



FAIRTRADE AND COCOA LIFE

Annual Partnership Statement



Mondelēz
International



CONTEXT



Fairtrade and Cocoa Life (the cocoa sustainability programme of Mondelēz International) are collaborating on a partnership to address the challenges faced by cocoa farmers in Ghana. Global cocoa production is around 4.5 million MT each year¹ and, as eating habits change in countries such as China and India, demand for cocoa is growing. Despite this, in a global industry with some major players, many smallholder cocoa farmers struggle to earn a sustainable income.

The cocoa industry recognises that climate change, deforestation, child labour and productivity must be addressed in order to achieve sustainable cocoa production. Farmers themselves also struggle with issues relating to cocoa pricing, land tenure, access to finance, young people moving away from farming and poor infrastructure including roads, medical assistance and schools.

In recognition of the challenge of low prices, the governments of Ghana and Côte d'Ivoire have introduced a Living Income Differential (LID). Fairtrade and Cocoa Life both welcome this initiative. The introduction of a Living Income Differential of \$400 per tonne of cocoa beans and its consequent guarantee of a minimum price of \$1,820 per tonne for a cocoa farmer at farm gate will create greater security and

higher incomes for farmers. This is a positive step closer to a living income, though there will be many farmers who will still not achieve this.

There is still a need to address the holistic challenges faced by cocoa farming communities in Ghana. The partnership's work with the seven cocoa farming unions which originally supplied Fairtrade cocoa to Cadbury ensures that development of the farmers is in their own hands; they are equipped to address the challenges of a changing and unpredictable climate, and they can invest in the projects they see as key to achieving sustainable livelihoods.

This report aims to communicate transparently the successes and challenges of the partnership to date. Through the partnership, Cocoa Life aimed to offer cocoa farmers in Ghana guaranteed high-volume purchases, clear terms of trade, and loyalty payments, which together with programme investments, would deliver value per farmer of at least equivalent to that previously delivered by Fairtrade Premiums. For 2018, value per farmer has been achieved, and overall, there have been increases in volumes and loyalty payments to unions, though further work is necessary to reach all farmers and improve terms of trade.

¹ ICCO Quarterly Bulletin of Cocoa Statistics, Vol. XLV, No.1, Cocoa year 2018/19

PARTNERSHIP FRAMEWORK

PARTNERSHIP OBJECTIVE



Achieving resilient livelihoods and economic growth for cocoa farming communities.

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.



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

PROGRAMMES WORKING WITH FAIRTRADE²

Climate change



Strong organisations



²In response to feedback from unions and partners, we are prioritising climate change and organisational strengthening, we will incorporate a focus on youth and gender in our approach to the programmes.

HOW WE WORK TOGETHER

Since 2009, Fairtrade and Cadbury have been working with seven cocoa farming unions in Ghana. The volumes of cocoa that were previously Fairtrade certified only amounted to the cocoa in the plain Cadbury Dairy Milk bars (including Bubbly and Buttons) in the UK, Ireland, Canada, South Africa, Australia and New Zealand, and drinking chocolate in the UK and Ireland.

When Cadbury became part of Mondelez International in 2012, learning from the Cadbury Cocoa Partnership, Mondelez International developed Cocoa Life, its holistic sustainability programme focusing on supporting cocoa growing communities. In 2016 Mondelez International approached Fairtrade to discuss how we could integrate our work into Cocoa Life. This evolution moved from Fairtrade certification of Cadbury Dairy Milk bars and drinking chocolate to a new working relationship, with Fairtrade working across the entire Cadbury range as a partner in the design and delivery of Cocoa Life. With this move, Cocoa Life would offer cocoa farmers in Ghana guaranteed high-volume purchases, clear terms of trade and loyalty payments, which together with programme investments, would deliver value per farmer of at least equivalent to that previously delivered by Fairtrade Premiums.

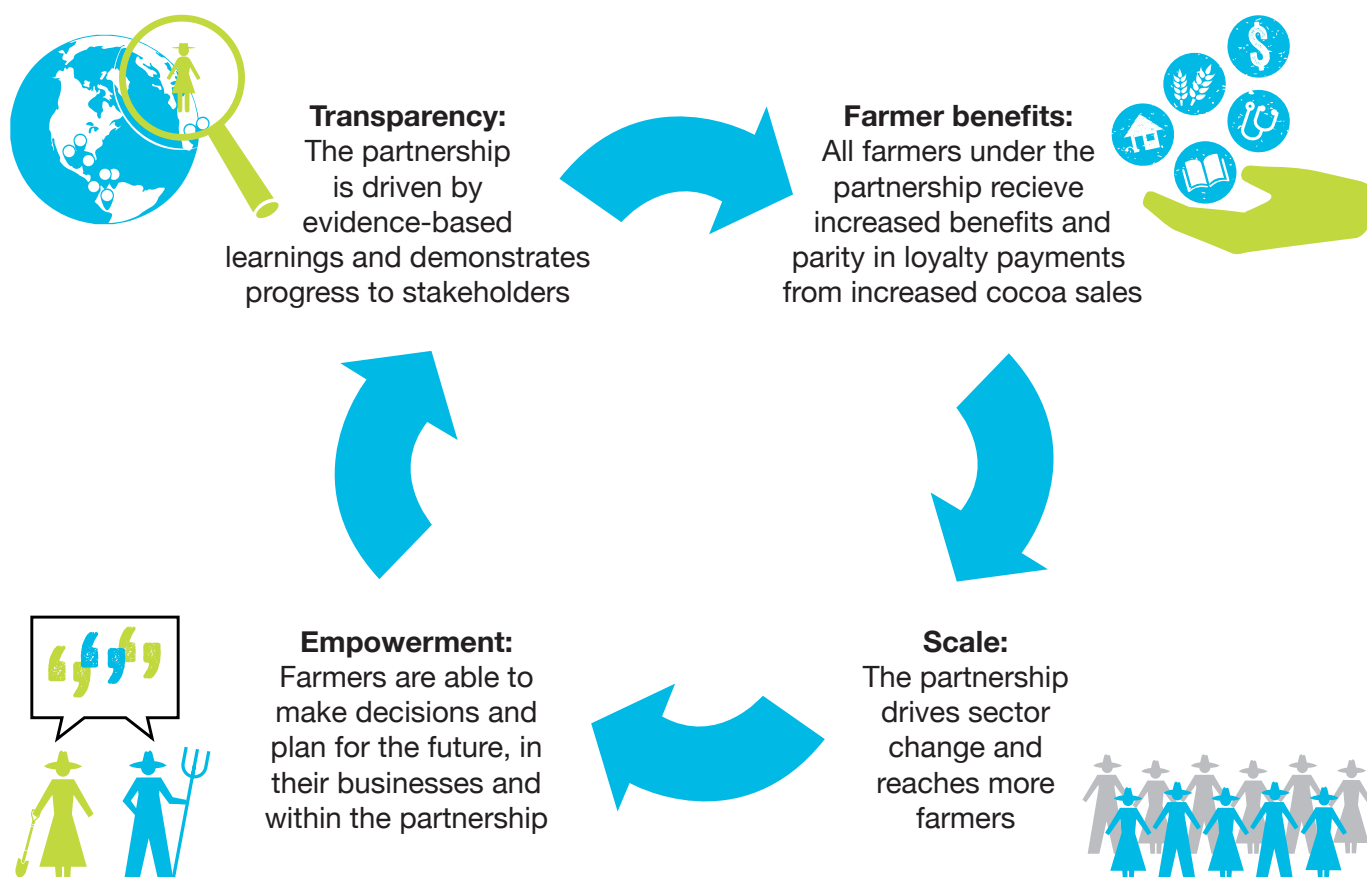
There are differences between how Cocoa Life and Fairtrade works with farmers. Farmers selling on Fairtrade terms are covered by the Fairtrade Standards, which include environmental, social and economic criteria. This means there are audited terms of trade, a Fairtrade Minimum Price designed for when market prices fall below average costs

of production, and a Fairtrade Premium for community investment. The Fairtrade Premium does not go straight into farmers' pockets, but is democratically decided by all members of the Fairtrade union what they should invest in as a community. Often farmers will vote to have a portion of the Premium given to members as an additional cash top up, while the rest is invested in the community or farmer agricultural inputs. In 2017, the Fairtrade Minimum Price was \$2,000 per tonne and the Premium was \$200 per tonne. These were reviewed and increased in 2018 to \$2,400 per tonne and \$240 per tonne respectively. The Cocoa Life programme takes an integrated approach with local NGOs and partners on the ground to deliver community initiatives and provide agricultural inputs and training. It targets the achievement of holistic impact at scale for the cocoa communities they work with and overall sector change. Under Cocoa Life, cocoa is sourced at market prices (which fluctuate) and in addition to that farmers receive an incremental \$80 per tonne loyalty payment on top of the wider community and agricultural investments. The high volumes sourced on these Cocoa Life terms trigger the Cocoa Life loyalty payments to ensure that farmers selling to Cocoa Life receive at least the same amount as the total Fairtrade Premium they were receiving before the partnership started. In addition, Cocoa Life farmers and their communities receive training, investment, and in-kind benefits, such as seedlings or other inputs, according to their needs and experience.

Our shared objective is to achieve resilient livelihoods and economic growth for cocoa farming communities.



Based on the principles underlying the partnership and our ambitions for the future, the partnership framework between Fairtrade and Mondeľ International focuses on four pillars:



In the past year, we have established a measurement framework (below) to assess performance against these four pillars. This will enable us to measure progress in relation to these ambitions, helping us to drive change in the cocoa sector and lead by example. In doing so, we can identify where things are going well, and also where improvements are needed.

We intend to use this framework to learn and develop over time, and take on direct feedback from the farmers of the seven unions. The first version of this framework is shown below, including what we consider to be core data which indicate the progress of the partnership, and the changes over time. We have collected data on some of the indicators this year and for the others, highlighted in blue. They show our future ambitions for the partnership. By using this framework, we can ensure progress is on track, and it allows Fairtrade to challenge Cocoa Life where appropriate. The framework and data are included in this report as an annex.



Livelihoods Objective	Achieving resilient livelihoods and economic growth for cocoa farming communities ³		
	The partnership between Cocoa Life and Fairtrade achieves greater impact for cocoa farming communities than either could alone		
Partnership Objective	Pillars	Measurement ⁴	Ambitions
	Farmer benefits: All farmers under the partnership receive increased benefits and parity in loyalty payments from increased cocoa sales	Loyalty payments both at union and farmer level 1.1 Total loyalty payment generated for the 7 unions 1.2 Number of farmers receiving the same or more loyalty payment, compared to the amount of premium payment received before the partnership (society level average) Cocoa sales both at union and farmer level 1.3 Total value of cocoa sales across the 7 unions Future ambition: Average value of cocoa sales per farmer at society level Additional programmatic benefits received by farmers: Future ambition: Cocoa Life programme & partnership investment per farmer Future ambition: MEL data on programmatic achievements farmers in the 7 unions from Cocoa Life and partnership programmes	Loyalty payment: farmers' cocoa income is supplemented by a loyalty payment Financial benefits: the partnership increases sales for farmers Programme investment & benefits: Cocoa Life invests in additional benefits for farmers such as inputs or savings schemes both by the Cocoa Life programme and through partnership programmes
	Scale: The partnership drives sector change and reaches more farmers	Driving sectoral change 2.1 Number of partnership outputs leading thinking on cocoa Sustainable Livelihoods Cocoa Life volumes 2.2 Total cocoa volumes purchased across the 7 unions Future ambition: Average volumes of cocoa sales per farmer at society level More farmers reached 2.3 Number of farmers impacted under the partnership	Driving sectoral change: The partnership's expertise and experience drive thinking on sustainable livelihoods in the cocoa sector Cocoa Life volumes: Impact for farmers increases as additional cocoa volumes purchased through the partnership More farmers reached: Increasing numbers of farmers are impacted under the partnership
	Empowerment: Farmers are able to make decisions and plan for the future in their businesses and within the partnership	Participation 3.1 Farmers are represented in decision-making on the partnership Future ambition: Formal participation in Partnership steering groups Clear terms of trade in place between Cocoa Life and the farmers Future ambition: % of unions receiving written contracts before the cocoa season and timely payments within 30 days of invoicing Strong farmer organisations: Future ambition: Unions and societies follow democratic decision making process Future ambition: Union to be financially viable (total net worth)	Terms of trade: Farmers are able to plan for their future through contractual commitments and timely payments Stronger organisations: Strong unions and societies take democratic decisions, advocate for their needs and are financially secure Participation: Farmers are represented in decisions made through the partnership
	Transparency: The partnership is driven by evidence-based learnings and demonstrates progress to stakeholders	Transparency 4.1 Transparency to public, farmers and cocoa industry Learnings inform practice Future ambition: Changes to the partnership as a result of what we have learnt Participatory approach Future ambition: Farmer perceptions of the partnership to improve year on year	Learnings inform practice: Practice is informed by learnings and an evidence base Transparency: The partnership framework and progress towards ambitions are shared with the public, farmers and cocoa industry. Participatory approach: Farmer perceptions of the partnership are monitored and improve year on year

³ Datasets are from the 2017-2018 data collection, which becomes available in 2019 for analysis.

⁴ These are the indicators we will measure to ensure the partnership is tracking towards our ambitions. The absolute numbers will not be published for commercial confidence.

PROGRESS

Cocoa Life and Fairtrade strategy



• Sustainable Livelihoods study: progress and key findings

The Fairtrade Foundation was commissioned by Cocoa Life to provide an analysis in 2019 of the approaches implemented to achieve sustainable livelihoods for West African cocoa farmers, or Sustainable Livelihood Initiatives (SLIs).

WHAT IS A SUSTAINABLE LIVELIHOOD INITIATIVE? (SLI)

The research team defined three inclusion criteria for an initiative to be selected for the study:

1. Must aim to make improvements to sustainable livelihoods in line with augmented DFID sustainable livelihoods framework
2. Must be currently active and deliberately target cocoa farming communities in Côte d'Ivoire and/or Ghana
3. If an initiative is part of a wider programme, or being implemented on behalf of another initiative, the overarching programme takes precedence over the latter

This analysis enables Fairtrade and Cocoa Life to ensure that our response to the Sustainable Development Goals is grounded in evidence from the field, to ensure that cocoa producing communities have an active role in shaping solutions and to drive change in the cocoa sector.

From the start, the partnership between Fairtrade and Cocoa Life has been about learning. We want to understand — in a world of high consumer demand and sector investment in farmers, why are so many still living in poverty? What could be the transformational solutions to this poverty, which will tackle big problems at their root?

Phase one of the research mapped the interventions in the field and where the gaps exist. Phase two will focus on creating a roadmap for a future in which farmers achieve a more sustainable livelihood.

The findings of the research will guide the partnership and the development of Cocoa Life's programme, and we hope provide insights for the cocoa sector as a whole. We will launch the Sustainable Livelihoods Phase one report in Q2 2020 and the partnership will use the learnings to focus on inclusive solutions which bring together farmer priorities with greatest impact from the sector.

Joint programmes



Under the partnership, the following areas have been identified as where farmers and unions will benefit most from our support. In 2019 we collaborated to agree the initiatives, define each programme's scope and put in place the right team to deliver. In Q1 2020, we kicked off the project and are now in the inception phase. We will integrate a focus on youth and gender in the two programmes on climate and organisational strengthening, which were the key priorities identified by the unions.

• Climate Change Resilience Programme



The cocoa industry recognises how severe the threat of climate change is for cocoa farmers. Farmers need stable food sources in the context of unpredictable weather patterns, as well as the power to set their own priorities for climate adaptation as communities. This programme supports cocoa farmers to become more resilient to a changing climate through two activities over 2020-2022:

1) Climate-smart crops for added food security

On cocoa farms where climate change could affect future cocoa production, we will pilot drought-resistant crops for food security and additional livelihoods. The programme will provide seed and seed plots, training material, and field support for local on-farm workshops.

2) Community Adaptation Action Plans

Cocoa-growing communities will be trained to assess their climate-related vulnerabilities, focusing on how to prioritise these and develop mitigation strategies. The opportunity to work with experts to cost the adaptation strategies and seek funding for these solutions (in addition to funding from the project) will empower the communities to advocate for their needs.

• Strong Organisations Programme



Since 2009, Fairtrade and Cadbury have worked with seven cocoa farming unions in Ghana. The empowerment of small-scale producers is a key principle underpinning Fairtrade's approach. Fairtrade's objective has always been to enable small-scale producers to build resilient and inclusive organisations, improve their farming performance, and generate more benefits for their members and their communities. The partnership with Mondelēz International therefore includes an investment in the cocoa farming unions in Ghana, with the aim of building these into exemplars of good practice and key engines for development in the communities. Fairtrade Africa and Cocoa Life Ghana have developed a framework which sets out the practices, policies and structures necessary in order for the seven unions to function at the highest level and the project will begin in 2020.

PRODUCER VOICE



The perspectives of the seven unions (West Amansie, New Juaben, Fanteakwa, Wassa East, Asanafo North, West Akyme, Suhum) are central to the partnership for both Fairtrade and Cocoa Life. At the start of the project, the unions identified climate change as an immediate threat to livelihoods. They have stressed the importance of long-term contracts for them to plan their investments over a sustained period, rather than harvest to harvest. This year, in response to feedback from the unions we have established the draft measurement framework. In 2020, a union representative will be invited to join the Advisory Committee in Ghana for the programme.

WHAT WE LEARNED

We have assessed progress against our ambitions under the partnership pillars and have highlighted both the successes and challenges below.

Scale

Cocoa Life committed to purchasing high cocoa volumes to ensure stability for producers over the next three crop years. Since the partnership's inception, overall Cocoa Life cocoa volumes from Ghana have increased year-on-year, as validated by FLOCERT, in 2017-8 volumes have increased by 59 percent compared to the start of the partnership.

Not all societies within the unions have been part of the Cocoa Life programme and thus not selling cocoa to Cocoa Life and therefore, these benefits have not reached all members. From 2020, all farmers within the unions will be able to sell to Cocoa Life and benefit from programmes. This will bring approximately 5,000 more farmers into the partnership and spread the benefits to all union members. The increase in volumes when all union members sell to Cocoa Life is estimated at 9,000MT.

Farmer benefits

Since the cocoa price crash of 2016, farmers have struggled to cover their costs and inflation has increased in Ghana. As a result of the partnership to date, the total Cocoa Life loyalty payments for the seven unions has increased by 20 percent in 2017-8, compared to 2015-6 (a net gain of 152 percent for the average farmer). This comes in addition to the significant Cocoa Life Ghana programme budget invested in farmers. Cocoa Life farmers benefit from these programmes, for example by receiving subsidised inputs, or access to finance at the village level. Cocoa Life tracks and reports on the progress made by farmers under the programme towards sustainable livelihoods in the Cocoa Life annual report. From 2020, farmers will also participate alongside cocoa unions in the joint Fairtrade-Cocoa Life programmes, with a focus on climate resilience and organisational strengthening.

Although loyalty payments overall have increased, it is imperative that Cocoa Life incorporates all farmers into the partnership from 2020 as committed, since Fairtrade's analysis shows 30 percent of farmers within the unions are not yet selling on Cocoa Life terms as they were not yet part of the programme.

Empowerment

For farmers to be able to plan their business and investments, they need to know what sales to expect and to manage cash flow appropriately. This year, unions have received volume projections by email and systems are in place to track volumes sold and payments made. Following the learnings from this year, Cocoa Life has committed to improving the provision of written contracts to the unions and the timing of loyalty payments. These measures have been incorporated in the measurement framework for transparent reporting.

This year, some of the unions have reported financial difficulties and have requested an increase in financial support.

- Under the partnership, we are committed to ensuring strong and viable unions as partners to deliver services to the communities impacted under the wider Cocoa Life programme. In January 2020, the organisational strengthening programme will kick off and support the unions to meet the needs of their members.
- In 2020, a union representative will be invited to join the Advisory Committee in Ghana for the programme. Fairtrade recommends that a representative should also participate in the global Steering Committee, to ensure full accountability to farmers in the decisions made.

Transparency

Through the Sustainable Livelihoods research, we have deepened our understanding of how Cocoa Life is performing on livelihoods, where there are areas of duplication or gaps, and what this means for farmers. The second phase of research, starting in 2020, will lead to recommendations on how the industry could have increased impacts on livelihoods.

THE FUTURE

Farming communities are working resourcefully to find solutions to the varied challenges they face, from climate resilience to poverty, child labour, deforestation and land tenure. The cocoa industry plays a key role in supporting farmers to make a decent living from a product that global supply chains demand in increasing quantities. Cocoa Life and Fairtrade are committed to addressing the complex issues faced by cocoa farmers in global supply chains, and we too want to see cocoa farmers making a decent living from growing cocoa. Building on the scale of Mondelez International, one of the largest confectionery companies in the world,⁵ with the farmer-centric approach of Fairtrade, we can research and pilot approaches to livelihoods for cocoa farmers and bring together industry actors to do more.

Below, Fairtrade has recommended the priority areas for Cocoa Life to focus on under the partnership in 2020 and beyond:



Priorities		
	2020	Longer term
Scale	Incorporate all farmers in the unions into Cocoa Life, while still achieving parity with Premium payments	Review the definition of parity and level of loyalty payments in response to farmer feedback
Farmer benefits	Issue written contracts and address timing of payments	Explore provision of 3-5 year contracts to unions to enable good business planning
Empowerment	Invite union members to participate in the Fairtrade-Mondelez Steering Group	Work through the unions as a development partner for Cocoa Life in the cocoa communities
Transparency	Provide data on future ambitions in the measurement framework	Build learnings from the partnership into the design of Cocoa Life

By next year, we will have learned lessons from the implementation of the climate and organisational strengthening programmes; we will have included farmer representation in decision-making bodies, and all farmers in the cocoa unions will have sold their cocoa to Cocoa Life and benefited from the payments and programmes in place. Terms of trade for the unions will have improved further, so they can plan their sales and cash flow and represent their members. The Sustainable Livelihoods Research will demonstrate pathways to change for Cocoa Life and the wider industry, bringing everyone together to address the issues that really matter to cocoa-growing communities.



⁵ Source: <https://www.icco.org/about-cocoa/chocolate-industry.html>, referencing Candy Industry January 2019

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