EXECUTIVE SUMMARY

This research was commissioned by the Fairtrade Foundation with support from Open Society Foundations to gain a deeper understanding of the mechanisms that either enable or prevent co-operatives creating value for their membership base and communities in the Ghanaian cocoa sector.

The research drew on desk research and primary data collection, which included an analysis of two existing Fairtrade cocoa co-operatives' development trajectories, in order to provide a framework for understanding factors that allow or prevent co-operatives from creating value and distributing that value among their members.

This framework was used to create a theory of change for co-operative value creation and a road map with recommendations going forward on ways for external actors to support Ghana's cocoa co-operatives.

The study explored the internal and external factors that drive value creation by co-operatives. Membership cohesion, strong leadership, efficient operating procedures, and effective governance mechanisms are all key internal factors identified as impacting on co-operative value creation. External enablers (or underminers) include socio-economic cohesion in co-operative communities and fertile (or unfavourable) value chain, institutional and broader socio-economic environments.

These factors form the conceptual basis applied to investigate the two case study co-operatives within the context of historical and present day cocoa production, markets and the co-operative movement in Ghana.

The findings show that the co-operatives studied create value by offering fair and prompt payments, certification premium, and provision of extension services and inputs. Training activities are highly appreciated by farmers, particularly those related to productivity increases.

However, differences in skills, resources, and power among members undermine training effectiveness and create inequalities in participation and representation within the co-operatives. Finally, difficulties in engaging with sharecroppers (who as non-members of co-operatives are likely to miss out on training and incentives) undermine efforts to increase productivity, eliminate child labour and produce cocoa sustainably.

Internally, strong leadership and sustained investments in human capital are crucial for co-operative value creation, while solid governance structures are necessary for the value to be fairly distributed across members. In terms of membership size, a smaller size can be beneficial in terms of organisational efficiency and premium effectiveness, but it can undermine the commercial ability of a co-operative to source sufficient cocoa volumes to establish itself competitively in the market.

Externally, proactive institutional and commercial partners are key enablers of co-operative emergence and growth and can play a key role in ensuring transparency and functionality, while also supporting co-operatives to overcome operational and governance challenges. The underlying risk is co-operatives prioritising the agenda of their partners over their own interests. Overall, findings suggest that there is currently a strong demand for cocoa co-operatives in Ghana, both by farmers who long for accessible agricultural services, and by institutional and value chain actors seeking optimal ways to reach and engage with farmers.

Following feedback from the participating co-operatives, it is recommended to focus future support on the inclusion of sharecroppers in training activities and incentives; create value chain sector guidelines for co-ordinated and diversified partner support; facilitate co-operative networks and platforms; invest in specialised support structures for co-operatives; invest in leadership skills among young people in cocoa farming communities; and prioritise governance strengthening over operational investments.

Cocoa farmers use machetes to split cocoa pods to remove and dry the beans

TABLE OF CONTENTS

Ripe cocoa pods

LIST OF ABBREVIATIONS

AGM	Annual General Meeting
CCC	Conseil du Cafe – Cacao
COCOBOD	Ghana Cocoa Board
CSR	Corporate Social Responsibility
DoC	Department of Co-operatives
DS	Dafni Skalidou
FGD	Focus Group Discussion
FLOCERT	Fairtrade Labelling Organisation
FTA	Fairtrade Africa
FTF	Fairtrade Foundation
FOB	Free On Board
GAP	Good Agricultural Practices
GN	Gladys Nketiah
LBC	Licensed Buying Company
LID	Living Income Differential
NGO	Non-governmental organisation
OSF	Open Society Foundations
PC	Purchasing Clerk
PO	Producers' Organisation
SWOT	Strengths, Weaknesses, Opportunities and Threats

Cocoa farmers spread cocoa beans on racks to dry in the sun

INTRODUCTION

In 2019, the Fairtrade Foundation (FTF) was awarded a grant by Open Society Foundations (OSF) to carry out research to understand the mechanisms that enable or prevent co-operatives from creating value for their members and their communities.

The resulting research examined existing co-operative governance models and their enabling environment in the cocoa sector in Ghana. The research aimed to understand opportunities for improving producer-led cocoa co-operatives' ability to drive empowerment, progress in achieving living incomes and enhanced resilience for their membership base. The following overarching research question guided the analysis:

How can cocoa co-operatives in Ghana create value for their members?

The term 'value' can be economic (eg. increased income) but also social or political (ie. increased empowerment and resilience), or any other outcome related to co-operative action that farmers value.

The above question was broken down into the following sub-questions:

1. How is value creation influenced by **internal co-operative characteristics?** (ie. membership characteristics, leadership, operating procedures, and governance structures)

2. How is value creation influenced by factors **external to co-operatives?** (ie. social cohesion, value chain structure, institutional and socio-economic environment)

3. How can collective action and co-operative value creation be **supported (and not supressed) by external actors?**

This research resulted in the design of a theory of change and related analytical framework which assists in evaluating the internal and external factors that impact how producer-led co-operatives create value.

The report concludes with a road map with recommendations guiding the future development of initial interventions that can be tested in targeted pilot programmes and inform the design of future projects with commercial partners and other external actors.

The report provides a description of the research methods (including its challenges and limitations); the conceptual framework; an overview of the historical and current context in which cocoa co-operatives in Ghana operate; key lessons from the experiences of two case studies; and finally recommendations for enhancing the capacity of cocoa co-operatives to create value for their members and communities going forward.

RESEARCH METHODS, CHALLENGES AND LIMITATIONS

The research was divided into three phases: preliminary desk research; primary data collection and analysis; incorporation of feedback from research participants and final report writing.

During the first phase of the research (February – July 2020), preliminary interviews and a literature review were conducted to understand what has worked previously for co-operatives and why. Focus was placed on successful (or not so successful) examples of co-operatives and collective action in the Ghanaian context and similar environments in other parts of the world.

Through this process, key concepts were determined (eg. what is success for co-operatives and how it can be measured), and the internal and external factors that can enhance or hinder the ability of cooperatives to create value for their members were identified. This phase allowed describing plausible pathways/ mechanisms of co-operative value creation and informed the conceptual and analytical framework of the research as well as the methodological approach adopted for the primary data collection phase.

The research was designed as a single case study, that is the Ghanaian cocoa sector, with embedded units, that is two cocoa co-operatives which were identified with the help of key informants for their distinct trajectories and commercial and organisational successes.

After a forced long break due to the Covid-19 pandemic, the project entered the phase of primary data collection and analysis (January – June 2021). Data were collected remotely and face-to-face between February and June 2021. Travelling restrictions related to the pandemic prevented the lead researcher (Dafni Skalidou, henceforth DS) from travelling to Ghana for further data collection. Field-work tasks were instead undertaken by local consultant Gladys Nketiah (GN), under the guidance of DS and with the support of Fairtrade Africa (FTA), Fairtrade International's Producer Network located in Ghana.

Overall, data collection consisted of:

- 19 remote interviews with key informants conducted by DS between February and June 2021.
- 12 Focus Group Discussions (FGD) and 14 face-to-face interviews with farmers and key informants conducted by GN between May and June 2021.
- Collection of cooperative documents (constitution, membership lists, minutes from General Assemblies, Action Plans, contracts with clients, Fairtrade audit reports) by both DS and GN.

To protect the identity and commercial interests of all the research participants (co-operatives, key informants and farmers), the real names of organisations and individuals have been omitted or replaced by broader characterisations (eg. co-operative A & B). Transcriptions and notes from FGDs, face-to-face and remote interviews were coded using a thematic approach to identify, analyse and report patterns (themes) within the data (Braun and Clarke, 2006).

Preliminary findings were presented to FTA and the two case study co-operatives in three separate two-hour workshops in October 2021. During these workshops key findings were validated by both FTA and the participating co-operatives, while the proposed recommendations were discussed and prioritised according to their degree of relevance through a participatory exercise. Feedback from these workshops is incorporated in this report.

One of the main challenges of the research was to access the same type of hard data from both co-operatives to conduct a cross-case analysis. While one co-operative agreed to share documents containing data of interest, it was not possible to reach a similar agreement with a second one. As a result, one of the limitations of the research is the incomplete data profile of one subunit in terms of commercial and organisational scale.

Harvesting cocoa pods

CONCEPTUAL AND ANALYTICAL FRAMEWORK

Co-operatives are organisations 'owned and operated by a group of individuals', who voluntarily decide to co-operate in order to 'meet their common economic, social, and cultural needs and aspirations through jointly owned and democratically controlled organizations' (Francesconi and Wouterse, 2011:1 citing ICA 2007).

Unlike investor-owned firms whose objective is to maximise profits for their investors, co-operatives are operated by their member-owners for their mutual benefit (Fulton and Giannakas, 2012). Nevertheless, the sheer existence of a co-operative does not automatically generate social or economic benefits. Co-operatives need to resolve specific problems to generate value (Attwood and Baviskar, 1987). This research draws on this basic idea and regards co-operatives as dynamic, fluid organisations whose mission is to solve specific problems that could not have been solved with non-co-operative forms of action and hence generate value for their members, that could not have been generated otherwise.

Agricultural co-operatives create value through different mechanisms of collective action, such as negotiating better prices, creating alliances between farmers and organisations, mobilising and investing capital, as well as attracting external support from public or private actors. These mechanisms can lead to the provision of basic services to farmers, such credit and saving schemes; agricultural extension and input supply; access to more profitable markets (stable contracts, premium payments, pre-payments); upgrading along the value chain, diversifying income, improving the organisation of the supply.

Cocoa pod growing on tree

These 'outputs', have the potential to lead to intermediate outcomes, such as improved product quality, increased yields, increased producer price, reduced risks and costs for farmers, social investments. This potential can be realised, however, only if certain assumptions hold (eg. training is adequate; farmers are willing and able to implement new practices; co-operatives make efficient use of funds, members are able to hold accountable their leaders).

If these 'intermediate outcomes' are sustained then they are likely to lead to 'final outcomes' such as improved farm revenue, resilience, influence and working conditions for the farmers and their labourers alike. These can then contribute to long-term impacts, such as living incomes, empowerment, improved health and education, and environmental sustainability.

The effectiveness of these mechanisms depends on a series of internal and external factors that can facilitate (or hinder) the value creation process. Internally, co-operatives need a cohesive membership motivated by common interests. This is why a leadership able to unify a heterogeneous membership base, inspire loyalty, and mobilise resources, is crucial for collective action to materialise (Francesconi and Wouterse, 2011; Ostrom, 2000; Salifu et al., 2010; Attwood and Baviskar, 1987).

Efficient operating procedures are also necessary, not only for creating value, but also for ensuring that created value is fairly distributed (Cazzuffi and Moradi, 2010; Attwood and Baviskar, 1987). On the contrary, lack of clear operating procedures (eg. definition of property and decision rights and en-try-exit rules) can be detrimental, as it creates uncertainty and undermines members' 'trust and investments'.

Finally, co-operatives need democratic organisational processes for efficient participation and governance. These should be based on clear and tailored-to-the-membership rules, as well as efficient monitoring systems. When transparency and accountability are ensured, co-operatives inspire trust and loyalty to members. Without proper governance procedures in place, larger farmers may end up dominating the co-operative and manipulating the membership base. (Francesconi and Wouterse, 2011).

Externally, co-operatives need an environment of social cohesion that allows people to think and act collectively to start with (Ostrom, 2000). Particularly in the African context, social clusters or networks, such as a kinship, have played a salient role in creating cohesion in rural organisations from colonial times until today. Cocoa co-operatives in Ghana, for instance, were stronger in areas where 'communal village organisations' were also strong, such as the Ashanti and Brong regions (Young et al., 1981:183).

The structure of the cocoa value chain is also important, as it can provide specific opportunities for co-operative value creation, particularly in cases of market asymmetries (Attwood and Baviskar, 1987).

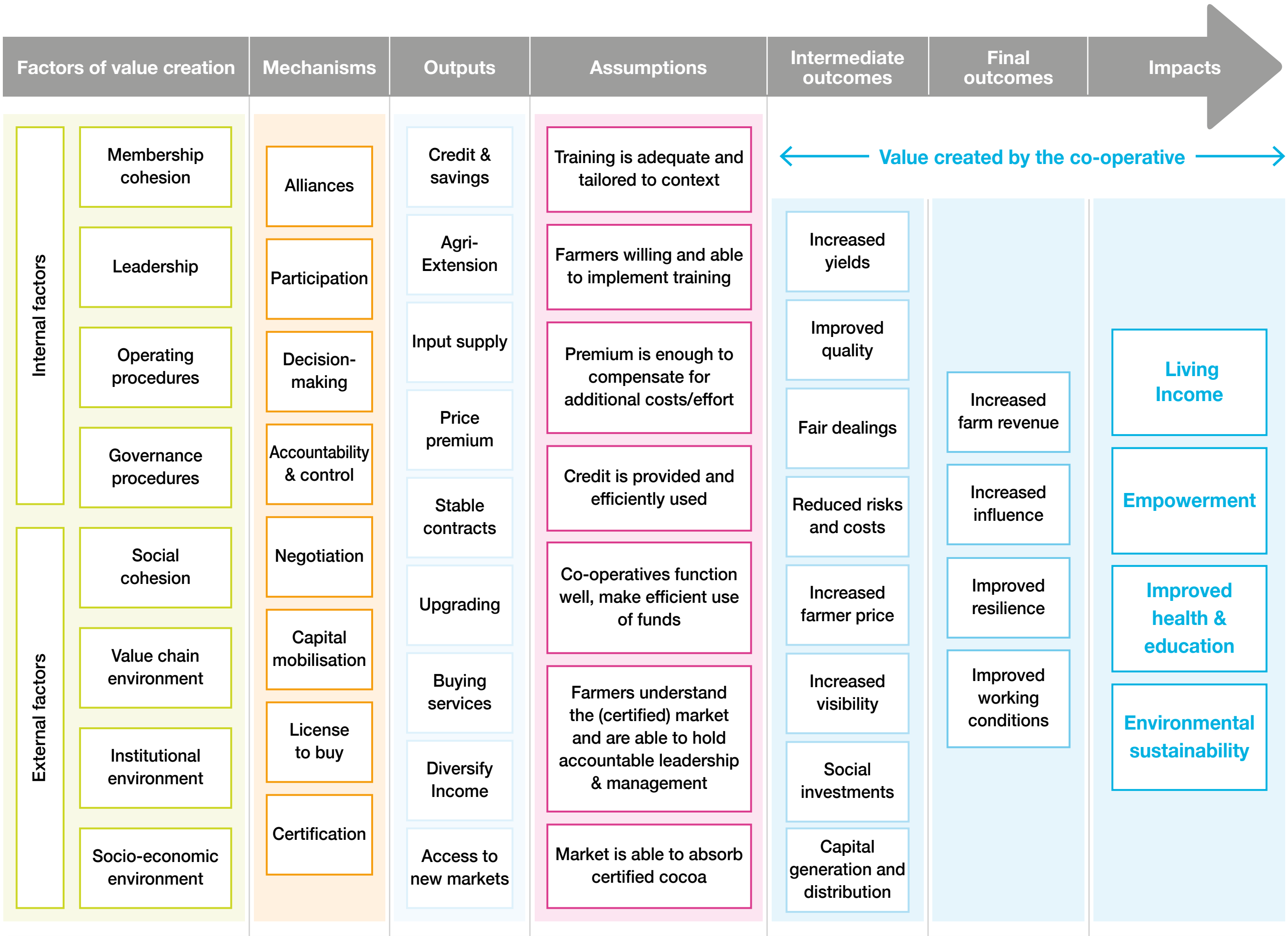
The institutional environment is another significant factor, as co-operatives need an environment of reduced uncertainty, official recognition and technical support in order to emerge and thrive. The danger here for co-operatives is adopting the agenda of the institutional actors that support them, instead of advancing the interests of their members (Attwood and Baviskar, 1987; Berry, 1993, Young et al., 1981; Salifu et al., 2010).

Finally, specific opportunities for collective value creation provided by this socio-economic context can trigger the emergence and enable the growth of a co-operative. On the other hand, difficulties in forming alliances, economic uncertainty and social mistrust can hinder these processes.

Drawing on Oya et al (2017), figure 1 presents a pathway linking internal and external factors to impacts in farmer lives and communities as a theory of change of co-operative value creation.


Sorting through drying cocoa beans

Figure 1: Theory of change of co-operative value creation



Adapted from Oya et al (2017)

The green boxes illustrate the internal and external factors that can influence the mechanisms (orange boxes) by which co-operatives can provide specific outputs (light blue boxes) to farmers and their communities.

If certain assumptions hold (pink boxes), these outputs can be transformed into intermediate and final outcomes. If sustained in the long term, these can contribute to creating positive impact (see different shades of blue boxes).

In practice, figure 1 can be used to analyse which factors of value creation, mechanisms, and assumptions need to be reinforced for co-operatives to improve their intermediate and final outcomes and long-term impacts.

These elements do not just appear from one day to the next. On the contrary, they are deeply embedded in the historical and socio-economic context. This is why understanding the historical circumstances from which co-operatives emerge and grow, as well the particular socio-economic context in which they currently operate is fundamental for the effectiveness of interventions aiming at supporting their value creation process (White, 2009; Oya et al., 2017). For this reason, this research adopts a 'historical lens' to understand not only where the two case study co-operatives stand today, but also their historical background and how this has shaped their ability to create and distribute value.

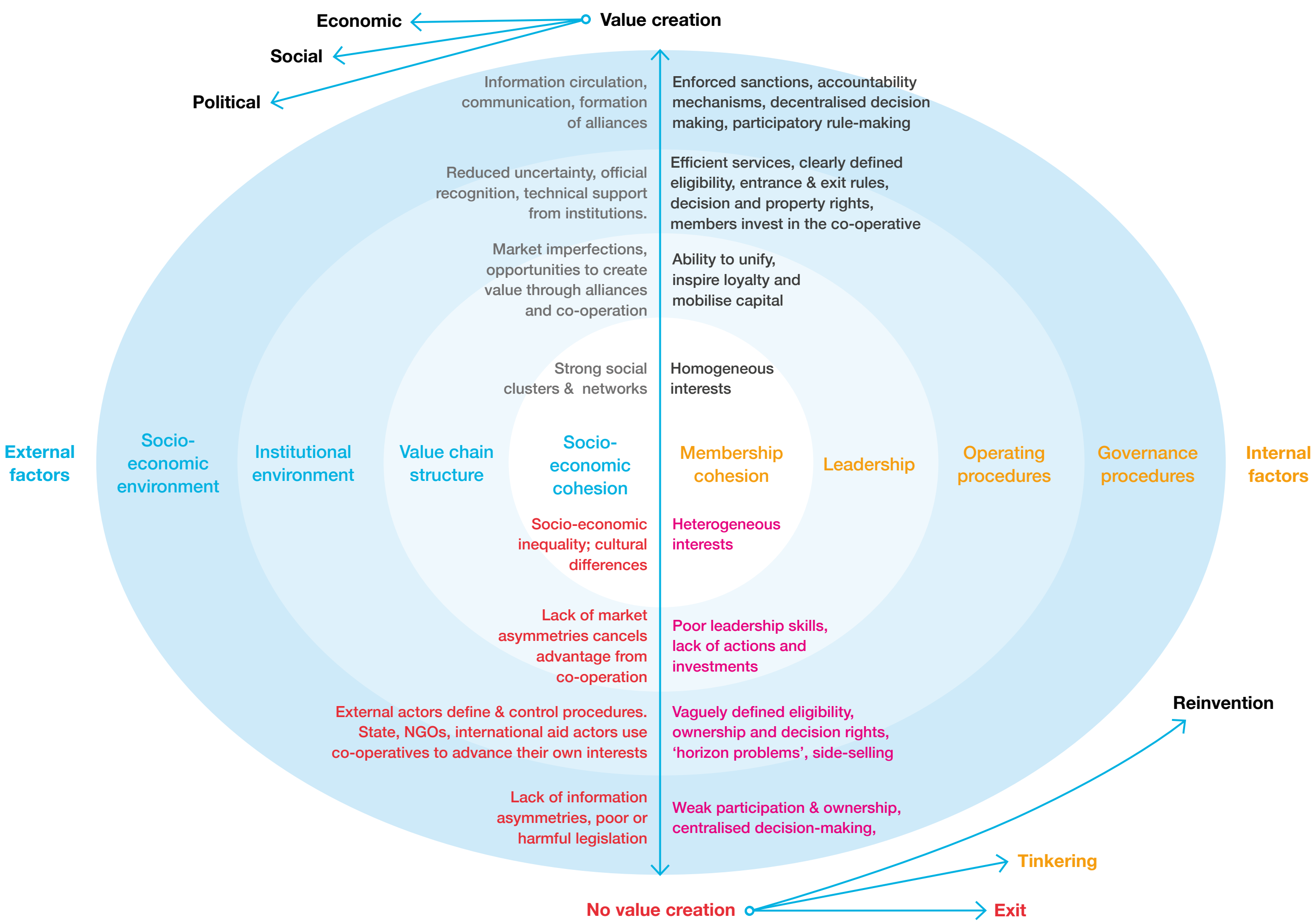
Particular focus is placed on the factors that influence the effectiveness of the mechanisms responsible for co-operative value creation, ie. the green and yellow boxes of figure 1. This is because they are seen as the initial triggers that can set into motion the process of co-operative value creation and therefore the areas that need to be better understood in order to provide more efficient co-operative support.

Figure 2 below illustrates in concentric circles the factors which influence the mechanisms responsible for value creation. In practice, figure 2 can be used as a SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis tool, helping co-operatives and those supporting them to identify which internal factors are already driving positive outcomes or need to be further strengthened, and which contextual developments provide opportunities or pose threats to a co-operative's value creation process.

This conceptual framework is also used to structure the lessons learnt and the recommendations that result from these lessons.

Before proceeding to the lessons learnt from the two case study co-operatives, however, it is necessary to highlight key historical and current dynamics of cocoa production, the cocoa market and the co-operative movement in the Ghanaian context. These elements have shaped and are still influencing the organisational structures and trajectories of cocoa co-operatives and hence their ability to create value for their members.

Figure 2: Mapping the factors which influence the mechanisms responsible for value creation



Internal value creation 'enablers', such as having a homogeneous membership base, strong leadership, efficient operating procedures and effective governance mechanisms, are depicted in black at the top-right quarter circle.

Internal 'underminers', like heterogeneous membership, poor leadership, inefficient operating procedures and weak governance are depicted in pink at the bottom-right quarter circle.

The right semi-circle therefore represents the internal strengths and weaknesses of a co-operative in terms of its value creation capacity.

External value creation 'enablers', such as a socio-economic cohesion, and fertile value chain, institutional and broader socio-economic environments, are depicted in grey at the top-left quarter circle.

External 'underminers', like a lack of socio-economic cohesion and unfavourable value chain, institutional and broader socio-economic factors are depicted in red at the bottom-left quarter circle.

The left semi-circle therefore represents the opportunities and threats arising from the external environment that can influence a co-operative's value creation process.

If a co-operative finds itself at the top semi-circle for a sustained period of time, then it is likely to create economic, social, political, or other types of value for its members. On the other hand, if it finds itself at the bottom semi-circle for a sustained period of time, it is likely to enter into a dormant phase due to its inability to take decisions and create value (tinkering), enter a process of dissolution of the group (exit), or proceed to a radical reshuffle of both membership and rules (reinvention) (Salifu et al, 2010) in order to overcome its operational and governance blockages.

COCOA PRODUCTION DYNAMICS IN GHANA

Ghana is currently the world's second largest cocoa producer after Côte d'Ivoire, with an estimated 800,000 farmers in the southern tropical belt of the country producing over 800,000 tonnes of cocoa beans per year (Cocoa Initiative, 2021; Fountain and Hütz-Adams, 2020; Kolavalli and Vigneri, 2011).

Productivity levels remain below maximum capacity, with the average Ghanaian farmer producing only 40 percent of the farm's potential output (Barrientos, 2014; Wessel and Quist-Wessel, 2015). Low productivity is attributed to poor farm maintenance, lack of innovation and farm renovation investments and low uptake of fertilisers and pesticides (Kolavalli and Vigneri, 2011; Dormon et al., 2004; Gockowski et al., 2013).

An ageing population of cocoa farms and farmers is also thought to contribute to the low productivity of the region (Anyidoho et al., 2012; Mohammed, Asamoah and Asiedu-Appiah, 2011; Kyei, Foli and Ankoh, 2011; Löwe, 2017; Barrientos et al., 2007). Issues of numeracy and literacy are chronic in cocoa farming communities, particularly among the older generation of farmers, who are nonetheless dominating the population of farm owners and therefore also that of co-operative members (Skalidou, 2018).

Current efforts to increase productivity through the implementation of Good Agricultural Practices (GAPs)[1] are often undermined by farmers' limited ability and/or willingness to adopt and implement such practices. According to data from FGDs conducted for this research, this can be linked to literacy and numeracy issues, openness to experiment, but also previous experiences with implementing new practices. It is characteristic for instance, that some farmers show greater resistance to pruning, fearing that this will harm their trees instead of increasing their productivity (FGD with co-operative members, interviews with extension officers).

Cocoa in Ghana has been historically produced in small family farms of six to seven acres producing around a tonne of output, using seasonal labour at peak periods of the year (Young et al., 1981). Larger farms also exist, but these are usually divided into smaller plots and left in the care of sharecroppers,[2] who receive one third of the crop in exchange, the 'abusa' (ie. one-third in the Twi language) arrangement (Takane, 2000).[3]

Despite abusa arrangements being widespread (Boni, 2005; Takane, 2000), their informality makes it difficult to have reliable data on how much cocoa is currently produced under such agreements or how many households are involved (Kolavalli and Vigneri, 2018). Fountain and Hütz-Adams (2020) estimate that abusa arrangements could be responsible for up to a third of the cocoa production in some areas.

Abusa sharecroppers, often referred to as 'caretakers', are usually ineligible to join cocoa co-operatives on the basis of a lack of land ownership, and this also affects the likelihood of attending training activities (Skalidou, 2018). The fact that sharecropping arrangements are informal adds to the complexity of reversing this practice. Sharecroppers also often work in isolated areas and on multiple farms which make them difficult to engage and include in training activities (Skalidou, 2018). Additionally, incentives related to the adoption and implementation of GAP (ie. distribution of farm inputs or price premium) usually remain with the farm owner and rarely trickle down to the sharecropper, as is often the case with labourers employed by smallholder farmers (Oya et al., 2017). This weakens the motivation to attend training activities and to make the effort to implement sustainable practices.

1 Good Agricultural Practices (GAP), as defined by FAO, are a 'collection of principles to apply for on-farm production and post-production processes, resulting in safe and healthy food and non-food agriculture products, while taking into account economic, social and environmental sustainability' (FAO, 2016:v).

2 A sharecropper is a tenant farmer who gives a part of each crop as rent.

3 Twi is a dialect of the Akan language spoken in southern and central Ghana. It is currently used as the common language between cocoa farmers, even for non Akan farmers.

COCOA MARKET DYNAMICS

Like in other cocoa producing Sub-Saharan countries after independence, cocoa in Ghana was heavily taxed and controlled by the state (McMillan, 1998; Kolavalli and Vigneri, 2011). Ghana, however, resisted international pressure to abolish its publicly run Cocoa Board, which controlled the sector.

The sector was only partially liberalised in 1992 by allowing private Licensed Buying Companies (LBCs) to buy cocoa beans at the farm level through Purchasing Clerks (PCs), usually themselves cocoa farmers, and sell them on to the Ghana Cocoa Board (Cocobod) which remains today the sole exporter of Ghanaian cocoa. It is estimated that about 30 LBCs operate today in the country (Skalidou, 2018).

Cocobod fixes a unique minimum farm gate price for farmers, which is 70 percent of the Free On Board (FOB) cocoa price (Victor et al., 2010), although some claim that in practice the FOB price does not exceed 60 percent (Kolavalli and Vigneri, 2017). In October 2020, Cocobod increased the guaranteed cocoa farm gate price for the 2020/2021 season by 28 percent to $1,837 per tonne as a result of the Living Income Differential (LID), a regional additional premium on cocoa to progress cocoa farmers to a liveable income (Fountain and Hütz-Adams, 2020).[4]

Nevertheless, recent lockdowns and restrictions related to the on-going Covid-19 pandemic are causing a global recession with negative effects for chocolate demand. In combination with the bumper harvests seen recently in Côte d'Ivoire and Ghana in 2021, a marked decrease in cocoa's world market price is being observed (Morrison, 2021; Fountain and Hütz-Adams, 2020). The effects of Covid-19 have been felt in cocoa farming communities globally also through increased costs of daily living, farming inputs, and health care services, while the closure of schools in cocoa farming communities due to the pandemic has increased the risk of child labour in cocoa farms (Fountain and Hütz-Adams, 2020).


A cocoa farmer tends to drying cocoa beans

[4] The Living Income Differential is an extra fee of $400 per ton of cocoa on top of forward sales that the Ivorian Conseil du Cafe-Cacao (CCC) and Cocobod started charging in the third quarter of 2019 (Fountain and Hütz-Adams, 2020) as the common language between cocoa farmers, even for non Akan farmers.

THE COCOA CO-OPERATIVE MOVEMENT IN GHANA

The first cocoa co-operatives appeared in Ghana in the 1920s and experienced modest growth as they began to offer marketing and investment services, such as short-term loans, bonuses, and storage (Young et al 1981; Cazzuffi and Moradi, 2010). They also started to consolidate by forming co-operative unions, a move which allowed them to increasingly gain political leverage (Young et al., 1981).

However, as they grew, the colonial administration sought to use them 'as an instrument of cocoa quality control' (Young et al, 1981:186), and to promote its agricultural policies which 'usually proposed laborious solutions to apparently minor problems' (Berry, 1993:50). Attempts were also made to use co-operatives to politically control remote rural areas (Salifu et al, 2010:3), by 'generously though selectively' distributing loans to political supporters (Young et al., 1981:184).

In 1928, the government attempted to absorb cocoa co-operatives into an official state-controlled cooperative structure to enforce cocoa quality controls. Once these co-operatives were conceived as government agencies, however, they became unattractive to farmers and many deserted them, indicating that when rural organisations are used for the purposes of 'politicians and bureaucrats', they are unlikely to succeed (Berry, 1993:50; Young et al, 1981; Salifu et al., 2010).

After Ghana's independence in 1957, Nkrumah's postcolonial regime developed distrust in co-operatives which by that time were controlling about 40 percent of the market share (Young et al., 1981; Berry, 1993). Cocoa co-operatives were forced out of the cocoa trade and their assets were confiscated, resulting in 50,000 farmers losing the considerable amount of $3 million in share capital and savings deposits held in the co-operative system (Young et al, 1981; Salifu et al, 2010).


Cocoa beans in a pod

Following global pressure to liberalise national economies in the 1980s, the role of the state was significantly reduced. This vacuum has since been filled by non-governmental organisations (NGOs), international organisations, and private investors. Such actors have played an increasingly important role in supporting rural collectives such as cocoa co-operatives, seeing them as potential partners for agribusiness development and governance decentralisation (Salifu et al., 2010). Most of these collective organisations, however, have been externally driven, with a tendency to rely less on internal member contributions and more on subsidies or aid funds to operate (Francescnoni and Wouterse, 2011). As a result, their longevity is fragile and they risk disappearing when external assistance is no longer available (Salifu et al., 2010).

Support to Producers' Organisations (POs), which may or may not be co-operative structures, is currently shifting from aid to commercial actors. These are taking the form of commercial partnerships with long term business commitments, which form an integral part of cocoa and chocolate actors' business plan, versus the shorter term, more volatile, NGO interventions of the past (Lernoud et al., 2017; Potts et al., 2014; Paschall, 2013; COSA, 2013).

NGOs are still called in by commercial partners to implement specific projects or lead specific activities according to their expertise, however, these tend to be linked to the business interests of the commercial partner funding the programme (Paschall 2013; Skalidou, 2018).

At present cocoa co-operatives are becoming popular again, both among farmers (as the FGD conducted for this research show), and external institutional and value chain actors (Salifu et al., 2010; Paschall 2013; Skalidou, 2018). Services provided by co-operatives (agricultural extension, input delivery, pruning and spraying squads) are well-received and valued by farmers, particularly in underserved communities (FGD with farmers, and interviews with international market and aid actors).

At the same time, commercial and institutional actors value co-operatives because they make farmers easily accessible. It is characteristic that Cocobod currently employs co-operatives to distribute inputs (interviews with institutional and international market actors), while most sustainability initiatives in the sector 'reach only those farmers that are already (loosely) organised in co-operatives' (Fountain and Hütz-Adams, 2020:92).

Currently, 1,342 co-operatives have been identified by Cocobod, however, only 512 of them are fully registered with the government's Department of Co-operatives (DoC) (Banks, 2019). Eight of them are Fairtrade certified and according to Fairtrade Africa (FTA), in 2020 these eight co-operatives represented 121,920 farmers (or about 15.24 percent of the estimated population of cocoa farmers).

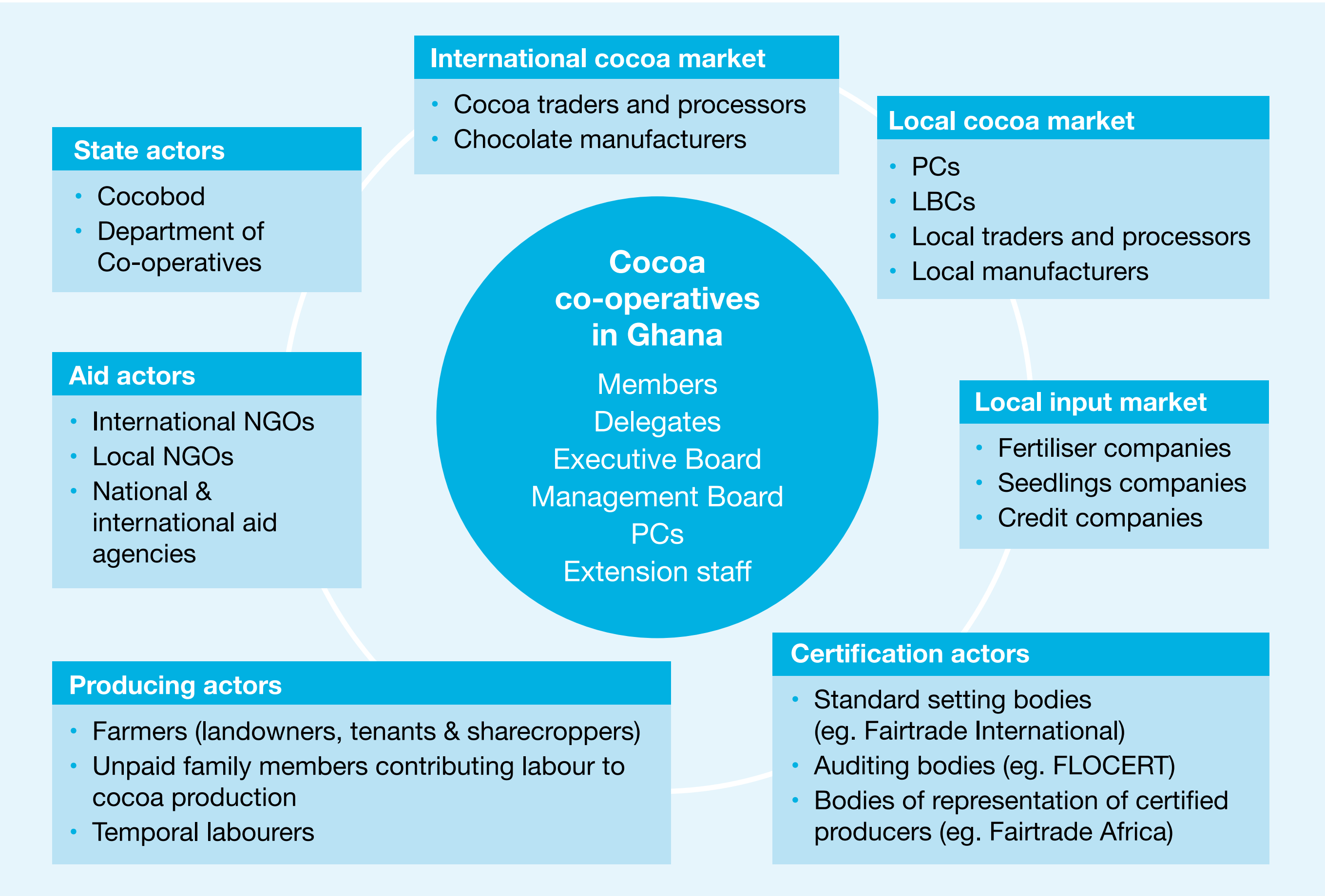
The implementation of the upcoming locally developed African Regional Standard (ARS) for the West African cocoa sector that imposes regulatory and pricing standards on cocoa, is likely to further consolidate demand for co-operatives, since one measure will require all cocoa farmers to be registered with a recognised entity such as a farmers' association consisting of 'legally registered cocoa farmers' or a co-operative abiding by the 'universally recognised co-operative principles' (ARSO, 2021:5).

The above suggests that the current environment is fertile for co-operative growth. The benefits to farmers, however, rely on co-operatives critically evaluating the policy agenda proposed by external commercial and institutional actors. For example, most externally supported sustainability and/or Corporate Social Responsibility (CSR) programmes place a strong focus on productivity increases. Increases in productivity, however, will result in additional income only if the farmer's price remains stable or, even better, increases.

Nevertheless, increases in supply tend to push international prices downwards, as 2021's recent excess supply of cocoa has shown (Morrison, 2021), thus leaving farmers with the same or reduced income despite having invested heavily in labour and other resources to produce more. Therefore, increased productivity can actually undermine attempts to control supply, and in the case of a price collapse, can leave farmers with diminished incomes (Odijie, 2021; Fountain and Hütz-Adams, 2020).

Historically, state actors, and more recently aid actors, can play a significant role in enhancing as well as hindering co-operative value creation in the Ghanaian context. To better understand these dynamics figure 3 presents a map of stakeholders that interact with and influence the emergence, growth, and value creation of cocoa co-operatives in Ghana.

Figure 3: Summary of stakeholders that interact and influence cocoa co-operatives



LESSONS LEARNT FROM TWO CASE STUDY CO-OPERATIVES

This study sought to apply the analytical framework presented in figures 1 and 2 to two case study co-operatives currently operating in the Ghanaian cocoa sector. The two case studies, kept anonymous in this report to protect their commercial interests, were selected after consulting key informants based on their distinct trajectories.

We sought to include co-operatives that were considered 'successful' by local actors in terms of value creation, but which also differed significantly in their historical formation and growth processes (ie. aid versus market driven), as well as in their current size (large versus small) and operating models (ie. having a licence to buy cocoa versus lacking a licence to buy and being mainly a service provider to their members).

This allowed us to conduct a comparative analysis and learn not only from their similarities but also from their differences. By unpacking their unique trajectories, we were able to identify key enabling and undermining factors of co-operative value creation and to better understand how these play out in the particular context of the Ghanaian cocoa sector.

The following sections summarise these key lessons learnt in terms of internal and external enabling and undermining factors of co-operative value creation.

A. Lessons regarding the internal factors of co-operative value creation

The two case studies provide important lessons about how cocoa co-operatives in Ghana (and beyond) can create (and distribute) value to their members. Using the theory of change and analysis of factors that influence co-operative value creation presented in figures 1 & 2, the following points are observed in terms of internal factors of value creation linked to ***membership cohesion, strong leadership, efficient operating procedures, and effective governance mechanisms***,

Regarding membership cohesion, both co-operatives have a rather homogenous membership which is based on land ownership status. In co-operative A only farm owners are eligible to become members, therefore abusa sharecroppers are directly excluded from membership.

The constitution of co-operative B allows abusa sharecroppers to join the co-operative if they have the farm owners' permission. Both farm owners and sharecroppers can benefit from such arrangements, since they are likely to result in productivity increases once the sharecropper attends training and receives incentives. Nevertheless, such cases are scarce, as farm owners appear reluctant to allow their sharecroppers to register with their farm, often due to lack of trust. When such arrangements occur, they usually involve absentee farm owners,[5] as the following quote indicates:

> **I INFORMED THE LANDOWNERS IN KUMASI OF THE PROSPECTS OF THE UNION IN TERMS OF TRAINING, BONUS, AND FARM INPUTS AND THEY GAVE ME THE GO AHEAD [TO USE THEIR FARMS TO JOIN CO-OPERATIVE B] SINCE I AM THE ONE MANAGING THE FARMS. AND IT'S TO THEIR ADVANTAGE ANYWAYS.**
>
> *(Interview with abusa farmer).*

Homogenous membership based on land ownership status can be seen as an internal strength in terms of decision making based on landowners' common interests. However, it also suggests that issues of trust between farm owners and abusa sharecroppers prevent the latter from making use of co-operative services and producing to the full potential of the farms they are managing. Lack of awareness that abusa farmers can join training activities and lack of incentives to adopt and implement GAP may also be contributing to that.

Another observation regarding membership cohesion relates to the varying degrees of willingness and ability of co-operative members to adopt and implement the GAP that are being promoted through training activities. This poses challenges both to policy implementation and decision-making processes. It also indicates that training alone is not enough if farmers are not able or willing to implement.

One way of dealing with this challenge is adopting a 'coaching' approach to agricultural extension, providing personalised support to farmers to help them overcome specific adoption and implementation difficulties (interviews with aid actor and co-operative manager). Such approaches have yielded positive results when applied, suggesting that effective training must be tailored to the farmers' needs and individual characteristics with a focus on adoption and implementation, not only delivery.

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5 An 'absentee' farmer is a farmer who no longer resides in the community, but only sporadically visits to oversee the caretaker/sharecropper (Skalidou, 2018).

Additionally, differences in literacy and numeracy skills have hindered meaningful participation in decision making in co-operatives' Annual General Meetings (AGM) by members in the past, undermining accountability and encouraging opportunistic behaviours. These elements can internally weaken the ability of co-operatives to create and distribute value if they persist. In this regard, governance mechanisms tailored to the membership size, coupled with heavy investments in human capital play a crucial role in ensuring members are able to efficiently process information, meaningfully participate in decision making, and hold accountable leaders and managers.

In terms of leadership, consisting of the board of executives (ie. farmers) and the management (ie. professionals hired by the board of executives), it is observed that the identification of influential and charismatic leaders able to mobilise farmers was instrumental in the formation and early growth of the studied co-operatives. However, even more important is to have sustained investments in human capital that would allow a co-operative to build strong leadership, management, and accountability structures.

The two case study co-operatives also showed that a strong co-operative leadership is characterised by its ability to create alliances with other co-operatives and institutions (eg. in order to jointly enter the market and gain the necessary cross-regional presence to source sufficient cocoa volumes); investments in political influence in order to raise farmers' voice at the local and national level; ability to 'reinvent' (when necessary) the organisation in order to improve the sense of ownership among members and increase participation and share capital; and ability to diversify and increase commercial partners.

The latter is also an indicator of reliability and trustworthiness that can lead to improved access to business capital. This is because financial institutions look for such indicators when reviewing the loan applications of rural organisations (interview with financial institution manager).

On the other hand, leadership's perception of members as cocoa suppliers rather than co-operative co-owners is a warning sign that the commercial element of a co-operative is overshadowing its governance structures and can be harming members' sense of ownership and participation.

Operating procedures have a strong impact on value creation and its distribution. The two cocoa co-operatives studied create value for their members by offering fair and prompt payments, compared to common scale manipulations and payment delays by PCs of conventional LBCs. This is highly appreciated by farmers as the following quote shows:

> **COMPARATIVELY [CO-OPERATIVE A'S] SCALE IS MUCH BETTER. [...] EVEN WHEN THE SEASON IS CLOSED [CO-OPERATIVE A] SPONSORS ITS [BUYERS] TO PAY FOR BOUGHT COCOA, UNLIKE OTHER LBCS WHERE YOU'LL NOT BE PAID AFTER THE SEASON IS CLOSED.**

(FGD with young co-operative members).

More generally, activities related to agricultural extension (eg. pruning, control of black pods) are well-received and valued by members. In the case of pruning teams set up by co-operatives, additional value is created in terms of building local skills and generating employment, though temporary and low paid, in local communities and particularly for young men. During data collection, positive spill over effects were identified, as non-members also demand pruning services (interviews with non-members).

Challenges include limited resources to properly cover all the local societies in terms of agricultural extension. In some cases, co-operative extension officers are overwhelmed and able to provide only sporadic training few times per year. Nevertheless, the ability of the latter to respond quickly whenever a specific problem emerges in a member's farm was praised by members during data collection. The following quote describes the satisfactory experience of a member farmer:

> **MEMBERS' FARMS ARE MUCH [MORE] ATTRACTIVE... I JOINED BECAUSE MY NEIGHBOURING FARM OWNER IS A MEMBER AND ALWAYS SAW EXTENSION OFFICERS IN HER FARM EITHER FOR SPRAYING OR PRUNING AND THE PODS WERE HEAVY AND HEALTHY AS COMPARED TO MINE. AND WHEN I JOINED I SEE MY FARM MOVED TO A DIFFERENT LEVEL; IT'S HEALTHIER NOW AS COMPARED TO WHEN I WASN'T A MEMBER.**

(FGD with young co-operative members).


Dried cocoa beans

Another challenge in terms of operating procedures is the high dependence on price premium in order to provide services, particularly when this is coupled with a lack of cocoa trading activity (ie. lack of income from cocoa buying due to lack of a licence to buy cocoa).[6] It is observed that this can undermine the ability of a co-operative to reach more farmers by increasing its membership, while delivering significant impact at the same time. In this case, once the co-operative acquires a licence to buy cocoa, its limited membership size can weaken its ability to source the necessary volumes to position itself in the market.

Finally, the research looked at governance procedures in the two case studies and observed that a smaller membership size can actually benefit organisational efficiency and increase the impact of certification premium.

Co-ordinated rotation of leadership and the creation of new roles for outgoing executives can strengthen an organisation by enabling transparency and the infusion of new skills and ideas with the introduction of new executives, while retaining knowledge and experienced acquired by the outgoing ones.

It is observed that investments in governance structures can result in increased ownership, participation in decision making and an ability to hold accountable leadership and management, thus enabling greater value creation and better redistribution to members.

On the other hand, over-centralised decision-making can lead to investments in central structures (eg. supporting head office and central commercial structures) and result in less value being distributed across the membership base. This suggests that value creation alone is not enough. Once value is created, distribution mechanisms are necessary to ensure that this value will reach farmers and their communities.

A lack of rotation of leadership positions, along with weak controls and accountability mechanisms, can encourage opportunistic behaviour and misconduct. If these elements persist, they can seriously weaken a co-operative's ability to create and distribute value to its members.

B. Lessons regarding the external factors of co-operative value creation

This section summarises key lesson learnt from the two case studies with regard to the external factors that can enable or prevent co-operative value creation in the following areas: socio-economic cohesion in co-operative communities and fertile (or unfavourable) value chain, institutions and the socio-economic environment more broadly.

Regarding socio-economic cohesion at the community level, the cases of the two studied co-operatives show how strong social networks can enable local leaders to mobilise farmers and capital, create alliances between farms of different sizes, and thus allow the establishment and expansion of farmer organisations.

However, two drawbacks are observed in terms of the local socio-economic dynamics. First, it is observed that power dynamics at the community level tend to be emulated within co-operatives. In the case of co-operatives with commercial activity (ie. license to buy cocoa) this can skew political power within an organisation towards people buying cocoa at the community level.

Local cocoa buyers, commonly referred to as PCs or recorders, tend to have above average literacy and numeracy skills, and relatively more economic power in their communities, since they also act as 'local bankers' providing interest-free loans to farmers in exchange of cocoa (Skalidou, 2018). This makes PCs and recorders particularly influential figures, against whom 'ordinary' farmers stand less chance of winning a co-operative leadership election, and poses important representation and transparency issues (interviews with international market and aid actors; interviews with local buyers). Such dynamics suggest that local power structures need to be understood and taken into account once a co-operative fully develops its commercial activity in order to maintain effective representation, participation and transparency.

Second, as highlighted before, abusa farmers tend to lack eligibility, or permission from the farm owner employing them, to join a co-operative. This also implies that they tend to be left out of training activities, particularly when these are held along with meetings exclusive to co-operative members. Additionally, farm owners usually fail to pass information down to their sharecroppers regarding what is being taught in the training (interviews with abusa farmers working on members' farms). The following quote illustrates this dynamic:

> **"... MY MOTHER WAS THE ONE WHO JOINED THE CO-OPERATIVE, WITH THE CARETAKER MANAGING THE FARM. SO SHE WAS THE ONE ATTENDING THE MEETINGS INSTEAD OF THE CARETAKER. WHAT DO YOU THINK AN OLD WOMAN LIKE MY MOTHER WOULD BENEFIT IN THESE TRAININGS AS A FARM OWNER? SHE'LL JUST FORGET EVERYTHING RIGHT AFTER THE MEETING AND BESIDES SHE WILL NOT EVEN GO TO THE FARM AT ALL TO TALK OF EDUCATING THE CARETAKER ON WHAT SHE'S BEEN TAUGHT."**

(interview with co-operative pruning team leader).

6 The licensed buying system in Ghana makes it possible for co-operatives to operate without necessarily having license to buy the produce of their members.


A cocoa farmer checks drying cocoa beans

This problem is accentuated by the informality of abusa agreements and the fact that incentives received by the (often absentee) owners, rarely trickle down to sharecroppers. The fact that abusa farmers do not receive training and incentives, neither directly nor indirectly through the farm owners, undermines efforts made by co-operatives to increase productivity and produce cocoa sustainably, as the following quotes show:

> **IF YOU ASK ME AS AN OFFICER, I'LL TELL YOU THE MAJOR CHALLENGE IS THE MISMANAGEMENT OF FARMS BY CARETAKERS.**

(interview with co-operative extension officer)

> **I TOOK OVER MY FARM FROM THE CARETAKER BECAUSE OF HOW POOR HE WAS MANAGING THE FARM. HE USED TO GET ONE BAG WITH A FIVE ACRES FARM.**

(interview with co-operative pruning team leader)

This phenomenon also hinders efforts to eliminate child labour, since abusa farmers are less likely to engage in prevention activities:

> **WITH THE ISSUE OF CHILD LABOUR, MY TARGET IS MOSTLY CARETAKERS, SINCE THEY ARE THE ONES MOSTLY WORKING IN THE FARMS, BECAUSE IN MOST COMMUNITIES THE FARM OWNERS ARE ABSENTEE FARMERS**

(interview with co-operative extension officer).

Both co-operatives studied are mindful of the issue and are taking steps to register the sharecroppers who are working on their members farms and to engage with them through their extension activities as the above quote indicates. However, sector-wide, co-ordinated approaches are needed to tackle the complexities of the labour dynamics in the cocoa sector.

Regarding the role of the value chain structure that these co-operatives operate in, it is observed that in the last decade concerns about future cocoa supply are triggering interventions from major cocoa and chocolate industry actors, focusing mainly at increasing productivity. Such interventions are creating a positive value chain environment for co-operatives to emerge and grow. Generous organisational support towards co-operatives by cocoa and chocolate industry actors, particularly when this is not directly linked to cocoa sourcing, can result in co-operatives with a solid organisational base, strong sense of ownership and accountability mechanisms, as well as a clear co-operative vision and mission.

Moreover, it is observed that certification actors, such as FLOCERT, the global certification body for Fairtrade, have an important role to play in guiding and supporting co-operatives to overcome structural problems and ensure that certification premium funds are transformed into value for farmers and their communities.

However, several risks also arise from value-chain driven interventions seeking to work with organised farmers. First, it means that the co-operative sector in Ghana is becoming increasingly competitive. The appearance of new cocoa co-operatives with a licence to buy cocoa, means that older co-operative-LBCs, which once had a monopoly to export certified cocoa, will soon have to compete with new co-operatives with less experience but an ability to outperform in other areas.

In this respect, it is important to bear in mind that currently certified markets are not absorbing the total volumes of cocoa produced as certified. As a result, the ability of certified co-operatives to deliver value to their members through a certification's price premium is undermined, as the premium ends up being thinly spread across large numbers of member farmers. The entrance of new co-operatives in the market is likely to increase the competition in the certified cocoa market. However, if this is not followed by increases in the demand for certified cocoa, then co-operatives are unlikely to create more value through certification.

A threat emerging from value chain and institutional environments is increasing pressure on co-operatives to adopt the priorities of market and institutional partners. If this ends up happening at the expense of the interests of their membership bases, as it has happened in the past (see section on the co-operative movement in Ghana), it can be harmful for the co-operatives and their members. This can become a real risk if, for instance, productivity-oriented activities, currently promoted by the cocoa industry, are prioritised over other initiatives such as income diversification. This research has found no evidence this is already happening. Both studied co-operatives have fairly diversified projects, although productivity related activities play a major role in both cases.

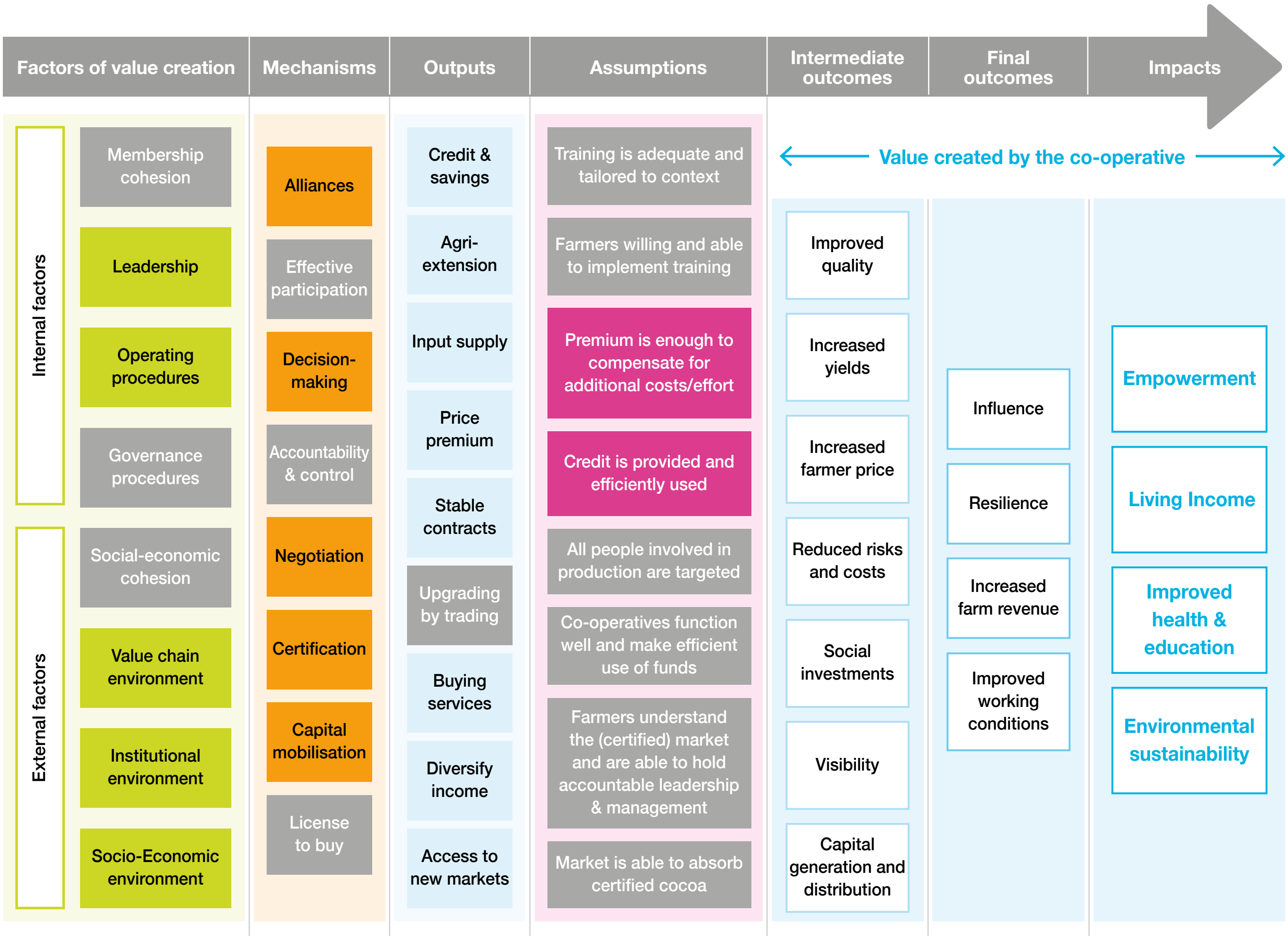
Regarding the institutional environment, it is observed that the existence of proactive and friendly institutional actors, such as governmental actors and NGOs, able and willing to mobilise around a given opportunity, were instrumental in the emergence of cocoa co-operatives in the past. In that sense, the DoC appears to have a crucial role to play in strengthening governance co-operative structures, ensuring transparency and avoiding irregularities, while also improving co-operative visibility and providing networking opportunities. The fact that Cocobod currently sees co-operatives as a key ally in its efforts to reach farmers more efficiently is also a positive development.

As in the case of value chain actors becoming more invested in co-operatives as intermediaries with cocoa farmers, the interaction of co-operatives with public institutional actors could pose a threat if pressured to operate in support of the political priorities of these actors. Although this research found no evidence that this is already occurring, there is plenty of historical evidence of co-operatives being co-opted to serve governmental policy and interests once they began receiving support from the state, indicating that this can be a real risk.

Regarding the broader socio-economic environment, it is observed that currently there is a strong farmer demand for accessible agricultural services, particularly in under-served communities, which co-operatives could mobilise to satisfy.

Gladys Nketiah leading a focus group discussion

Figure 4: Theory of change applied to the two case study co-operatives



Author's creation based on collected data, adapted by Oya et al (2017)

Moreover, co-operatives could mitigate greater challenges to communities posed by the Covid-19 pandemic in terms of increased living and production costs, risk of child labour, and possible decreases in the cocoa price, if external actors seek to use co-operatives as aid channels

As with natural disasters in the past, third-party actors may seek to use co-operatives with extended geographical presence and/or a large membership base to efficiently reach farmers and their communities to deliver protective material, information, or other response and recovery interventions.

On the downside, these pandemic risks are likely to revert some progress made by farmers in terms of sustainable production especially in terms of eliminating child labour and to pose new challenges for co-operatives.

Finally, in the case of co-operatives who are now becoming LBCs, it is also generally observed that they are entering an already saturated market where cross-regional presence is needed to acquire the necessary volumes for commercial success.

The above takeaways from both co-operatives are reflected in figure 4, the boxes which are filled with colour represent elements that contributed to co-operative emergence and growth. The ones filled with grey represent elements that rather undermined value creation and distribution. The boxes that are left without colouring are areas where information is missing and/or this research has intentionally not assessed because it was beyond its objectives. In **annex 1** the reader can find a SWOT analysis of the internal strengths and weaknesses and external opportunities and threats for both co-operatives studied in this research.

RECOMMENDATIONS AND NEXT STEPS

Based on the lessons learnt over the course of this research, the following recommendations on ways to positively support cocoa co-operatives in Ghana and beyond are made in terms of a) the internal capacity of co-operatives to create value and b) the external threats and opportunities that influence co-operative value creation processes.

Figures 5 to 14 illustrate how these recommendations can fit in the theory of change presented in figure 1. Each figure highlights which elements of the factors of value creation, mechanisms, outputs, assumptions, intermediate and final outcomes, and impacts are likely to be positively affected if the corresponding recommendation is turned into action.

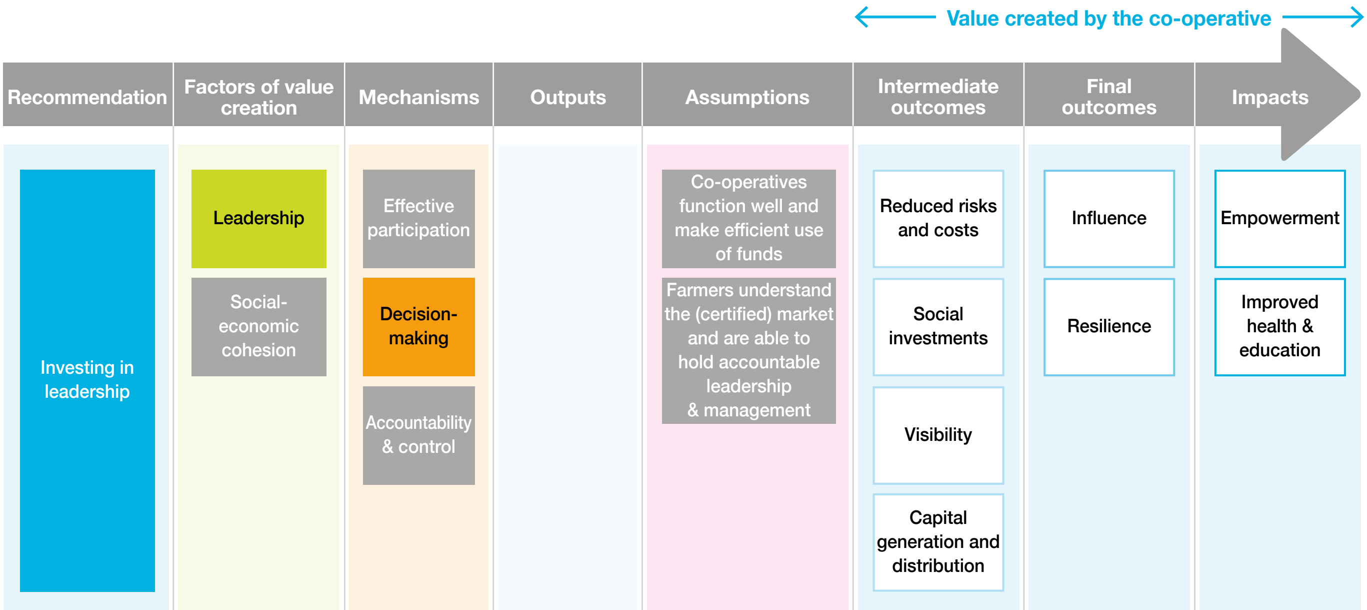
Again, the boxes which are filled with colour represent elements that contributed to co-operative emergence and growth. The ones filled with grey represent elements that rather undermined value creation and distribution. The boxes that are left without colouring are areas where information is missing and/or this research has intentionally not assessed because it was beyond its objectives.

A. STRENGTHENING THE INTERNAL CAPACITY OF CO-OPERATIVES TO CREATE VALUE

Strengthening leadership capacity of co-operatives

- **Continuous investments in leadership capacity building which** are necessary to ensure the decision-making mechanisms of a co-operative are functioning effectively. Such investments can also build a pool of potential leaders able and willing to take over leadership roles and therefore allow for efficient rotation in leadership and management roles.

Figure 5: Recommendations and their impact on the theory of change: Leadership



- **Investing today in tomorrow's generation of leaders**. Since the results of such investments take time to manifest, it is recommended that funding actors and their implementing partners start supporting youth and children in cocoa farming communities to build strong organisation and cooperation skills that will enable them to solve problems collectively and create value from an early age.[7]

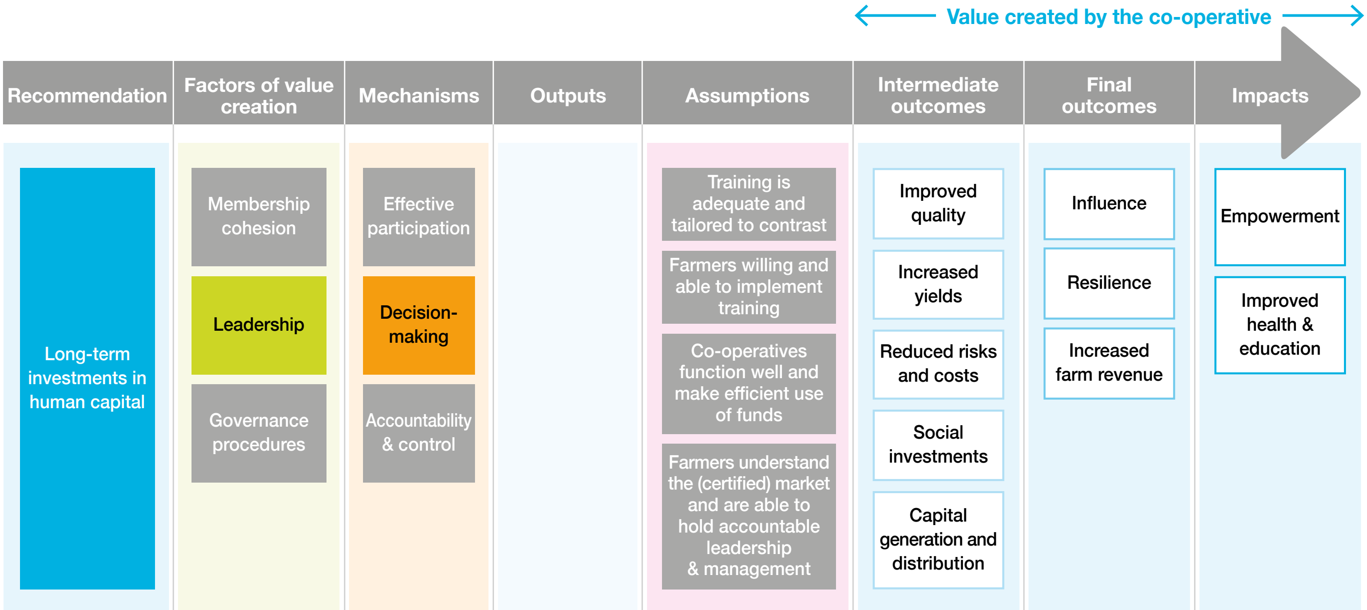
[7] The Coop-Ability project is a good example of how this could work: workshops are being held in schools in disadvantaged areas in Greece, and the best co-operative project is supported with funds and guidance for the children to achieve their goals. For Coop-Ability, this is part of their strategy to build a strong co-operative sector. For more: https://coopability.org/?lang=en.

Strengthening membership cohesion

- **Long term, continuous, and consistent investments in human capital** are recommended to strengthen membership cohesion. Market actors funding cocoa interventions and their implementing partners (aid, certification, institutional actors) are encouraged to provide personalised approaches to agricultural extension with a focus on adoption and implementation in order to support farmers with specific difficulties they may encounter in applying GAP.

  Co-operative supporters and allies are also encouraged to continuously and consistently reinforce literacy and numeracy skills across farmers. This will strengthen meaningful participation and accountability mechanisms and enable co-operatives to minimise risks of misconduct and opportunistic behaviours from those holding power within the organisation.

Figure 6: Recommendations and the theory of change: Membership cohesion



Strengthening operating procedures

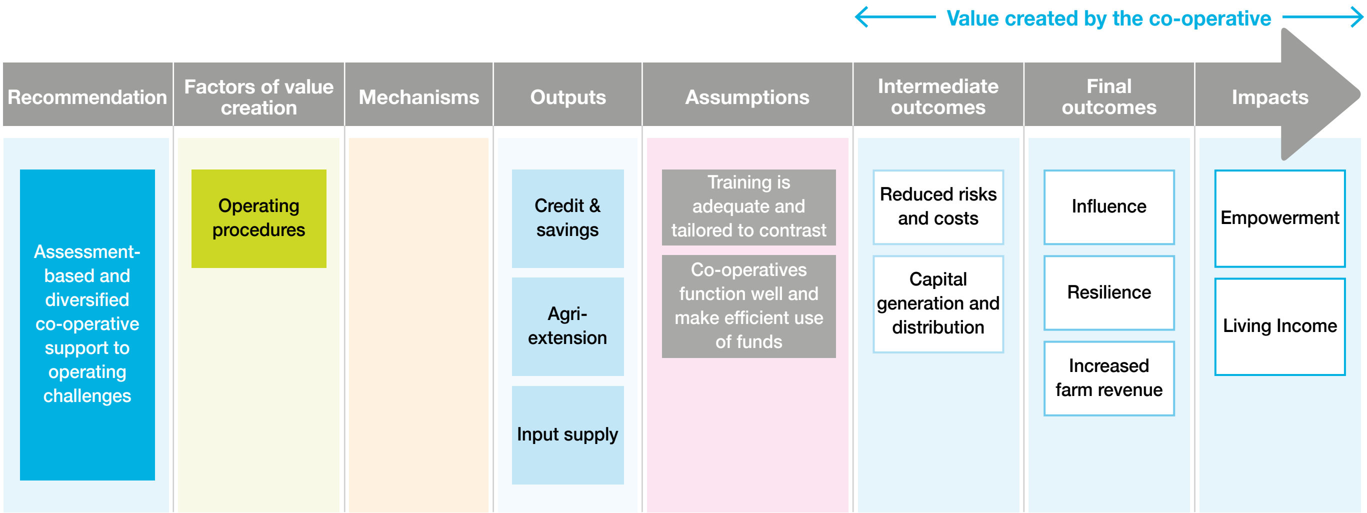
- **Diversified support tailored to the co-operative's historical background, trajectory and particular needs** is recommended to overcome **operational challenges**. Actors involved in the design and implementation of sustainability initiatives are encouraged to undertake holistic assessments of a co-operative's historical background, its current internal strengths and weaknesses as well as the opportunities and threats provided by the environment in order to come up with tailor-made approaches.

  The conceptual and analytical framework presented in this research (figures 1 and 2) can be used for this purpose.

- **Mechanisms to improve and maintain transparency as well as the quality of information circulating within and outside a co-operative should be continuously sustained**. This can be done by publishing audit documents, decisions voted in AGMs and creating effective channels of communication between a co-operative's headquarters and the local societies. Such mechanisms enhance members' sense of ownership, and a co-operative's external image as a reliable and trustworthy organisation. Hence, they can positively affect the organisation's capacity to attract members, access credit and establish new alliances and partnerships with value chain and institutional actors.

- **Support for co-operatives transitioning into new organisational and operational structures** such as acquiring a licence to buy cocoa or going through an organisational restructuring process, should be supported by commercial partners and institutional allies in order to avoid missteps and successfully establish themselves in their new roles.

Figure 7: Recommendations and the theory of change: Operating procedures

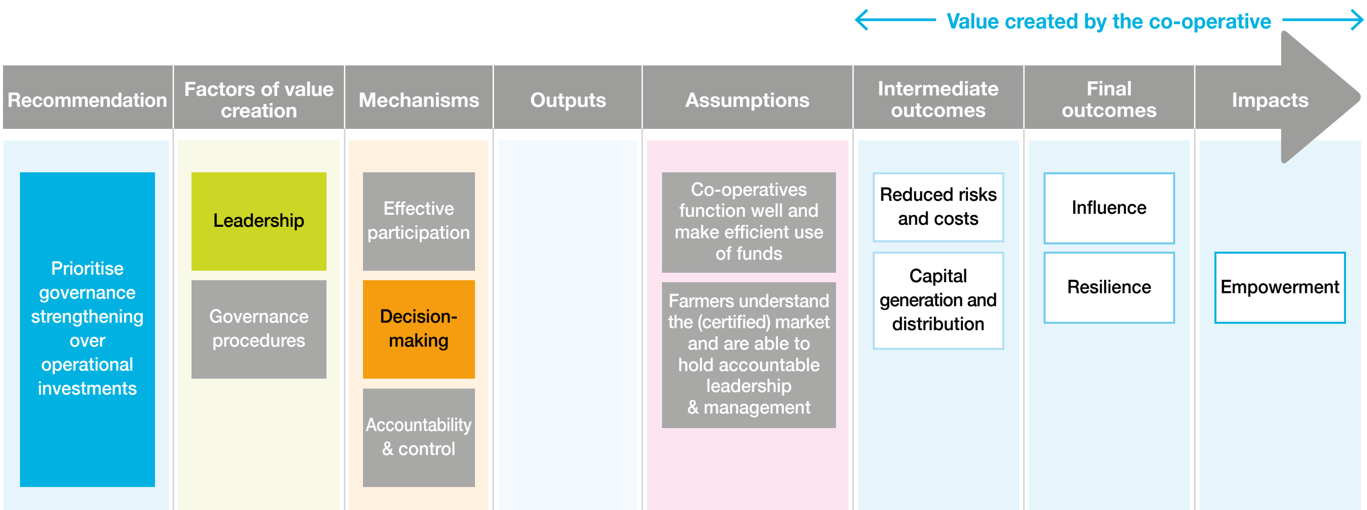


Strengthening governance structures:

- **Strengthening governance structures before proceeding to operational investments is recommended** to ensure value is not only created but also fairly and efficiently distributed across members.

  Significant flows of resources, in the form of premium or donations, should always be preceded by investments in solid governance structures, with well-functioning participation and accountability mechanisms, to ensure a fair and efficient use of resources.

Figure 8: Recommendations and the theory of change: Governance structures



B. NAVIGATING OPPORTUNITIES AND THREATS PROVIDED BY THE EXTERNAL ENVIRONMENT

Navigating the socio-economic environment of cocoa communities

- **Integration into the co-operative structure (ie. services and incentives)** of individuals who are **involved in certified cocoa production but face eligibility barriers to formally joining co-operatives**, such as sharecroppers, unpaid family members and labourers.

  Both case study co-operatives currently have programmes to register and formalise sharecropping agreements, while Cocobod also has the intention to register sharecroppers in its farm registry through the cocoa management system.

  To further strengthen these positive developments, it is recommended that market, certification, state and aid actors involved in sustainability initiatives treat cocoa farming as a system of labour, including wives and other family members contributing to farming, as well as sharecroppers and their contributing family members, instead of a unit managed by a single (usually male) farm owner.

  Interventions aiming at sustainable production and living income should target the entire system and not only the farmer registered with the co-operative. In this regard, it is important to engage sharecroppers by ensuring that they also receive incentives to adopt and implement sustainable production practices.

  Funding and implementing actors are encouraged to review their targeting strategies in order to actively reach and engage with sharecropping farmers or family members working on certified farms. Certification actors are encouraged to review their theory of change and standards with a focus on better integrating marginalised and hard to reach farmers into certified value chains.

  Formalising the farm owner and sharecropper relationship and ensuring that the sharecropper receives the due incentives for producing certified cocoa, would be another form of redirecting premium payments currently received by absentee farm owners back to the cocoa communities. Other ways of formalising and providing visibility to sharecroppers and labourers employed by smallholder farmers should also be explored by aid actors, policy makers and researchers, such as forms of organising workers employed by smallholder farmers.[8]

  In order to avoid a likely pushback to a greater integration of sharecroppers into the cocoa economy from farm owners, it is important to work towards improving the relationship between farm-owners and abusa farmers and creating a better understanding of the potential benefits (in terms of productivity and sustainability) from better integrating sharecroppers involved in certified cocoa production.

Figure 9: Recommendations and the theory of change: Socio-economic environment

← Value created by the co-operative →

Recommendation	Factors of value creation	Mechanisms	Outputs	Assumptions	Intermediate outcomes	Final outcomes	Impacts
Address the marginalisation of non-eligible individuals involved in cocoa production	Membership cohesion			All people motivated in production are targeted	Improved quality	Increased farm revenue	Empowerment
	Socio-economic cohesion				Increased yields	Improved working conditions	Living Income

[8] In this sense, there may be lessons to learn from other informal sector and their fights to formalise their employment, like informal transport workers in Tanzania (see Rizzo, 2013).

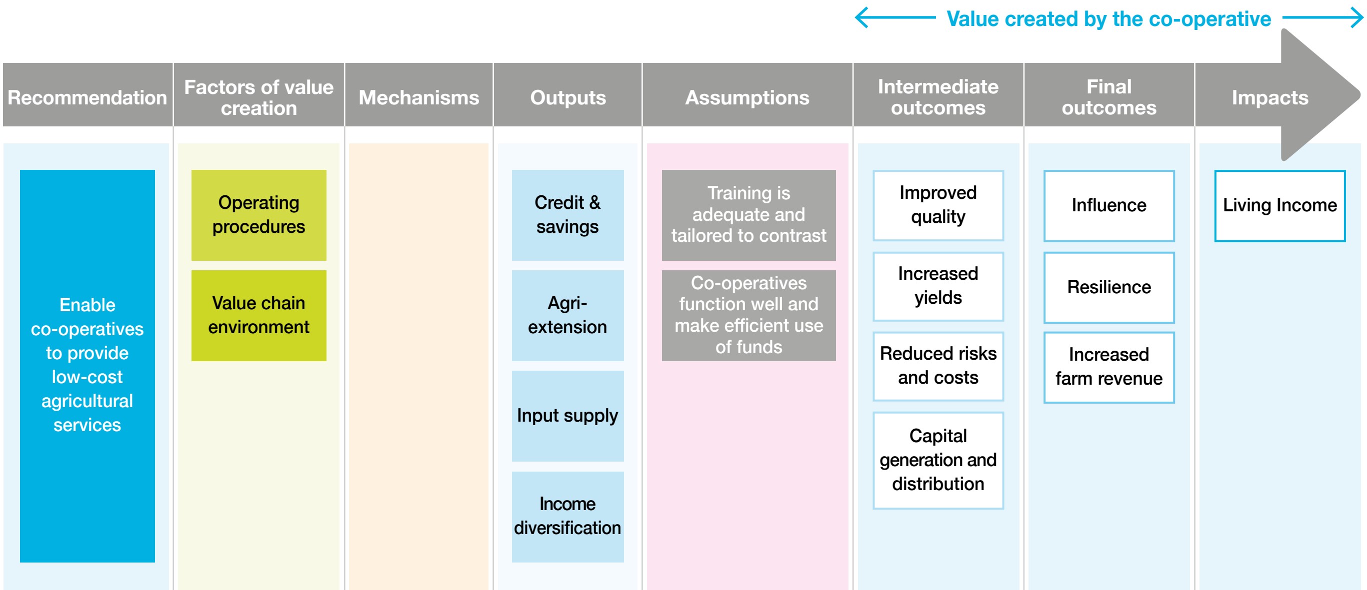
Finally, it is recommended to both market and certification actors to fund and commission more research aimed at understanding the complexity and fluidity of labour dynamics in cocoa production and how these affect the effectiveness of sustainability interventions. Research should focus on effective ways of engaging and integrating the most marginalised groups involved in cocoa production into the cocoa economy.

- **Explore the possibility of co-operatives providing low-cost agricultural services.**

  Teams of farmers, professionally trained to provide services locally (pruning, spraying), are valued by other farmers (both members and non-members), contribute to productivity increases, create local capacity and generate (temporal) employment for the local communities.

  Cocoa co-operatives, with the support of their partners and allies, are well positioned to exploit this opportunity since they have a good knowledge of the needs farmers have in their territory, but also the current market of services. This line of action could be further expanded by involving specialists in vocational training, to tackle other community needs.

Figure 10: Recommendations and the theory of change: Services provision



Navigating the value chain environment

- **Creating sector-wide guidelines for co-ordinated and diversified support** directed to market actors and their implementing partners (state, aid and certification actors).

  First, **develop long-term bottom-up, holistic, co-ordinated, and free from commercial conditionality approaches towards supporting cocoa farming communities**. The aim should be to create solid groups of farmers, able to create their own partnerships and alliances, instead of rushing organisations into being commercially and logistically operational without proper governance structures.

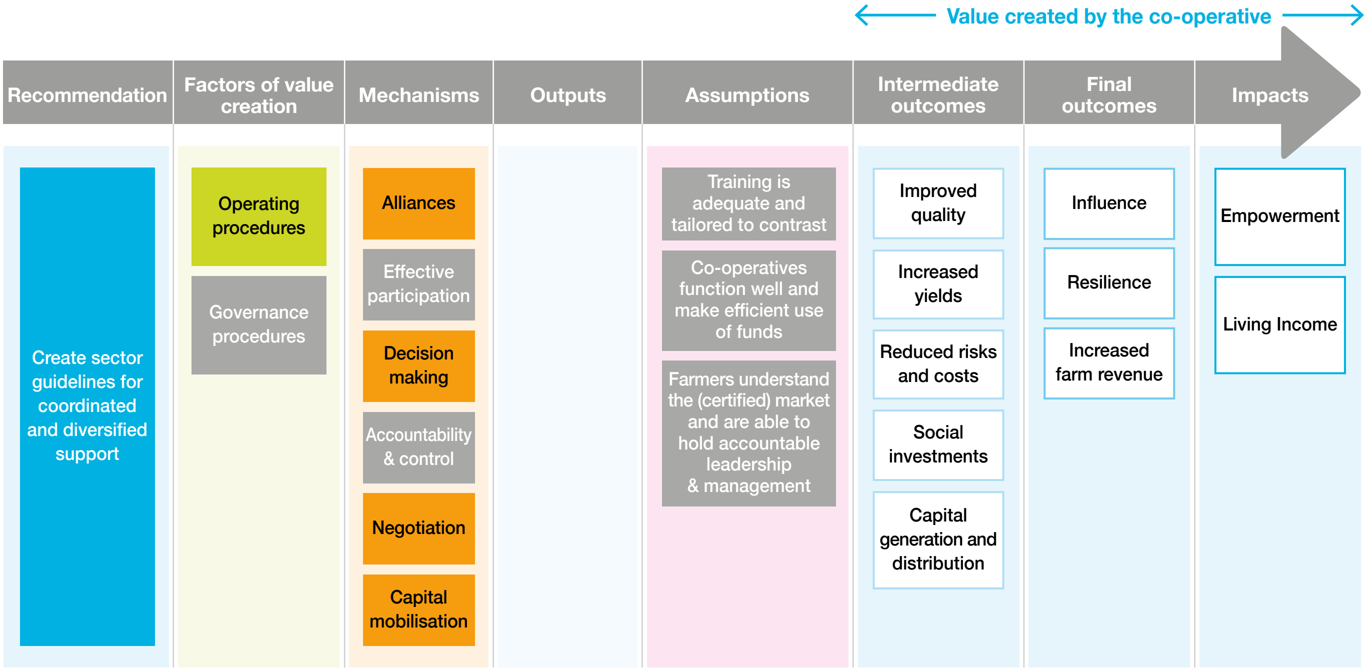
  Second, **avoid over-concentration of resources on the same co-operative (also known as the honey-pot effect),[9] particularly when the governance structures are not solid enough to manage large influx of resources democratically**.

  Third, **create channels for co-ordination and co-operation for market and implementing partners to effectively tackle the different needs of emerging, growing and already mature organisations**. Both case study co-operatives show that actors with a variety of expertise and strategic positions are required to fully support co-operatives, particularly during their first years, when the organisational base is being formed.

  Fourth, encourage market and certification actors to use their leverage with co-operatives and provide preventive (and reactive if needed) mechanisms against instances of opportunistic behaviours, mismanagement and embezzlement of funds.

[9] The honey pot effect' is a term used to described cases where certified producers' organisations and co-operatives become the 'focus of aid' for channelling funds towards producers in developing countries (Oya et al. 2017:121; Nelson, Tallontire and Collinson, 2002; Griffiths, 2011).

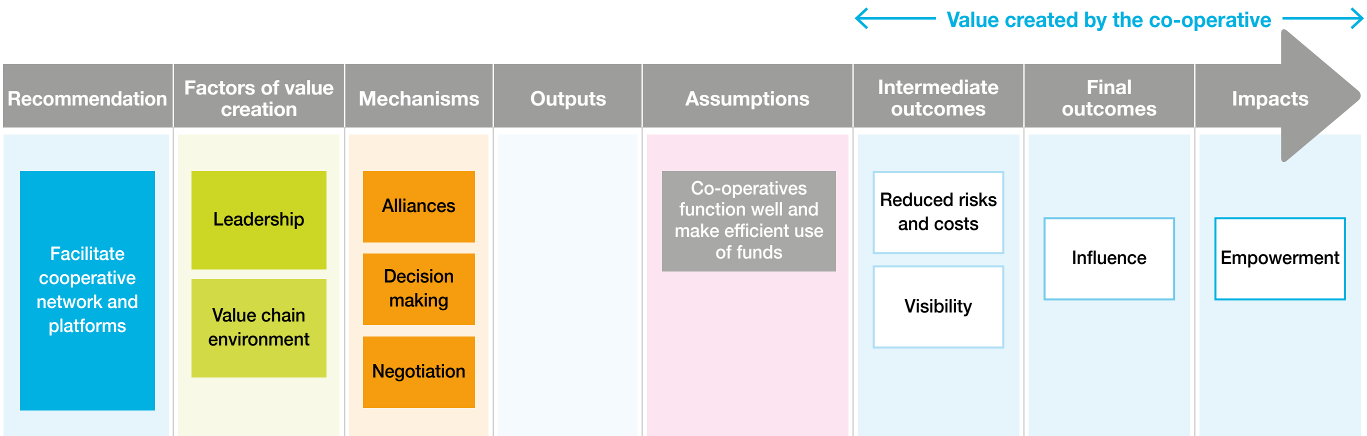
Figure 11: Recommendations and the theory of chain: Value chain environment



- **Support the creation of co-operative networks and platforms,** which will enable cocoa farmers to raise a collective farmer voice, as well as dialogue spaces for value chain actors, policy makers, and co-operatives.

  It is recommended to explore the synergies with already existing initiatives such as the Ghana Civil Society Cocoa Platform.[10] International alliances between national platforms should also be explored.

Figure 12: Recommendations and the theory of change: Networks and platforms



Navigating the institutional environment

- **Creating institutional structures that can operate as a 'co-operative clinic' or help centre to support co-operatives.**

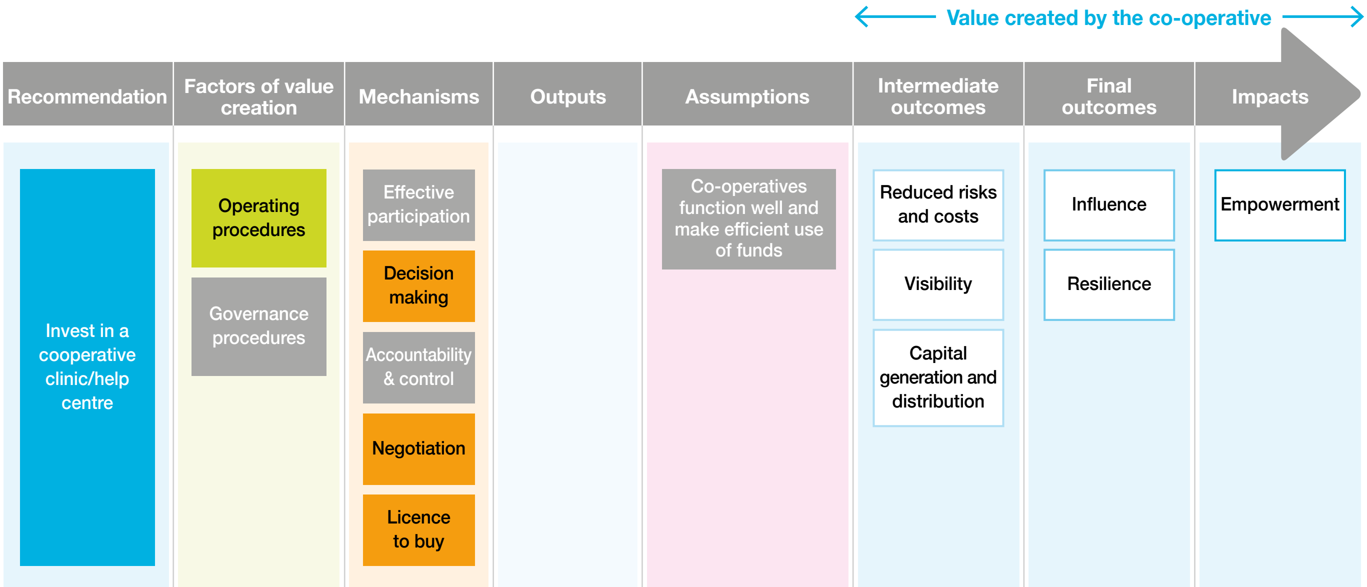
  The idea is to offer efficient and confidential support channels, enabling co-operatives to seek help in order to overcome specific difficulties, ask for advice when embarking in new ventures to avoid missteps, or access other resources, without fearing that opening up about their vulnerabilities will result in the loss of commercial partners or other investors.

  This could also include the creation of safe and confidential channels for co-operative staff and members to express concerns and complains without fear of retaliation, or loss of benefit and/or employment.

[10] Founded in 2019, the platform is an alliance of an alliance of 18 farmers' organisations, non-governmental organisations, trade unions and the media (Fountain and Hütz-Adams, 2020).

Technological progress has made such solutions affordable and accessible to cocoa co-operatives. FTA is well positioned to play this role or facilitate such as space, connecting co-operatives with allies with the necessary expertise to solve specific problems.

Figure 13: Recommendations and the theory of change: Co-operative clinic



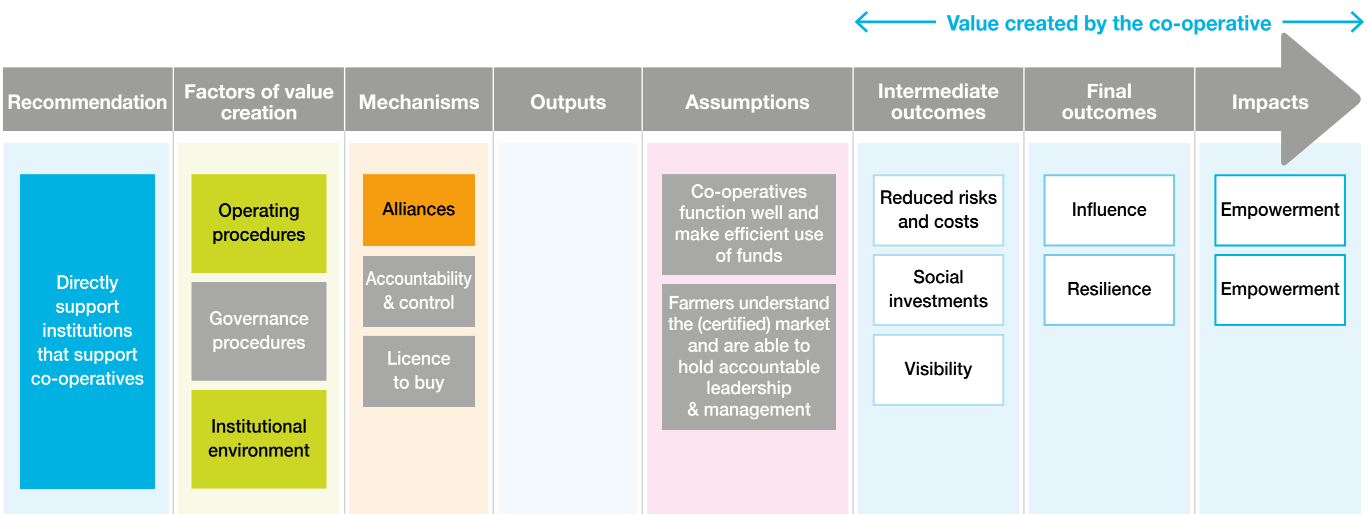
- **Directly supporting institutions that support co-operatives, enhancing a fertile institutional environment for co-operatives to emerge and grow.**

  The cases of both co-operatives show that institutions such as the DoC have a fundamental role in the emergence, growth and sanitisation of co-operatives. In the case of the DoC, the institution has the mandate to control and prevent co-operatives from mismanaging funds and engaging in practices that are not aligned with their constitution. It also has the ability to promote learning and co-operation across different types of co-operatives in the country (agricultural, financial, transport, service providers).

  However, in order to be effective, institutions like the DoC need competent, knowledgeable, committed and motivated staff and sufficient human and material resources to cover their territory providing organisational support to co-operatives.

  It is worth noting that the role of the DoC is likely to become even more important if the implementation of the ARS triggers a significant increase in cocoa co-operatives. In this scenario, an under-resourced DoC is likely to become overwhelmed and hence less effective in its role to support co-operatives.

Figure 14: Recommendations and the theory of change: Supporting institutions



CONCLUSION

This research sought to understand how cocoa co-operatives in Ghana create value for their members. Focus was placed on the internal co-operative strengths and weaknesses, as well as the opportunities and threats resulting from the external environment.

Cocoa co-operatives in Ghana can create value for their members by offering fair and prompt payments, price premium, and access to extension services and inputs. Training activities are highly appreciated by farmers, particularly those related to productivity increases. However, varying degrees of willingness and ability to implement new practices can undermine these efforts.

Additionally, differences in literacy and numeracy skills can create inequalities in participation and representation, hinder accountability and encourage opportunistic behaviours. Finally, difficulties in engaging with sharecroppers (who as non-members are likely to miss out on training and incentives) undermine efforts to increase productivity, eliminate child labour and produce cocoa sustainably.

Strong leadership, able to unify the membership, is instrumental in the emergence and growth of cooperatives and can play a key role when co-operatives need to ‘reinvent’ themselves in order to overcome operational and governance blockages. Sustained investments in human capital are therefore crucial for cultivating leadership skills. Rotating leadership is also important, but it should be coupled with recycling mechanisms of outgoing executives to ensure accumulated experience and knowledge remain in the organisation. Solid governance structures are crucial for the fair distribution of created value across the membership base and should precede investments in operational structure.

In terms of membership size, it is observed that a small size can be beneficial in terms of organisational efficiency and effectiveness of price premium, but it can undermine the commercial ability of a co-operative to establish itself in the market.

Regarding the opportunities and threats arising from the external environment, findings suggest that strong social networks are key collective action enablers. Proactive and friendly institutional and commercial partners are also crucial for co-operative emergence and growth, and have a key role to play in ensuring transparency and functionality, while also supporting co-operatives to overcome operational and governance blockages.

The underlying risk for co-operatives here is prioritising the agenda of commercial and institutional partners over their own interests. Overall, findings suggest that there is currently a strong demand for cocoa co-operatives in Ghana, both by farmers who long for accessible agricultural services, and by institutional and value chain actors seeking optimal ways to reach and engage with farmers.

Based on the workshops conducted to discuss the findings of this work, it is recommended to prioritise the integration of abusa farmers (and of other individuals farming on co-operative farms while facing eligibility issues to formally join co-operatives) into the co-operative structure; create value chain sector guidelines for co-ordinated and diversified support; facilitate co-operative networks and platforms; invest in institutional structures that can operate as a ‘co-operative clinic’ or help centre to support co-operatives. Investing in building leadership skills among young people in cocoa farming communities and emphasising governance strengthening over operational investments should also be considered.

ANNEX 1

Value creation

Opportunities

The Covid-19 pandemic can be an opportunity for co-operatives as external actors may seek to use them as an aid channel.

Registering with the DoC strengthens governance, transparency, visibility and networking.

Strong demand by farmers for accessible co-operative services.

Strong demand for cocoa co-operatives by value chain & institutional actors.

The African Standard is likely to further increase demand for co-operatives.

Proactive and friendly institutional and commercial partners enable co-operatives to emerge and grow, and can guide co-operatives to overcome organisational and governance blockages.

Concerns about cocoa supply chain leads to long-term, consistent & coordinated external support from commercial partners.

Strong social networks enable collective action.

Strengths

Co-operatives with long trajectory as LBC may have advantage against competitors. New co-operative-LBCs form alliances to jointly enter the market.

Activities related to productivity increases are well-received and valued by members (and non-members).

Co-operatives offer 'fair' and prompt payments comparing to scale manipulations from conventional LBCs.

Organisational ‘reinvention’ process strengthens ownership and participation and increases share capital. Investments in political influence are key to raise farmer voice.

Charismatic and influential leaders are crucial in the growth of co-operatives, but rotation of leaders, with recycling mechanism is key to transparency.

Sustained investments in human capital and governance structures result in strong leadership, accountability and greater ability to redistribute value.

Homogeneous membership based on land ownership creates a base of common interests. Small membership size improves efficiency and impact of price premium.

Threats

Abusa farmers are not targeted or left out of training, undermining efforts to increase productivity, eliminate child labour, and the adoption of sustainable practices. Informality makes abusa farmers volatile, while information and benefits do not trickledown from owners to sharecroppers.

Limited market for certified cocoa undermines the effect of premium on farmers as it gets thinly spread across the membership base.

The co-operative cocoa market is becoming increasingly competitive as new co-operative-LBCs are entering the market now.

Risk of adopting the agenda of commercial and institutional partners uncritically.

Power relations at the community level skews power towards local buyers posing representation and transparency issues.

The Covid-19 pandemic increases costs of living and production, risk of child labour and gender violence.

Weaknesses

Varying degrees of willingness and ability to implement training poses challenges to policy implementation and decision-making processes.

Differences in literacy and numeracy skills causes inequalities in participation, hinders accountability and encourages opportunistic behaviours and misconduct

Lack of a licence to buy cocoa is linked to heavy dependence on premium and limitations in ability to reach more farmers while delivering significant impact.

Small membership size undermines ability to get enough volume to position the organisation in the market.

Perception of members as suppliers rather than owners of the co-operative, weakens the sense of ownership, participation and ability to mobilise capital.

Over-centralised decision-making is linked to investments in central structures with less value distributed across the membership base.

No value creation

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