

Bittersweet Chocolate

The Truth Behind the International Chocolate Industry

Executive Summary



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Bittersweet Chocolate:

The Truth Behind the International Chocolate Industry

Executive Summary: download the original report at www.supplychainge.org

The production and sale of food and drinks generates billions worldwide. Corporations that produce on a larger scale, and lately retailers, control the market and receive the biggest share of the revenues. However, when it comes down to taking responsibility for the working and environmental conditions along the supply chains, these corporations stress that they are under no legal obligation.

This report looks behind the curtains of the international chocolate industry, uncovering the massive imbalances in the sector and the social and environmental challenges that cocoa producers are facing. Our geographical focus lies in West Africa – Ghana, Ivory Coast and Cameroon – as most of the cocoa processed in Europe originates there. The report covers the most important stages in the chocolate supply chain, focusing both on one of its most powerful actors, the supermarkets, as well as on the most vulnerable group of participants: cocoa farmers, (migrant) farm-workers, children and especially women. The report closes with demands to different actors and policy-makers, and recommendations for chocolate consumers, including a label-check.

This report builds on the Fact Sheet of the Make-Chocolate-Fair! Campaign, on the Cocoa Barometer 2012 and 2015, “The fairness gap report” by the International Labor Rights Forum (2014) and other published scientific literature.

Current data and new findings presented in the report are based on ongoing qualitative and quantitative research conducted in Ghana and Cameroon in 2015 and 2016 by the League of Environmental Journalists (Ghana) and the Faculty of Agronomy and Agricultural Sciences, University of Dschang (Cameroon), both project partners of the “Supply Cha!nge – Make Supermarkets Fair” project. Additionally, a field study was conducted by Südwind and Global 2000 during a research trip to Ghana and Cameroon in November 2015.

1. From Cocoa to Chocolate – Fast Facts

Growing desire for sweet treats: demand and supply

Chocolate is one of the most popular and widely consumed confectionaries in the world, and has become a product of mass consumption: the average European and US-American consumes 5.2 kilograms of chocolate each year! Europe and the US account for more than 47% and 20% of global sales respectively.¹ Austrians and Germans consume about 9 kilograms of chocolate per person per year, which makes them the European fore runners in terms of chocolate consumption.²

While chocolate is growing in popularity, little attention is paid to where the primary ingredient cocoa comes from and under which conditions it is produced.

Whereas the majority of cocoa consumption occurs within the Global North, cocoa is grown in tropical regions around the Equator. The specific conditions necessary for producing cocoa can only be found here. In total around 4.2 million tons of cocoa beans are produced each year.³

70% of the world's cocoa beans come from four West-African countries – Ivory Coast, Ghana, Nigeria and Cameroon (see fig. 1). Ivory Coast is by far the largest cocoa producing country, providing more than one third of the traded cocoa in the world. Ghana, as the second largest cocoa producing country, produces 21% of the global supply. Indonesia, Nigeria, Cameroon, Brazil and Ecuador are the other main suppliers of cocoa.

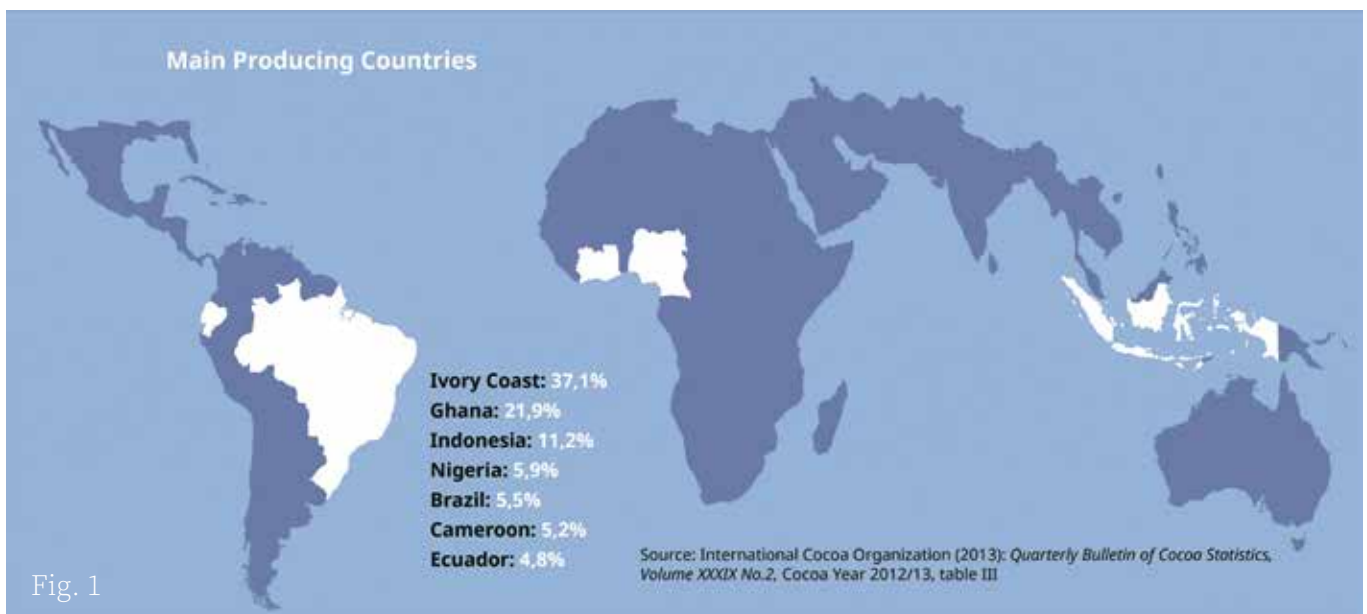


Fig. 1

Cultivating Cacao: the Aztecan Tree of the Gods

The origins of the cocoa tree are found in the rainforests of South- and Central America. Here it had already been cultivated long before the Europeans arrived. It had an important role as luxury food, which was sent by the gods, according to legends. This is still reflected in the species' name of the cocoa tree, *Theobroma*, which means "food of the gods". After the Europeans discovered their love for cocoa they sought ways to increase production and capitalize on this new crop. In the 19th century, cocoa was brought to African countries by European colonizers. Here, the tree found favorable conditions for growth and, after only a few decades, West Africa became the leading production region of cocoa. Already in the early times of cocoa trade the supply chains were characterized by quasi monopolies linked to large trading companies.

The cocoa tree is adapted to the conditions of tropical forests. It needs a minimum of 1000-2500 mm of rain, which makes it very susceptible to changes in precipitation induced by climate change. Also, most varieties cannot deal well with direct sunlight and prefer to grow underneath shading trees. Its characteristics make the cacao tree a well-suited crop for agro-forestry systems which, if properly managed, can provide a diverse and well adapted farming system.

Today, more than 90 % of cocoa is still grown and harvested on small family-run farms with an average size of 4.8 hectare or less.⁴ Cocoa is the primary source of income for 5.5 million smallholder farmers worldwide.⁵

Cocoa cultivation is highly dependent on intensive manual labour. Not all cocoa pods ripen at the same time, making it necessary to continuously monitor, care for and harvest them. A single tree simultaneously carries flowers and pods at different stages of maturity. In addition, cocoa trees are very susceptible to disease, which can spread rapidly in dense rows of trees. Hence, maintenance costs in cocoa cultivation are very high. Once the cocoa pods are ripe and have been cut from the trees by hand, the beans undergo a process of fermentation, drying, cleaning and packing. These first crucial steps of processing are all done on the farms. They are critical in determining the quality of the beans and, ergo, the resulting chocolate.

Farmers sell the sacks of dried beans to intermediaries who resell them to exporters. Unprocessed cocoa is then transported to chocolate producing countries in the Global North for roasting, crushing and grinding.

Processing Cocoa Beans

After harvesting the pods (fig. 1) they are crushed with a knife called cutlass (fig. 2) and the pulp with the beans is brought to fermentation, which in Ghana takes place on banana or plantain leaves for 5-7 days (fig. 3). Cocoa receives its distinctive chocolate taste and flavour in the process of fermentation. Afterwards, the beans are dried: either in the sun (fig. 4), with so-called solar-ovens (fig. 5) or over regular ovens fired with wood (fig. 6). After drying, the beans are packed. Another important step is the quality control of the beans (fig. 7). Now the beans are ready to be sold to the traders. Transport to the harbors can be very challenging due to the remoteness of the farms and general bad road conditions (fig. 8).

The value chain of chocolate is very complex, opaque and characterized by a massive imbalance in the market at the expense of small-scale farmers. The impoverishment of cocoa farmers, exploitation of workers, child labour and environmental impacts are main characteristics of today's chocolate industry.



2. The Economy of the Cocoa Supply Chain: Benefitting the Few

Cocoa is the primary source of income for 5.5 million smallholder farmers and secures the livelihood of more than 14 million rural workers and their families.⁶ In some countries of West Africa, such as Ivory Coast, Ghana and Cameroon, up to 90% of the farmers rely on cocoa for their primary income.⁷ But the cultivation of cocoa is not lucrative anymore: Most cocoa farmers live in destitute poverty and have to get by on less than 1.25 US dollars per day, which means living below the absolute poverty line. In Ghana, the daily income of a cocoa-farmer is at 0.84 US dollars per day, in Ivory Coast it is even lower at 0.50 US dollars per day.⁸

Even though the demand for cocoa is growing rapidly and will increase by nearly 20% in the upcoming years, together with a rising – though fluctuating – price, most of the farmers still cannot cover their living costs and live far below the poverty line. The cocoa sector is therefore increasingly unattractive for younger generations who prefer to work in white-collar jobs or in the city. That is only one reason why the production of cocoa isn't growing fast enough and the industry fears shortages.

Tough Competition with many Losers

There are only a few big players in the highly competitive cocoa trading and chocolate confectionery market. While these companies are competing for an ever higher market share and higher profits, millions of cocoa farmers bear the brunt of the costs by receiving a smaller and smaller portion of revenues.



Fig. 2: Share in worldwide sales on the chocolate and confectionery market in 2015 in percent¹⁰

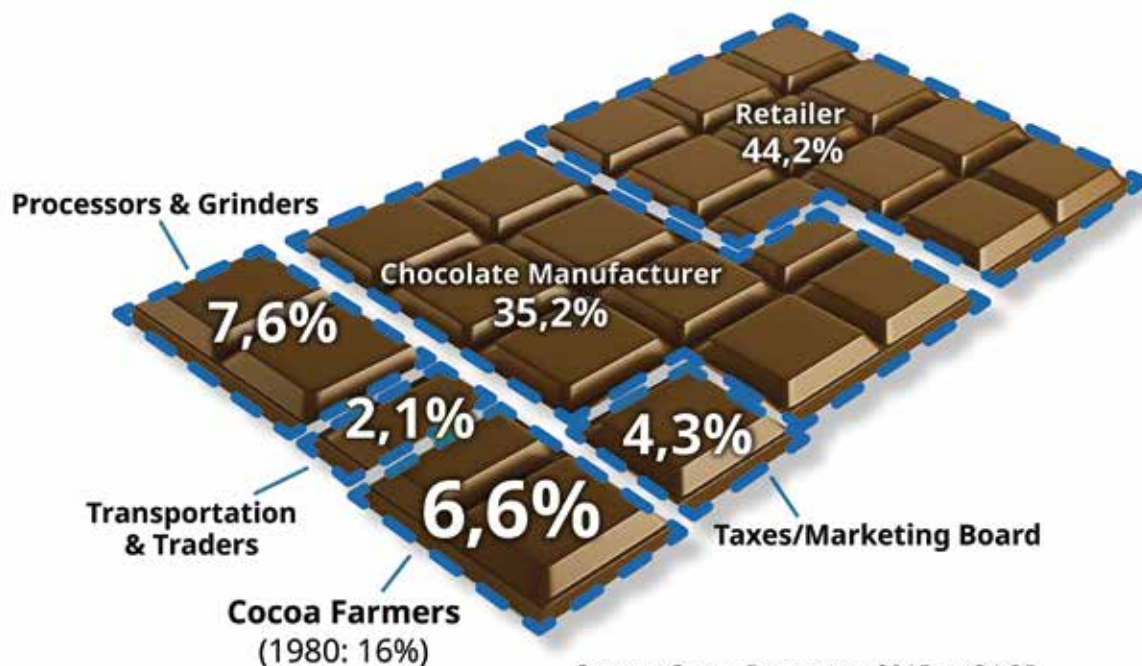
Grinding and trading cocoa is dominated by five big companies sharing more than half of the world market: Cargill (USA), Barry Callebaut (Switzerland), ADM (USA), Petra Foods (Singapore) and Blommer (USA). Based on their market power they have a strong influence on the prices paid for cocoa. In chocolate production, the situation is similar, more than two thirds of the market share is held by only five companies: Mars, Mondelez, Nestlé, Hershey and Ferrero (see fig. 2).

Up to 2012, the global chocolate confectionery market had generated net sales of approximately 80 billion dollars and is predicted to grow to 100 billion dollars in 2016.⁹

Massive imbalances in the value chain

As in other commodities of international trade, companies of the Global North capture the largest share in the value chain. Millions of cocoa farmers in the Global South account only for a very small share – 6.6% respectively – in the value chain of chocolate. This is compared to 16% in the late 1980s (see Fig. 3). Furthermore, a farmer’s income cannot be seen as ‘net profit’, but has to be counted as income from labour, land, and return on investment. The small scale of the farms and relatively low yields mean that the annual income remains very low. Even if the farmer could double his yield and receive a premium for producing certified cocoa, his net income often wouldn’t be able to reach the extreme poverty line.¹¹

Share in the value chain of chocolate production



Source: Cocoa Barometer 2015, p. 34-35

Fig. 3

By contrast, the share for processors and grinders, chocolate manufacturers and retailers has increased to 87%.

Due to recent developments in the European retail sector where a growing production of store and private brands and an accumulating market concentration can be observed, an even bigger influence of the retail sector and an increasing dependency of producers on retailers can be forecast.

Low and Volatile Prices with High social Costs

The highly competitive cocoa and chocolate market, and the fundamental power inequalities between small-scale farmers and multinational companies are one main reason for the serious price decline. While the profits of multinational chocolate companies have increased, the price of cocoa-beans was halved between 1950 and 2010.¹²

Cocoa farmers, on the other hand, are poorly organised and lack insight into the development of world market prices for cocoa. They therefore have to sell their harvest on conditions dictated by intermediaries. Millions of small-scale farmers stand opposite big traders and chocolate companies – an often unfair game. They lack the structure and organisation of big interest groups which would give them a bigger say in politics and international trade.

Furthermore, depending on local trading structures, taxes, quality of the beans or lack of storage capacity, cocoa farmers receive only part of the current market price. For example, farmers in Ivory Coast and Ghana received 40-50% and 70% of the world market price respectively.¹³

In addition to a dramatic overall price decline since 1989, farmers also suffer from price volatility caused by changing supply volumes in the course of crop diseases, pest infestation, droughts and political instability and turmoil in the producing countries. Due to these unstable prices, it is very difficult for them to calculate their income and expenses in advance.

For speculators and hedge funds, on the other hand, volatile prices are lucrative for speculative trading on future markets, which also sparks volatility. While cocoa traders are able to compensate volatile prices by storing beans in the main harbours of Rotterdam, Amsterdam and Hamburg until the prices are favourable, farmers in the Global South are often forced to sell their beans immediately due to poor living conditions and lack of storage facilities.

3. Social and Environmental Challenges in the Cocoa Sector

The low and insecure incomes lead to serious social and environmental problems. Cocoa farmers' income is often based on the cultivation of cocoa alone. This sole dependency on cocoa as a cash crop magnifies the impact of volatile cocoa prices, and creates a situation which is disastrous for the livelihood of the farmer, their communities and their surrounding environment. Furthermore, cocoa farmers often lack training and access to expert advice on sustainable agriculture to improve productivity and increase the quality of their cocoa beans. The most crucial environmental problems resulting from wrong and unsustainable farming are deforestation driven by soil degradation, water and soil contamination through pesticides and fertilizers and the connected losses of biodiversity.

Exploitation of Workers and Child Labour

Insufficient financial resources are also a driving cause for the exploitation of farm workers and children, violating internationally recognized principles as defined by the Universal Declaration of Human Rights and the International Labour Organization (ILO).

On the one hand, low and fluctuating prices for cocoa make it difficult for farmers to pay hired labourers at the legally required minimum wage¹⁴ and to provide adequate lodging and maintenance. In many cases workers are forced to work overtime and face dangerous conditions when working with chemicals and dangerous tools.



In Ghana and Ivory Coast about 2 million children are working on cocoa farms, more than 500,000 involved in hazardous child labour.

On the other hand, farmers complain about the lack of labour and/or the high costs of the workers, one of the main reasons why children have to work on the cocoa farms. Currently, up to 2 million children are working on cocoa farms in Ghana and Ivory Coast alone, more than 500.000 of them involved in hazardous child labour, which seriously harms the physical and mental health of the children and strips them of their right to education.¹⁵

Due to a report of the International Labor Rights Forum, children can be found working on many different tasks related to cocoa farming. They use machetes and other dangerous tools to remove cocoa pods from trees and to open the cocoa pods to remove the beans. They carry heavy loads of cocoa beans from the field to drying racks, and they are exposed to dangerous chemicals such as pesticides and fertilizers. Nearly all the activities associated with cocoa farming have been identified as the ‘worst forms of child labour’ by the government of Ghana and Ivory Coast, which means no children under the age of 18 should be engaged in this work, even on a family farm.¹⁶ Furthermore, there is evidence of children being exposed to child trafficking and forced labour, especially in Ivory Coast.¹⁷ The trafficked children often come from Burkina Faso and Mali and besides abuses by landowners they are rarely paid. According to the First Lady of Burkina Faso the trafficking of children from Burkina Faso to cocoa farms in Ivory Coast has tripled from 588 children in 2010 to 1895 in 2012.¹⁸ Such practices are serious violations of international human rights standards and are strictly prohibited under international labour law (ILO regulations 182 and 138).

Women in the Cocoa Sector

Female cocoa farmers are experiencing substantial discrimination and inequality working in the cocoa sector. In West Africa, cocoa is produced largely in traditionally structured societies, where women experience great difficulties in obtaining legal land titles, even when their husbands die and they want to run the farm themselves. Without land titles, they are often excluded from saving and credit systems, as well as from access to training and certification schemes. But increasingly, women are running cocoa farms.



This is largely the result of the age differences between husbands and wives, HIV/aids, social conflicts and male rural-urban migration. Still, women are less involved in decision-making processes, are less informed about market developments and effective ways of farm management and have even less opportunity to invest in their farms than men. Women who run a farm together with their husbands are often not regarded as cocoa farmers, but rather as the spouse of a cocoa farmer.¹⁹

Cocoa farmer on her farm in Cameroon. Women play a central role in cocoa cultivation but face severe discriminations in terms of landownership or decision-making.

Deforestation

Cocoa is not only a driver of land-use change; it is also affected by land-use change. In both cases harmful effects for the environment can be observed – and in both cases the tenuous economic situation of the farmers is the driver of change.

In poorly managed cocoa plantations, soil degradation can lead to poor soils and as a consequence to lower productivity. This, and the fact that the characteristic of tropical soils often makes it easier to establish a new plantation than to re-plant an old one, drives cocoa farmers to cut down forests to create new plantations. The extent of the problem may vary from country to country, depending on the access to other arable land, the way land rights are handled and nature protection is enforced.

Another threat to forests comes from the use of fire wood for drying ovens. Whereas in some countries like Ghana beans are dried by the sun, in areas with higher precipitation they are commonly dried in wood fired drying houses. So called solar ovens, which are simple devices similar to a greenhouse, would offer a cheap and sustainable solution in those areas.

Cocoa is a rather diverse and low impact form of agriculture when practiced in low input agro-forestry systems. Therefore, losing cocoa plantations to more intensive forms of land use poses a threat to biodiversity and to a sound and



Illegal small-scale gold mining activities pose a growing threat to the forests and environmental health in Ghana.

resilient agro-environmental system. Cocoa plantations might be replaced by other cash crops like palm oil or, even worse, by mining activities. This is increasingly happening in Ghana in the context of small-scale gold mining activities and has also caused severe water pollution problems. Due to their economic situation, cocoa farmers are easily coerced into giving away their land to mining companies or large agro-businesses, which promise quick economic gain and hide the fact that the land will be rendered useless for farming once they have done their work.

Pesticides

Cocoa can be grown without the use of chemical pesticides, as is done with great success under organic production schemes. Techniques like pruning, cutting of chupons, or managing the density of the canopy can be used to strengthen the plants and enhance their resilience. Symbiotic organisms like ants or termites can be supported, which protect the trees against mirids and help reduce pest

attacks. Many farmers who do not use pesticides do this just because they cannot afford them. If they can afford them they often use them without any knowledge about the associated risks. In this situation promoting knowledge about low input and low impact farming practices plays a critical role.

Most conventional farmers rely on the use of synthetic pesticides to protect their yield, which is often their only source of income. Fungicides and insecticides are the main classes of pesticides used in the cocoa production. In a study on pesticide use in Cameroon²⁰ the authors interviewed a sample of 251 farmers and 20 post-harvest traders on their pesticide use practice. The results showed that out of 26 pesticides reported to be used in cocoa production, 8 are banned in the EU as well as in Cameroon (table 1). The most commonly used insecticide (23% of farmers) was Endosulfan – a substance banned in most countries of the world because of its extreme toxicity. 56% of the farmers surveyed did not apply insecticides at all – mainly because they could not afford them. In the warehouses aluminum phosphide is applied via fumigation at least once a year. Similar to a study which investigated pesticide use in Ghana²¹, the authors found that most farmers neither adhered to the recommended doses of application nor did they know about or had access to equipment for safe use. In Ghana, the most commonly used pesticides belong to the neonicotinoids class of pesticides, which are extremely toxic for bees and were those approved by the COCOBOD for use in cocoa, 23% of the farmers were found to use unapproved chemicals.

| Use | Active ingredient | Toxicity | Reported in |
|-------------|---------------------------|---|------------------|
| Fungicide | Benomyl | PAN Bad Actors, development & reproductive toxin, endocrine disrupter | Cameroon |
| Insecticide | Endosulfan | PAN Bad Actors, high acute toxicity, endocrine disrupter; world wide ban is aspired | Cameroon |
| Insecticide | Methyl parathion | PAN Bad Actors, cholinesterase inhibitor, high acute toxicity; classified as „Extremely Hazardous“ by the WHO | Cameroon |
| Insecticide | Fenobucarb | PAN Bad Actors, cholinesterase inhibitor | Cameroon |
| Insecticide | Cartap | high aquatic toxicity | Cameroon |
| Insecticide | Diazinon | high acute and chronic aquatic toxicity | Cameroon & Ghana |
| Insecticide | Cypermethrin + Profenofos | high acute and chronic aquatic toxicity | Cameroon |
| Insecticide | Propoxur | PAN Bad Actors, highly toxic to bees and birds | Cameroon |
| Insecticide | Malathion | PAN Bad Actors, high aquatic toxicity, banned on cacao | Cameroon |
| Insecticide | Chlorfenvinphos | PAN Bad Actors, high acute and aquatic toxicity; classified as Highly Hazardous“ by the WHO | Ghana |

Table 1: Pesticides banned in the EU, found to be used in the cocoa production in Ghana and Cameroon and their toxic classification. PAN Bad Actors are chemicals that are one or more of the following: highly acutely toxic, cholinesterase inhibitor, known/probable carcinogen, known groundwater pollutant or known reproductive or developmental toxicant.

Climate Change

Climate change is a severe threat to cocoa production. Not only is the cocoa tree sensitive to changes in precipitation, it is also a crop that requires long term investment and cannot be easily changed on a short term basis.

Although there are many attempts to develop so-called climate-smart agriculture, careful attention should be paid to the fact that adaptation is not only centered on technical solutions that do not consider the local social-economic situations. Systems that require high inputs, for instance, will not help farmers who cannot afford them on a regular basis. It should be ensured that these schemes really benefit the farmers and the environment on the long run, and not the agro-tech-industry.

Often, basic low-tech solutions, knowledge exchange and consideration of current best practice can increase yields and build up resilience without requiring the introduction of new varieties, along with new chemicals and fertilizers.

Old trees – Old farmers: the Future of Cocoa?

The low and fluctuating prices for cocoa and the uneven playing-field on the world-market threatens the existence of many cocoa-farmers. Due to the low prices paid at farm level, growing cocoa has become increasingly an old man's business. Along with the elderly farmers, the trees themselves have grown old and increasingly unproductive. A survey of the Cocoa and Coffee Inter-Professional Council (CCIC) in Cameroon showed that while an average tree is more than 25 years old, the average age of the farmers was even higher, ranging from 63-70 years, and that in a country with a median age of just 18. This is an indication that young people see little or no future at all in the cocoa business. Besides a lack of successors, the farmers do not have the necessary financial resources or merely the access to planting material, so plantations are often not replanted any more. This development has also alerted the industry, which is slowly starting to be concerned about how to secure future supplies of cheap cocoa, and it has also increasingly started to invest in supply chain management programs, e.g. via the use of certification



programs. Another, more critical development is that companies gradually get interested in producing cocoa themselves. This could lead to the abandonment of rather extensive and diverse agro-forestry systems, in favor of intensive mono-crop plantation systems and have also negative effects on the local economic systems.

This cocoa-pod suffers from blackpod-disease. Without the right care, cocoa trees are very susceptible to various diseases.

4. What YOU can do as Consumer and Citizen

As consumer you can act through your buying decision, as a citizen you can confront companies and help pressure them for fair and sustainable political framework conditions.



Be conscious of your choices when buying!

In the case of chocolate or processed products containing chocolate, go for FAIR TRADE labeled and organic products or buy products from companies producing under the standards of the World Fair Trade Organization (WFTO). So a better price for farmers and workers is provided and/or the highest environmental standards are met!

When consuming chocolate, be aware that you are enjoying a product whose main ingredient has been produced on small family farms somewhere in the tropical-forests of the Global South. It is an amazing plant which, in theory, can support farmers that practice extensive and diverse agroforestry. Knowing that farmers have the most impact on the quality and taste of your chocolate, as well as on the state of environment on their land, should make it easy for you to choose organic, FAIR TRADE labeled chocolate.



Write to your retailer!

If you are not satisfied with the selection of certified chocolate in your supermarket, write them a message or post your opinion in their social media accounts. Ask them where their chocolate comes from, if they care how it is produced and if they can guarantee the absence of child labour on the cocoa farms.



Inform yourself and support our campaign!

On our website www.supplychange.org you can find information on different supermarket store brands and the way they are produced. Visit our events, take action and support our petitions to make store brands fairer and more sustainable.

5. DEMANDS to Supermarkets



Use 100% independent third-party certified cocoa for store brands ensuring the social minimum standards below, and strive to use more organic cocoa.



Ensure fair payment of a living income to cocoa farmers and their workers in your supply chains.



Adhere to human and labour rights along the entire cocoa supply chain and oppose hazardous child labour.

Stop manipulative and unfair trading practices.

Approve a code of conduct, including all ILO core-conventions and the right to a living wage, valid for suppliers in the supply chain.



Establish credible multi-stakeholder initiatives for the implementation, independent monitoring and verification of the approved code of conduct.

Ensure transparency throughout the entire cocoa supply chains.



Enhance cocoa farmers' capacities to perform sustainable and diversified farming.

Implement measures to decrease negative environmental impacts on the entire cocoa supply chain.

Support farmers in adopting sustainable agriculture practices, and use alternatives to chemical pesticides and fertilizers, which will gradually lead to organic agriculture.

Ban the use of the worst pesticides in the cocoa supply chain.

6. Certified Cocoa and Label Check

To improve the situation of millions of cocoa farmers and other actors along the cocoa supply chain, a broad, holistic approach of many different actors and decision makers is needed (more on this topic in the long version of the report). One out of many necessary approaches can be the certification of cocoa. Currently there are three main certification marks for cocoa: **FAIRTRADE**, **Rainforest-Alliance** and **UTZ**.

Why do we need certification marks?

Rigid norms and regulations are needed for every market player in order to correct the imbalance of international trade and secure the survival of over 40–50 million people working within the value chain of cocoa production. Even though there are negotiated minimum standards based on the UN Declaration of Human Rights and the International Labour Organization, there is no guarantee that they are adhered to in the countries of production. Certifications, however, contribute to an adherence to these standards by means of external and independent control mechanisms as well as local guidance:

- ▶ Worker's rights, health and safety regulations (ILO Core Labour Standards, Conventions No. 29, 97, 98, 100, 105 and 111)
- ▶ Inalienable human rights (for example the freedom of association and organization)
- ▶ Ban on exploitative child labour (ILO Conventions No. 138, 182)
- ▶ Environmental protection (for example banned substances and pesticides: POP and PIC Convention; FAO International Code of Conduct on Pesticide Management; ILO Convention No. 170; WHO 1a/1b; PAN list of lists)

Independent certification bodies control the adherence to these standards. To safeguard independent control, these bodies themselves are accredited according to the international standard ISO 65. Additionally, the proclaimed purpose of the campaigns for fair trade and sustainable cocoa production is to support agricultural operations in their continuous development towards a sustainable cocoa production. Other aims of overriding importance are social equity, economic viability as well as environmentally compatible and sustainable production processes.

Although the three most renowned certification bodies in the field of fair trade and sustainable products – FAIRTRADE, UTZ and Rainforest Alliance – have different priorities, they agree in terms of minimum standards for humans and nature in cocoa production and collaborate in working out strategies for an improvement of agricultural practice (for example joint training material).

The certification programmes of all three certification bodies are based on the guidelines of the International Social and Environmental Accreditation and Labelling Alliance (ISEAL), an internationally accepted standardization body. In the end of 2015, FAIRTRADE, UTZ, Rainforest Alliance and other organizations founded the *Global Living Wage Coalition*. This coalition advocates sustainably achieved improvements of the smallholder's living conditions and incomes through economic success on the free market. The subsequent analysis is based on information provided by these organizations and summarized in 2014 by Dr. Elisabeth Nindl from the Vienna University of Economics and Business. The evaluation of the information was done in collaboration by multiple NGOs from the areas international development, environmental protection and consumer's protection. The analysis was updated by Südwind in february 2016.



FAIRTRADE www.fairtrade.at

FAIRTRADE Austria was founded in 1993 by independent citizens and is a member of the umbrella organization Fairtrade International.

FAIRTRADE International defines itself as an association of producer organizations from southern countries and national organisations for fair trade in consumer countries. In the umbrella organization FAIRTRADE International, standards, Fairtrade premiums and Fairtrade minimum prices are being determined collectively. The Fairtrade-Standard for cocoa applies to small holders, there is no Fairtrade-certification for plantations. In order to obtain the Fairtrade certification mark, blended products must contain ingredients that are produced according to FAIRTRADE criteria and are sourced from FAIRTRADE sources. The end product must contain at least 20% of FAIRTRADE certified ingredients and all ingredients that are available on Fairtrade terms have to be bought on Fairtrade terms. The exact amount of



FAIRTRADE certified ingredients is indicated on the product package.

In 2014, FAIRTRADE introduced its own cocoa certification programme for companies, focussing only on the core ingredient. The FAIRTRADE cocoa programme only demands that the cocoa that is used shall be obtained from FAIRTRADE sources, whereas the FAIRTRADE certification mark requires all raw materials be sourced from FAIRTRADE certified producers. When it comes to chocolate, it means that in accordance with the programme, 100% of the cocoa must be sourced from FAIRTRADE cooperatives, but the sugar can be beet sugar from Europe or sourced from non-fairtrade production. The aim of this programme is to increase the amount of certified cocoa, so that more smallholder families can become members of the FAIRTRADE network. In order to support and empower smallholder families and cooperatives, FAIRTRADE developed the programme *Unlocking The Power Of The Many*. It supports subsistence farmers in developing strategies in the fields of cultivation, organization and working conditions.

Aim:

FAIRTRADE applies a developmental approach to fight poverty and exploitation. It supports producers in developing and emerging markets so that they can live independently and decently. Not only crop cultivation, but also the trade system and the organization of producers will benefit from the requirements, with the overall goal of promoting sustainable development. FAIRTRADE supports social, ecological and economic programmes.

| Strengths | Weaknesses |
|---|---|
| <ul style="list-style-type: none"> + contractually guaranteed minimum prices (do not necessarily lead to a living income) + pre-finance opportunities and a guaranteed investment grant + premiums for local social and ecological projects, for example building schools and medical stations, supply of drinking water. In 2014, € 106.2 million of premiums were paid. + promotion of democratic participation of smallholders (for example through support of cooperatives) + equal participation of producer organizations (50% of votes in general assembly of FAIRTRADE International) + promotion of quality management and environmentally compatible cultivation in the course of trainings and additional payment of a surcharge for organic products (e.g. around 69% of all FAIRTRADE products in Austria are organic products) + ban on genetically engineered seeds + 100% of the cocoa in use must be bought in compliance with FAIRTRADE regulations + raising awareness of and providing information for consumers | <ul style="list-style-type: none"> - higher costs and expense for smallholder audits - the contractually guaranteed minimum prices and fairtrade premiums do not necessarily lead to a living income - insufficient turnover of certified cocoa. Only a little bit less than 40% of the certified cocoa beans are also being sold as certified because of insufficient demand. |

Credibility of audits:

FLOCERT is the certification and audit body of FAIRTRADE International. It makes sure that independent and external verification of standards in the value chain is provided locally. On average, the implementation of the standards is verified locally once a year in the course of the renewal of the certification. In the course of 'group certifications', cooperatives are being examined as well as samples drawn from smallholder families that belong to the cooperative.



UTZ www.utz.org

UTZ Certified is a sustainability programme for coffee, which was founded in 1997 and is based in Amsterdam. In 2007, the programme was expanded, comprehending now also cocoa as well as tea. Since the beginning of 2016, it is called UTZ. UTZ is comprised of members of the chocolate industry, auditors and experts on sustainability. Chocolate products with the UTZ certification must contain at least 90% of certified cocoa. Other ingredients, like sugar or vanilla, do not have to be cultivated according to sustainable standards.

Aim:

UTZ is primarily a sustainability programme that was developed to assist producers by means of trainings to increase their turnover and efficiency as well as make sure that sufficient cocoa beans are produced for the processing sector.

| Strengths | Weaknesses |
|--|--|
| <ul style="list-style-type: none"> ⊕ Simple and non-bureaucratic participation in the sustainability programme ⊕ support for increase of smallholder's production by means of comprehensive training | <ul style="list-style-type: none"> ⊖ no guaranteed minimum price ⊖ premiums are not fixed but have to be negotiated by the smallholders themselves with the traders ⊖ no possibility of pre-finance or credits ⊖ insufficient participation of producer organizations ⊖ no ban on genetically engineered seeds ⊖ proportion of certified ingredients can be lower than 100% (certification is already possible if the proportion of certified cocoa is 90%) ⊖ insufficient information about developmental topics available in consumer countries |

Credibility of audits:

In order to obtain the certification, a registration on the UTZ website and a contract with an authorised certification institute is enough. Traders and farmers have to adhere to the regulations of the chain of custody and producers have to adhere to the code of conduct. Independent certification authorities verify that the farms adhere to the standards.



Rainforest Alliance www.rainforest-alliance.org/de

Rainforest Alliance is an independent environmental organization based in New York. Since 1987, it fights against the deforestation of the rainforest to make way for larger plantation areas. It is a member of the Sustainable Agriculture Network (SAN) that comprises environmental organizations as well as producers and determines international standards for sustainable agriculture. As a sustainability programme, it not only covers ecological aspects, but also determines explicit social criteria that are accountable for a certification. Rainforest Alliance’s certification mark may be used for products as soon as they have a minimum proportion at least 30% of certified cocoa. This is to facilitate access to the system for producers. However, recipients of the licence commit to increasing this proportion to at least 90% in the course of five years in the so-called Smart Source Plan. According to Rainforest Alliance, 70% of all licensees use 100% of certified cocoa.

Aim:

Rainforest Alliance promotes a sustainable and environmentally compatible agriculture for the preservation of our earth. Comprehensive training will help to improve cultivation methods and provide a sustainable income for producers.

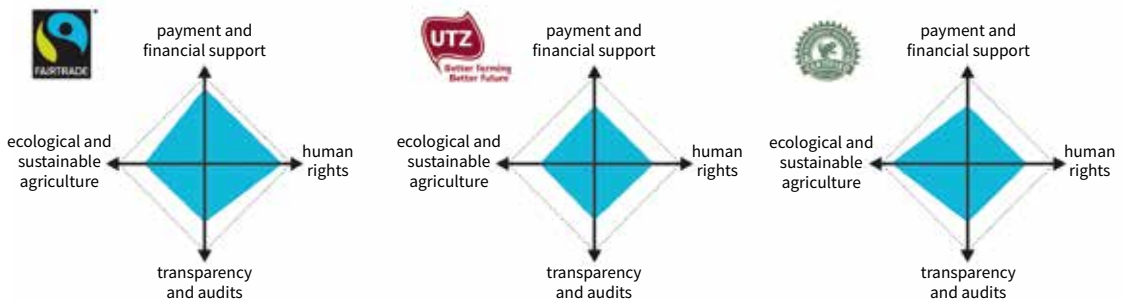
| Strengths | Weaknesses |
|--|--|
| <ul style="list-style-type: none"> + determines international standards to promote protection of the environment + farmers receive training about sustainable cocoa cultivation + calls on certified companies to cooperate with regional administration and to participate in regional projects (for example, building of schools and supply of drinking water) + ban on genetically engineered seeds | <ul style="list-style-type: none"> - no guaranteed minimum price - premiums are not fixed but have to be negotiated by the smallholders themselves with the traders - no pre-finance or credits possible (but support is available in the form of Sustainable Financing Program in order to obtain credits from banks) - insufficient participation of producer organizations - proportion of certified ingredients can be lower than 100% (certification is already possible with a 30% proportion of cocoa) - insufficient information about developmental topics in consumer countries. |

Credibility of audits:

To obtain the Rainforest Alliance certification mark, businesses have to agree to an annual audit carried out by auditors who are accredited by their branch IOAS (International Federation of Organic Agriculture Movements).

Final evaluation

FAIRTRADE, UTZ and Rainforest Alliance pursue similar targets using different approaches. They all stand for the protection of international human rights and worker's rights, for the ban on exploitative child labour, for improvements of agricultural practice and for the protection of the environment. UTZ primarily wants to make cocoa cultivation more productive using less resources. Also, they want producers to achieve higher incomes and sufficient supply of cocoa beans for the demands of the industry. Rainforest Alliance distinguishes itself by determining standards in the protection of the environment that are significantly higher than mandatory minimum standards. FAIRTRADE and UTZ take these standards as examples for their own work. Rainforest Alliance, however, cannot be compared to the standards of a certification mark and cannot be taken as a substitute for one. FAIRTRADE takes a developmental approach and engages directly in pricing as well as financing, because they believe that due to structural disadvantages, no income that provides a living can be achieved on the free market. Also, equal participation of producer organizations in the development of standards sends a clear signal and emphasizes the commitment to a democratization of value chains. Minimum prices, premiums and organization shall provide possibilities for development and help fight poverty. FAIRTRADE, Rainforest Alliance/SAN and UTZ work together to reduce the costs and complexity and to provide more efficiency and clarity for producers. This way, the core standards (labour standards and environmental protection) will be more and more harmonized and the audits will become more efficient.



Additionally to the three certification marks that were introduced here, there are also the standards of the **World Fair Trade Organization (WFTO)** that some producers adhere to. Among them are EZA, GEPA, and EL PUENTE, whose fairly traded products can be purchased in so-called World Shops. The WFTO was founded in 1989 and serves as umbrella organization for fair trade and sustainability programmes in approximately 70 countries. This is the only global network comprised of players from every level of the value chain, from production as well as sales. A three-stage monitoring procedure for registered members ensures transparency and credibility at all levels of the value chain by the means of internal and external audits, verifications and continued development. WFTO take the 10 principles of fair trade as examples for their own work. According

to WFTO a fair price is one that has been mutually agreed by all through dialogue and participation, which provides fair pay to the producers and can also be sustained by the market. Where Fair Trade pricing structures exist, these are used as a minimum.



Not one of the certification marks meets the ecological requirements for an organic-certification mark. This is why it is important to pay particular attention if additionally a European organic certification mark is present.

Shared responsibility

It is important to note that certification is not the same as sustainability; it is merely a subset of a broader approach. It can be an important tool to support a sustainable cocoa business, but will only cover part of the obvious problems, and only works well when all of the abovementioned components and actors take their responsibility. The impact of standards and certification is limited if it is not combined with a more holistic approach. Furthermore, the broader concept of sustainability is a shared responsibility of all stakeholders, including industry and producing governments, not just the standards bodies.²²

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TIME TO CHANGE

The situation described above in respect to the production of cocoa in West Africa demonstrates that companies do not take sufficient account of their responsibilities.

That is what the Supply Change project wants to change.

We members of the project are a group of civil society organizations from across Europe and the global south. Our main objective is to make supermarket store brands fairer and more sustainable. We know that so far, supermarkets don't do enough to counter these problems. Compared with their enormous influence, the efforts of supermarket chains to prevent human rights violations and to reduce the environmental damage along their product supply chains are often disappointing. This is why we demand tangible action from supermarkets, national governments and the European Union to improve labour conditions in countries of the Global South, and to reduce environmental damage along the supply chain. Supermarkets need to take responsibility for the circumstances under which their private labels are produced. Governments both in producing and consuming countries need to adopt legislation that obliges supermarkets to respect human and workers' rights along their supply chains and act in a responsible manner concerning environmental issues.