



CRAVING A CHANGE IN CHOCOLATE:

How to secure a living income
for cocoa farmers



AT
AGROCOLE
ADZOPÉ
BP 33 ADZOPÉ
DU 19 OCTOBRE 2010



PARTENAIRE OFFICIEL DE
PROJET DE CERTIFICATION
FAIRTRADE
CAYAT POUR UNE AGRICULTURE
DURABLE

PARTENAIRES: CARGILL - ANADER



Non au Travail des Enfants.
Mineurs dans les Champs

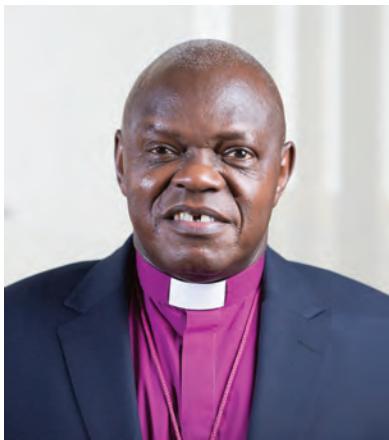
SO.CAYAT
COOPERATIVE AGRICOLE
DE YAKASSE-ADZOPÉ
SIEGE SOCIAL ADZOPÉ
TEL: 23.56.00.55 / BP: 29 AI
AGREEMENT N°158/341 DU 19 OCTOBRE 20



Mural at CAYAT co-operative prohibiting forced child labour and other rules

FOREWORD

By Dr John Sentamu, Archbishop of York



They tell us cocoa is good for us, mind, body and soul! Full of natural goodness, at festivals, on birthdays and at all kinds of special occasions, chocolate is given and received, a sweet sign of love for friends and family.

It is all the more unpalatable therefore that the production of this precious commodity is too often tainted by inequality and injustice. Sadly, despite the philanthropy and high ethical standards of early chocolatiers like Cadbury, Rowntree, and Fry, as well as the stalwart efforts in recent years of Fairtrade, there are still too many places where cocoa production is marred by poverty, child labour, and deforestation.

When I visited cocoa farms in Côte d'Ivoire with Fairtrade and leading staff of Nestlé ten years ago, I was shocked to see the impact on smallholders of unfair prices and working practices, but at the same time I was impressed by the steps being taken to put things right. York-made KitKats became Fairtrade soon after. But I recall seeing how hard people worked with machetes to get the pods from the trees, breaking the tough shells, scooping out sticky pulp by hand, drying the beans in the hot sun, before heaving out the sacks ready to sell to the buyer. The money farmers got for all their labour didn't seem to amount to much, especially when we learned how much went into the hands of the middlemen. Despite toiling all day, families often live a hand to mouth existence, communities live in fragile dwellings with little or no power supplies, and few can afford to pay for children's school fees, or for medical bills if a family member falls sick.

Ten years on, it is desperately sad to think that for so many in the industry, little has changed. In fact, as this report lays bare, in many cases people's living conditions have actually worsened. The collapse of the market price for cocoa in 2016

was a massive challenge. It provoked a crisis for farmers, which persists for many. However, at least for those who sell their cocoa under Fairtrade terms, they have a safety net, receiving a higher price and a premium to invest in local health, education, and other community facilities.

This offers a glimmer of hope. I am proud that in my time as a Patron of Fairtrade, I have seen Fairtrade practices grow, and its impact spread exponentially. From being a small cause championed by a few, it is now a driving force for change powered by the many. The Fairtrade Foundation has demonstrated that consumers in the UK support trade that is just, that empowers farmers and workers, that enables families to send their children to school instead of to the fields, and that puts food on the table.

I have also seen a shift in consumer attitudes. More of us today care about where the food we eat and the clothes we wear comes from. The conditions in which the food on our shelves is produced matter to us more than ever and in consequence we are more likely to demand change from business and government. However, as this report outlines, most cocoa is still not Fairtrade, and in West Africa, where the vast majority of it is grown, development has been far too slow. Now is the time to step up the pace of change. Levels of poverty are far too high and the solution – living wages and living incomes for all working people – must be considered a human right.

In today's more connected, interdependent world, we cannot be ignorant to the truth. Shameful as it is inexcusable, exploitation and poverty continue to hide under the seductive packaging of our favourite chocolate. All of us have a moral responsibility to act. We all – global citizens, businesses, governments – must do more.

I wholeheartedly commend the Fairtrade Foundation's new Living Income campaign – may it spur us all on to improve the lives of cocoa farmers by paying them fairer prices and helping them build a better, fairer future.

INTRODUCTION

We are a nation of chocolate lovers – we each eat 8.4kg of chocolate on average every year. That's more than the Swiss, Belgians, or any other European country, and demand is growing.¹ But how many of us really know much about where the cocoa in our chocolate comes from? And what life is like for the people who grow it, and the conditions they live in?

Most of the world's cocoa beans are grown in Côte d'Ivoire and Ghana by approximately two million smallholder farmers.² Yet, despite chocolate being a booming business, the majority of these farmers live in abject poverty. Women cocoa farmers carry the greatest burden. In addition to working in the cocoa fields, they are often the ones who must look after children and do additional tasks such as carrying water. They often have fewer rights than men.

WE ALWAYS SAY IN THIS SONG THAT WE SING THAT WE ARE STANDING UP AND WORKING FOR THE FUTURE OF OUR CHILDREN. BECAUSE IT'S THEY WHO WILL COME AFTER US.

Rosine Bekoin, cocoa farmer and Secretary of the Women's Society, CAYAT

Cocoa farmers face a huge number of challenges, but one lies at the root of many of them: most farmers' incomes are simply too low. Estimates before the price of cocoa crashed between September 2016 and February 2017 suggested that the price cocoa farmers receive represents less than seven percent of the value of cocoa sold in Europe.³ With so little by way of return, farmers are barely able to cover their costs. And what is left is insufficient to live on – to feed, house and educate their families. The future is uncertain for most farmers and many young people are leaving cocoa farming in search of better-paid employment.

If cocoa is to become truly sustainable, farmers need living incomes and fairer prices. Fairtrade has an important role to play. From October 2019, a new Fairtrade Minimum Price and Premium for cocoa will come into effect. We are also introducing a Living Income Reference Price for companies to work towards. But just six percent of the world's cocoa is Fairtrade, so we can't act alone.⁴

At the 2018 World Cocoa Conference, the cocoa sector signed a joint commitment to enable farmers to earn a living income.⁵ We must now turn that commitment into action. This report outlines an ambitious agenda for action, setting out how governments, chocolate companies, traders, retailers and shoppers can help make that commitment a reality.

FAIRTRADE IS CALLING ON THE UK GOVERNMENT TO:

- 1. Lead the way:** The UK Government should support a global initiative of governments and business to enable living incomes in supply chains, starting with cocoa.
- 2. Make living incomes a priority for UK aid:** DFID should put achieving living incomes and wages at the heart of its Economic Development strategy, supporting programmes and businesses that take living income seriously.
- 3. Incorporate living income into the Government's Business and Human Rights policies:** Recognise that fair prices are central to delivering human rights in supply chains.

¹ 2017 data from Mintel Global New Products Database. C. Ritschel, 'Chocolate Production And Consumption On The Rise Across The Globe, Says New Data' The Independent, 27 March 2018 <https://www.independent.co.uk/life-style/food-and-drink/chocolate-production-easter-mintel-gnpd-europe-consumption-vegan-a8276236.html>

² Antonie Fountain & Friedel Huetz-Adams, *Cocoa Barometer 2018*, <http://www.cocoabarometer.org>

³ Cocoa growers receive around 6.6% of value of a tonne of cocoa sold. Antonie Fountain & Friedel Huetz-Adams, *Cocoa Barometer 2015*

⁴ 6% is an estimate based on global Fairtrade sales data and compared with the ICCO sales figures for 2016/2017. Fairtrade International, *Monitoring Report 9th Edition* (2018) https://www.fairtrade.org.uk/~media/FairtradeUK/What%20Fairtrade/Documents/Policy%20and%20Research%20documents/Monitoring%20reports/Fairtrade%20Monitoring%20Report_9thEdition%202016.pdf

⁵ ICCO May 2018 Quarterly Bulletin of Cocoa Statistics <https://www.icco.org/about-us/icco-news/389-may-2018-quarterly-bulletin-of-cocoa-statistics.html>

⁵ ICCO Berlin Declaration of the Fourth World Cocoa Conference (2018) <https://www.icco.org/about-us/icco-news/387-berlin-declaration-of-the-fourth-world-cocoa-conference.html>



Ebrotié Tanoh Florentin, General Secretary of CEAA and cocoa farmer

CHAPTER 1 – COCOA’S BITTER TASTE

In 2015, members of the United Nations signed up to the Sustainable Development Goals (SDGs) – a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity. The UK Government played a leading role in creating the SDG framework, which includes ambitious goals and targets to end poverty, achieve gender equality, support small-scale farmers and ensure decent work for all.⁶

The world has made great progress towards eradicating poverty over the last few decades. We can be proud of the role Britain has played in that success, through leadership on international development, the generosity of public donations to charities and, of course, Fairtrade sales. The UK has helped to change countless lives for the better.

Despite this progress, we are not acting quickly enough to meet the goals we set ourselves under the SDGs and the problems are still stark. Ten percent of people in developing countries still live below the UN poverty line of \$1.90 per day – about £1.40.⁷ The majority of people who live in poverty in rural areas, and people working in agriculture make up almost two thirds of people living in extreme poverty.⁸

**COCOA PRICES ARE DISASTROUS.
WHEN A FARMER GETS UP IN THE
MORNING THEY ARE ALWAYS WORRIED:
HOW WILL THEY BE ABLE TO FEED AND
TAKE CARE OF THEIR FAMILY? HOW CAN
THEY SEND THEIR CHILDREN TO SCHOOL?**

Ebrotié Tanoh Florentin, cocoa farmer and General Secretary of CEAA, Côte d'Ivoire

⁶ UN Sustainable Development Goals <http://www.undp.org/content/undp/en/home/sustainable-development-goals.html>

⁷ World Bank estimate of 10%. The international individual poverty line is currently set by the World Bank at \$1.90 per person per day (approximately £1.41) <https://www.un.org/sustainabledevelopment/poverty>

⁸ World Bank, *Poverty And Shared Prosperity 2018* <http://www.worldbank.org/en/publication/poverty-and-shared-prosperity>

⁹ As of 2015. Fairtrade Foundation, *Fairtrade and Cocoa* (2016) https://www.fairtrade.org.uk/~media/fairtradeuk/farmers%20and%20workers/documents/cocoa%20commodity%20briefing_online7.pdf

¹⁰ Antonie Fountain & Friedel Huetz-Adams, *Cocoa Barometer 2010*

Within their number are the farmers who supply the cocoa for our chocolate. The UK chocolate industry is worth at least £4 billion each year,⁹ and cocoa is traded in high volumes on international financial markets. Despite this, most cocoa farmers live in abject poverty. The interests of shareholders are still winning out over the rights of cocoa farmers to a decent livelihood.

Cocoa only grows in a belt ten degrees either side of the equator where climate and conditions are suitable. The majority of the world's crop is grown in West Africa, with Côte d'Ivoire and Ghana accounting for nearly 60 percent of global production.¹⁰ Over 90 percent of the world's cocoa is grown on small farms by five to six million farmers.¹¹ A further 14 million rural workers directly depend on the traded commodity for their livelihoods, part of the 50 million worldwide who depend on the product.¹² Nearly two-thirds of the rural population of Côte d'Ivoire live in poverty.¹³ This includes many cocoa farmers. The average cocoa farmer in Ghana earns around \$1 per day (about 74p), with farmers in Côte d'Ivoire earning less than \$1 per day.¹⁴ In both cases, this is well below the extreme poverty line of \$1.90 (about £1.40) per day.

The conditions are tough. Farmers and workers are often exposed to hazardous working conditions, handling pesticides without proper protective clothing, working with dangerous tools, carrying heavy loads and working long hours. Communities lack access to decent education and drinking water, and have poor nutrition.¹⁵

On a typical farm in West Africa, usually just a few hectares in size, cocoa provides the bulk of the household income needed to pay for everything from farming tools, fertiliser and hiring help during busy periods to school books, transport costs, medical bills, clothes and other family essentials.

Farmers must budget carefully between harvests, but often have to take out costly loans to pay for farm inputs and tide them over. They find it hard to build up savings. This pressure causes many to sell their crop to local traders for whatever price they can get. While some have established co-operatives or other farmer organisations to help fight their corner, pool their resources, reduce costs and benefit from economies of scale, these organisations can't protect farmers from international prices that are too low and volatile.

¹¹ Ibid

¹² Ibid

¹³ 56.8%, Rural poverty headcount ratio at national poverty lines (% of rural population). World Bank (2015) <https://data.worldbank.org/indicator/SI.POV.RUHC?view=map>

¹⁴ Estimated figures are based on best available evidence at the time of publication. Conversions into £ are approximations as they are based on 2018 exchange rate (exchange rates fluctuate and therefore \$ are most accurate). See Endnote with list of the studies.

¹⁵ Antonie Fountain & Friedel Huetz-Adams, *Cocoa Barometer 2018*

CURRENTLY, COCOA FARMING IS EXTREMELY DIFFICULT FOR VARIOUS REASONS: THE FOREST HAS DISAPPEARED... THE DISEASES ARE MORE AND MORE FREQUENT. BECAUSE OF CLIMATE CHANGE AND THE EXCESSIVE HEAT, THE MORTALITY RATE OF TREES IS QUITE HIGH. YOU HAVE TO BE VERY BRAVE TO KEEP FARMING. BUT COURAGE IS NOT ENOUGH, YOU ALSO NEED ECONOMIC RESOURCES.

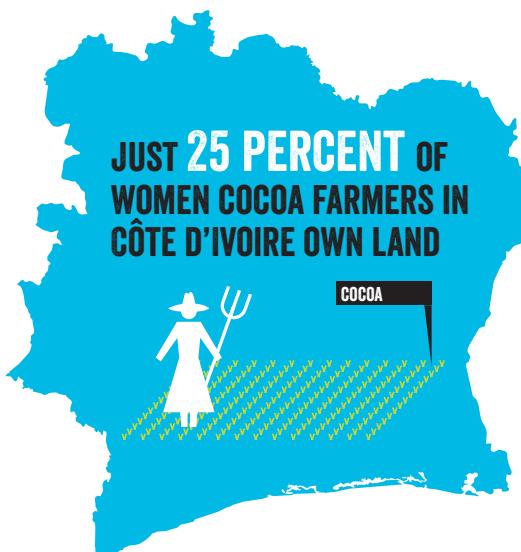
Ebrotié Tanoh Florentin, cocoa farmer and General Secretary of CEA, Côte d'Ivoire

Low incomes prevent farmers from investing in and developing their farms, fuelling a vicious cycle of low productivity and declining incomes. In Ghana and Côte d'Ivoire, farmers harvest on average approximately 50 percent below what their farms could produce per hectare.¹⁶ Outdated farming methods, low quality planting material, lack of access to farming inputs, technology and finance, and an absence of financial incentives to improve depleted soil fertility or replace ageing trees, are all features of this downward cycle. It takes up to five years for a cocoa tree to bear fruit and then good crops can be harvested for the next 20 years. But with many trees more than 25 years old they are long past peak productivity.

Farmers are often unable to pay decent salaries for workers on their farms when they need extra labour. Hired workers in Côte d'Ivoire receive as little as \$209 per year, far below even the minimum wage set by the government.¹⁷

For women, the situation is acute. In Côte d'Ivoire, women carry out 68 percent of the labour involved in cocoa farming and yet the Africa Development Bank estimates that they earn just 21 percent of the income generated.¹⁸ Women-run cocoa farms make up about a quarter of the total in West Africa.¹⁹ Research by the KIT Royal Tropical Institute has shown that female-headed households in Ghana have around a third less income than male-headed households.²⁰ Women who do not have a partner to share the farm work need to hire more casual labour, increasing their costs.

Across the agricultural sector, women in developing countries have limited access to resources and are discriminated against. In fact, Côte d'Ivoire and Ghana are ranked 155th and 131st respectively in the UN's Gender Inequality Index (out of 160 countries).²¹ Just 25 percent of women cocoa farmers in Côte d'Ivoire own land. Women often experience obstacles in securing legal title for their land, even in circumstances when their husband has died and they are running the family farm themselves. Without land titles, they are often excluded from saving and credit systems, access to training, co-operative membership and certification schemes. Women are often under-represented in farmers' organisations and public meetings, and face discrimination when it comes to securing leadership roles.²²



¹⁶ This figure is based on KIT research, which found productivity to be between 351kg and 432 kg per hectare, and the Fairtrade Living Income strategy which recommends a productivity benchmark of 800 kg/ha. However, higher yields are possible. Marcelo Tyszler, Roger Bymolt and Anna Laven, *Demystifying the cocoa sector in Ghana and Côte d'Ivoire* (KIT Royal Tropical Institute, 2018) <https://www.kit.nl/wp-content/uploads/2018/11/Demystifying-cocoa-sector-chapter10-production-and-yield.pdf>

¹⁷ International Labor Rights Forum, *The Fairness Gap: Farmer Incomes and Root Cause Solutions to Ending Child Labor in the Cocoa Industry* (2014) https://laborrights.org/sites/default/files/publications/Fairness%20gap_low_res.pdf

¹⁸ African Development Bank *Economic Empowerment of African Women through Equitable Participation in Agricultural Value Chains* (2015) https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/Economic_Empowerment_of_African_Women_through_Equitable_Participation_in_Agricultural_Value_Chains.pdf

¹⁹ Antonie Fountain & Friedel Huetz-Adams, *Cocoa Barometer 2018*

²⁰ Median total income is US\$1,153 a year for female-headed households, compared to US\$1,740 a year for a typical male-headed household. Marcelo Tyszler, Roger Bymolt and Anna Laven, *Analysis of the income gap of cocoa producing households in Ghana* (KIT Royal Tropical Institute, 2018) <https://cocoainitiative.org/knowledge-centre-post/analysis-of-the-income-gap-of-cocoa-producing-households-in-ghana>

²¹ UNDP, *UN Human Development Report 2018* <http://hdr.undp.org/en/composite/GII>

²² Antonie Fountain & Friedel Huetz-Adams, *Cocoa Barometer 2018*

Salimata Diakite, mother of six, says:

IT'S REALLY HARD BEING A FEMALE COCOA FARMER. BEFORE WOMEN WERE DOING A LOT OF TASKS, WOMEN DO EVERYTHING, RIGHT UNTIL THE COCOA DRIES. BUT WHEN THE COCOA HAS DRIED, THE MEN TAKE THE COCOA, SELL IT AT THE CO-OPERATIVE AND ARE NEVER ACCOUNTABLE TOWARDS WOMEN.

Child labour is a major concern, with an estimated 2.1 million children working in cocoa fields in Côte d'Ivoire and Ghana.²³ International Labour Organisation (ILO) conventions permit children to help their parents with a limited amount of work out of school hours, including at harvest time, but such work must be guided by an adult, must not affect their education and must not be dangerous or forced. Work on cocoa farms can be very hazardous, with potential exposure to dangerous pesticides and other chemicals, and the use of machetes to extract beans from the pods. Children who work often miss out on their education, and are locked into a cycle of poverty which passes on to the next generation.

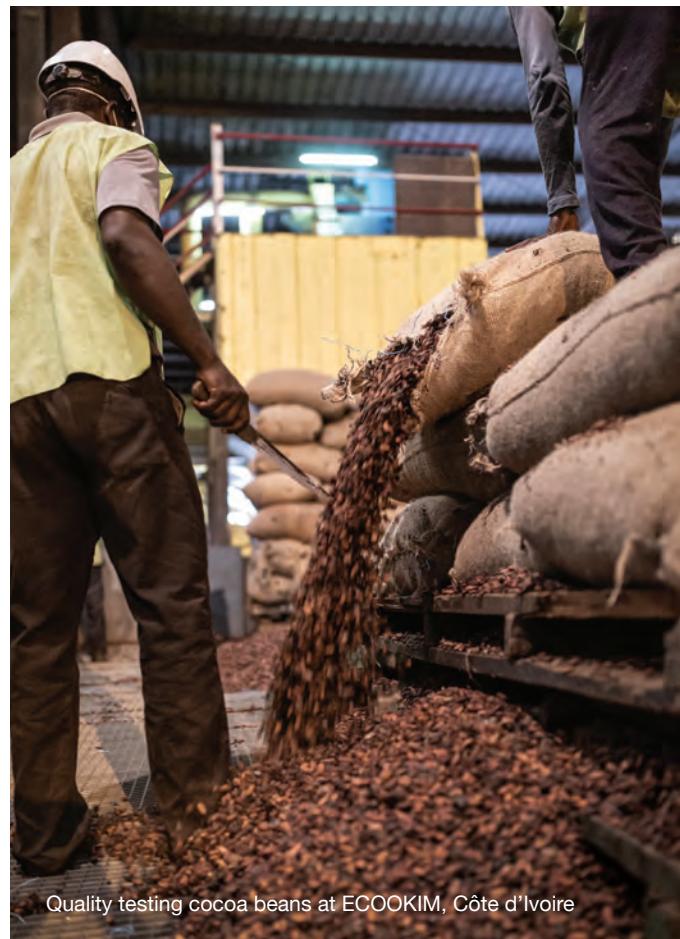
Low incomes and poor productivity in cocoa are also fuelling forest deforestation. It is estimated that Ghana lost 7,000 square kilometres of forest between 2001 and 2014, or about ten percent of its entire tree cover. Approximately one quarter of that deforestation was connected to the chocolate industry.²⁴ And in Côte d'Ivoire, it is estimated that 57 percent of land cultivated for cocoa outside certified sources originates from primary forest.²⁵

Power in the chocolate supply chain is highly concentrated, with cocoa farmers having next to no power to influence the price they are paid for their cocoa. Just nine global companies dominate the cocoa industry from trading and grinding to processing and manufacturing.²⁶ Eight traders and grinders control approximately 75 percent of the worldwide cocoa trade. The opening up of the cocoa trade in the late 1980s saw the arrival of the major commodity traders. Cargill, Barry Callebaut and Olam dominate world cocoa processing.²⁷ Barry Callebaut and Cargill produce about 70-80 percent of the world's couverture, a high-end chocolate containing a high proportion of cocoa butter.

The bulk of the world's cocoa is processed in Europe, though some facilities are now being built in producer countries. In a welcome move for local jobs and infrastructure – as well as opening up the possibility to grow domestic markets for chocolate products – French company Cémoi opened a \$6.7 million plant in Côte d'Ivoire in 2015, its first chocolate factory.²⁸ But sadly, this is the exception.

On the manufacturing side, six big brands account for half of the global chocolate market – Mars, Mondelēz, Nestlé, Ferrero, Hershey, and Lindt & Sprüngli.²⁹ And this concentration has increased as cocoa and chocolate companies have merged or been taken over by competitors. In such an asymmetrical market that favours buyers and traders, the position of farmers is further weakened.

For every tonne of cocoa sold, farmers are estimated to receive less than seven percent of the value. By comparison, manufacturers capture an estimated 35 percent share and retailers 44 percent.³⁰



Quality testing cocoa beans at ECOOKIM, Côte d'Ivoire

²³ Antonie Fountain & Friedel Huetz-Adams, *Cocoa Barometer 2018*

²⁴ Ettelle Higonnet, Marisa Bellantonio & Glenn Hurowitz, *Chocolate's Dark Secret*. (Mighty Earth 2018) https://www.mightyearth.org/wp-content/uploads/2017/09/chocolates_dark_secret_english_web.pdf

²⁵ Vincent Fobelets & Adrian de Groot Ruiz, *The True Price of Cocoa from Ivory Coast* (True Price 2016) <https://www.chocolatemakers.nl/wordpress/wp-content/uploads/2016/04/TP-Cocoa.pdf> Page 21

²⁶ Emiko Terazono 'Welcome to the world of Big Chocolate' FT 18 December 2014

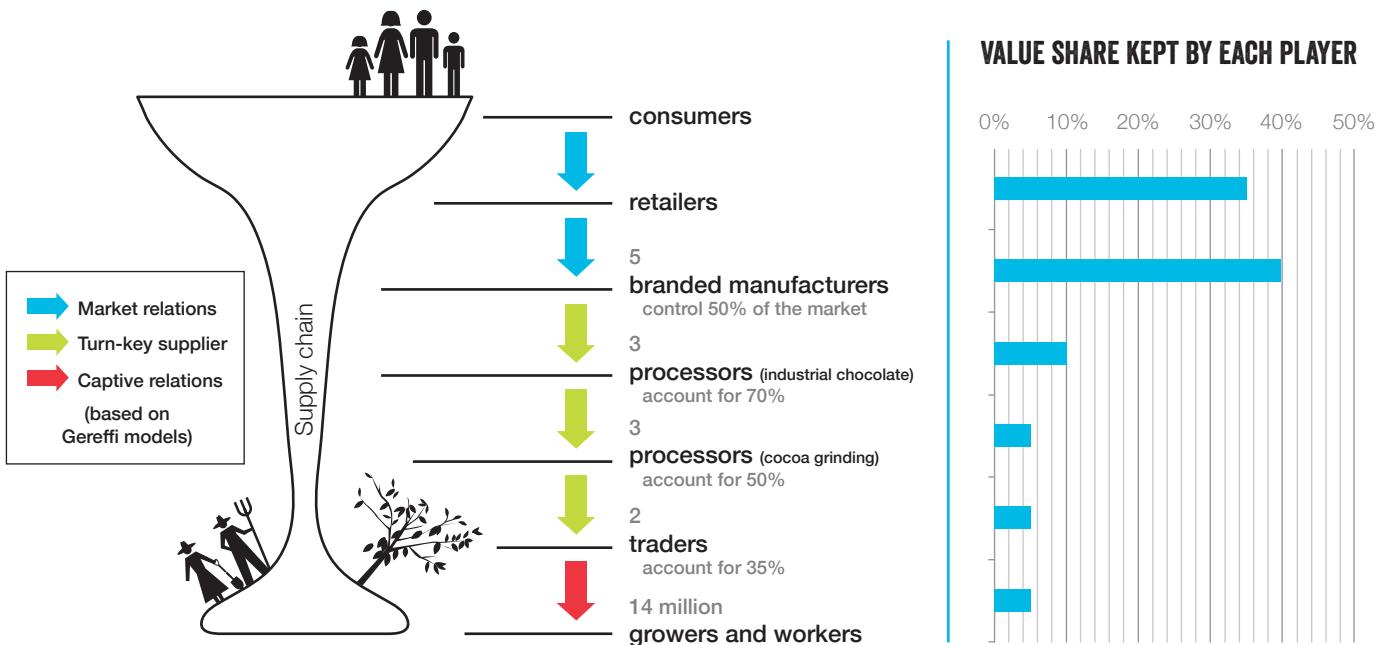
²⁷ Antonie Fountain & Friedel Huetz-Adams, *Cocoa Barometer 2018*

²⁸ An innovative move in May 2015 saw French company Cémoi open a \$6.7m processing plant – Côte d'Ivoire's first industrial-scale chocolate factory – which will market products locally and regionally, making chocolate available and affordable to West Africans for the first time.

²⁹ Mars 13.3%, Mondelēz International 11.2%, Nestlé 8.8%, Ferrero 8.8%, Hershey, 5.3%; Lindt & Sprüngli, 2.4%, according to Candy Industry in 2014.

³⁰ BASIC & The French Fairtrade Platform, *The Dark Side of Chocolate* (2016)

³⁰ 6.6%. Antonie Fountain & Friedel Huetz-Adams, *Cocoa Barometer 2015*

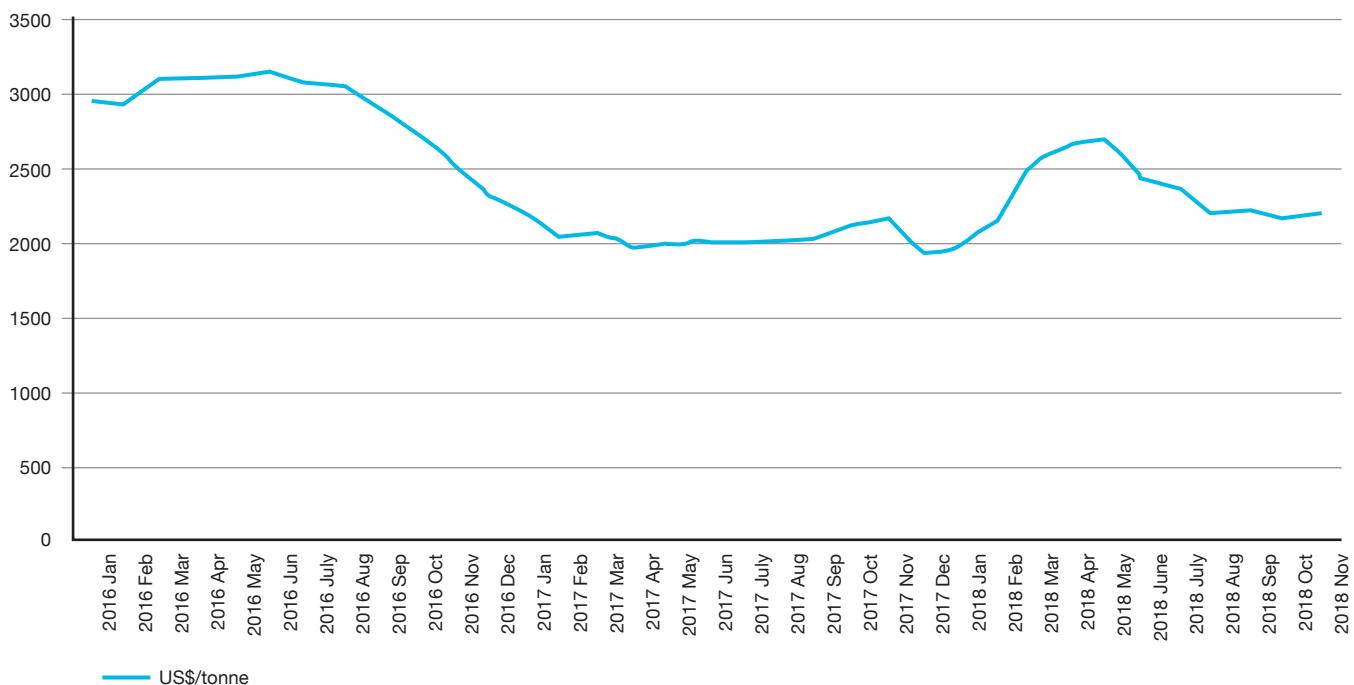


Source: Fair Trade Advocacy Office

The price of cocoa plummeted dramatically between September 2016 and February 2017. Smallholder cocoa farmers in Côte d'Ivoire saw their primary source of income decline by as much as 30-40 percent from one year to the next.³¹

Subsidies have protected farmers in Ghana, at least for the last two years, while producers in other countries felt the price decline immediately.³²

Figure 1: ICCO prices of cocoa per tonne in US dollars



³¹ Antonie Fountain & Friedel Huetz-Adams, *Cocoa Barometer 2018*

³² Antonie Fountain & Friedel Huetz-Adams, *Cocoa Barometer 2018*

The drop was caused by a large increase in supply, which in turn was driven by a combination of factors. These included a string of production bounces after several years of poor output caused by adverse weather. Tree planting in the previous three to five years as cocoa became an attractive option for some farmers may also have contributed, along with an increase in productivity programmes.

Commodity trading can exacerbate underlying trends in price volatility, and in this case, the speed of the price decline could have been partially due to panic selling, with the increasing use of computer algorithms in the cocoa market facilitating the selling off of investments quickly.³³

FAIRTRADE'S MODEL

Fairtrade is designed to protect people and the planet from exploitation by addressing the power imbalances and injustices of conventional trade. To be Fairtrade certified, producer organisations and traders must follow its social, environmental and economic standards, called the Fairtrade Standards. Among other requirements, this includes:

- Fair terms of trade: payment of the Fairtrade Minimum Price, which acts as a safety net when market prices fall. In addition, the Fairtrade Premium, an extra sum for farmers to invest in their communities or businesses as they see fit.
- Adherence to a wide range of human rights, women's rights and worker's rights requirements, including core International Labour Organization (ILO) conventions prohibiting human trafficking, forced labour and the worst forms of child labour.
- Fairtrade organisations must also protect the environment, and the Standards include rules on biodiversity, improving water and soil, reducing the use of pesticides and preventing deforestation.



‘ FAIRTRADE PREMIUM HAS FIRST AND FOREMOST GIVEN PRODUCERS THE POWER TO PURCHASE WHAT THEY NEEDED. IT ALSO ENABLES US TO CARRY OUT SOCIAL MEASURES FOR THE COMMUNITY AND THAT STRENGTHENS THE BASE. ’

Daniel Tanoj Djue, Vice President, Capressa co-operative

Existing sustainability initiatives to improve the lives of cocoa farmers are welcome, but are not enough. Over the last decade, a number of multi-stakeholder initiatives and in-house initiatives with significant investment behind them have been developed, and today all of the big cocoa companies either source certified cocoa or have established in-house sustainability schemes. These range from interventions aimed at improving productivity and farming practices on cocoa farms to combating deforestation. These efforts to improve the lives of farmers, communities and the environment are welcome, but the cocoa industry itself has recognised that these have not been enough to achieve significant impact at the scale required.³⁴

Many schemes have focused on productivity, since cocoa farms typically have the potential to increase output, for instance by replacing ageing trees. Fairtrade's own experience is that improved productivity can be a helpful component of moving towards living income. For example, farmer Rosine Bekoin saw her productivity double after joining Fairtrade in 2016, a welcome boost to her income when the price cocoa farmers received dropped by 30-40 percent. She said: 'In 2017 I had one tonne, and in 2018 I had 1.5 tonnes, so I can see that the training from Fairtrade enabled me to increase the income from my farm.'

However, productivity is not a silver bullet, as increased supply will interact with the market in complex ways. Improvements in productivity across West Africa, combined with favourable weather, have led to a surge in production during the last two years, arguably contributing to a collapse in the world market price of cocoa. The Ivorian government, in the context of this price crash, has placed a temporary restriction on productivity interventions.³⁵

Fairtrade's view is without taking serious action to increase the price and value received by farmers, other programmatic interventions are likely to fail. A more holistic approach is needed. The goal of living income should therefore become the focus for the design of programmatic interventions, and also demand a radical new approach to pricing. Fairtrade is currently the only certification scheme that pays a guaranteed minimum price, which is due to rise by 20 percent in 2019.

For there to be any real change in the situation facing farmers, the whole cocoa industry must commit to enabling farmers to achieve a living income.

³³ Ibid

³⁴ 'Since the first World Cocoa Conference and the drafting of the Global Cocoa Agenda in November 2012, sector-wide efforts have proliferated to improve the lives of farmers, communities and the environment. However, these have not been enough to achieve significant impact at scale.' ICCO Berlin Declaration of the Fourth World Cocoa Conference (2018) <https://www.icco.org/about-us/icco-news/387-berlin-declaration-of-the-fourth-world-cocoa-conference.html>

³⁵ Fairtrade recognises and respects the Ivorian government's current ban on productivity projects.



Women at CAYAWE co-operative in Aniassue
in Côte d'Ivoire chaff cocoa beans at the
end of a day drying them in the sun

CHAPTER 2 – FAIRTRADE’S APPROACH TO LIVING INCOMES IN COCOA

Farmers and workers deserve to earn enough to achieve a decent standard of living, so they can send their children to school, eat nutritiously throughout the year, have some savings for unexpected setbacks, retain future generations in farming and allow elders to retire with dignity.

Defining a living income

Living income is closely related to the concept of a living wage, but it is not the same. While living wage refers to the wage earnt by an employee, living income is used for smallholder farms where farmers do not work for an employer, but depend on income generated from farming.

The terms living income and living wage may be relatively new, but the idea behind them is not. Seventy years ago, the Universal Declaration of Human Rights set out many basic rights that everyone, everywhere should be able to enjoy to lead a dignified life. Article 23 (c) states that ‘Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection.’³⁶

A living income, simply put, should cover the costs of food water, housing, education, healthcare, transport, clothing and other essential needs, including provision for unexpected events.

But what does a living income mean in practice? Studies in cocoa communities by Fairtrade International and by The Living Income Community of Practice are helping to put numbers behind this relatively new concept.³⁷ These studies have estimated the living income to be approximately US\$2.50 (approx. £1.86) per person per day in Côte d’Ivoire and US\$2.16 (approx. £1.60) per person per day in Ghana.³⁸



³⁶ UN Declaration on Human Rights <http://www.un.org/en/universal-declaration-human-rights>

³⁷ See endnote with list of the studies.

³⁸ Estimated figures are based on best available evidence at the time of publication. Conversions into £ are approximations as they are based on 2018 exchange rate (exchange rates fluctuate therefore \$ are most accurate). See endnote with list of the studies.

A typical farmer's current income	Extreme poverty line	A living income
Côte d'Ivoire: Less than \$1 (74p) per day	Ghana: Around \$1 (74p) a day	\$1.90 (approx. £1.41) per day

Fairtrade's approach

Achieving living incomes in cocoa requires a comprehensive approach bringing together tactics such as raising productivity, farm efficiency and Fairtrade sales. Central to success is increasing the price farmers receive, and **that is why Fairtrade has introduced the new Living Income Reference Price.**



Cocoa farmer Beatrice Boakye, member of Asuadai co-operative, preparing food outside her house, Ghana

Setting the Living Income Reference Price

Fairtrade has estimated the price needed for an average farmer household to make a living income to be US\$2,668 per metric tonne at farm gate for Côte d'Ivoire and US\$2,301 per metric tonne at farm gate in Ghana.

This price has been established after extensive research, including the benchmark studies mentioned above, and consultation with stakeholders including cocoa farmers, traders, companies, researchers, civil society and governments.

In order to work out the price needed to achieve this living income – the Living Income Reference Price – we took into account four parameters.³⁹

PARAMETERS OF THE LIVING INCOME REFERENCE PRICE

1. Cost of a decent standard of living (living income benchmark)



The Living Income Community of Practice studies calculated this to be US\$2.16 per person per day in Ghana and US\$2.50 per person per day in Côte d'Ivoire.⁴⁰

2. Sustainable yields (productivity benchmark)



Adequate productivity levels are determined based on feasible yields, obtained when implementing sustainable agricultural practices.

Cocoa farmers were asked what a realistic productivity target would be and agreed a yield of 800kg/ha is realistic. It is currently 437kg/ha on average in Côte d'Ivoire.⁴¹

3. Viable farm size (to fully employ the available household labour)

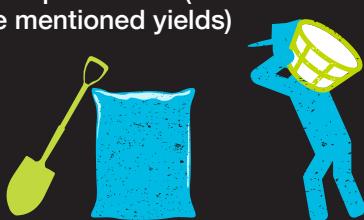


This means there needs to be enough land to grow enough cocoa to generate a living income, grow food for the household and have some fallow land.

The average household in Côte d'Ivoire contains 8 people, in Ghana 6.

Taking the above into account the viable farm size was established at 5.25 hectares in Côte d'Ivoire and 4 hectares in Ghana.

4. Cost of sustainable production (in order to achieve above mentioned yields)



The main costs include fertiliser, pesticides, hired labour (paid a living wage),⁴² and investment in equipment and infrastructure.

We have calculated these costs to be US\$432 and US\$415 per hectare in Côte d'Ivoire and Ghana respectively.

**LIVING INCOME
REFERENCE PRICE**

=

$$\frac{\text{cost of decent living} + \text{cost of sustainable production}}{\text{viable land area} \times \text{sustainable yields}}$$

³⁹ More information on how the Living Income Reference Price is calculated can be found here: https://www.fairtrade.net/fileadmin/user_upload/content/2009/news/releases_statements/2018-12_ExplanatoryNote_FairtradeLivingIncomeReferencePriceCocoa.pdf

⁴⁰ See endnote.

⁴¹ Fairtrade acknowledges and respects the current Ivorian government ban on productivity projects.

⁴² Assuming comparable household compositions for rural workers and farmers, proxy living wages are estimated based on The Living Income Community of Practice benchmark study results (see endnote), at US\$9.25 per day in Côte d'Ivoire and US\$8 per day in Ghana.

Increases to the Fairtrade Minimum Price and Fairtrade Premium

It will take time to achieve living incomes for cocoa farmers, and Fairtrade cannot do it alone. Only eight percent of cocoa produced in both Côte d'Ivoire and Ghana is Fairtrade certified.⁴³ And, although Fairtrade already provides important benefits to farmers, we need to do more. We want to see farmers selling more of their cocoa on Fairtrade terms. It is also crucial that prices begin to rise.

We are **significantly increasing the Fairtrade Minimum Price and Premium farmers receive from October 2019 to help close the gap**. Fairtrade is the only certification scheme that has a mandatory minimum price, which acts as a safety net for farmers when market prices fall while allowing them to benefit when market prices rise.

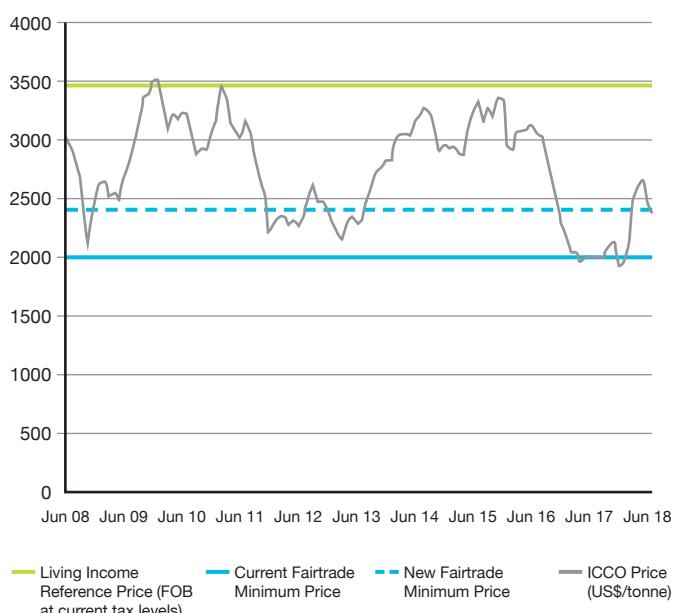
The Fairtrade Minimum Price for cocoa will rise to \$2,400 per metric tonne at the point of export (known as FOB, or Freight on Board), a 20 percent increase. For organic cocoa, the Fairtrade price will be \$300 above the market price or the Fairtrade Minimum Price, whichever is higher at the time of sale, a change from the current minimum fixed price of \$2,300 per metric tonne for Fairtrade certified organic cocoa.⁴⁴ The current cocoa price set by the government of Côte d'Ivoire, the world's biggest cocoa producer, is \$2,124 at FOB.⁴⁵ Fairtrade buyers pay farmer organisations the differential when the Fairtrade Minimum Price is higher.

The Fairtrade Premium will also be increased from \$200 to \$240 per metric tonne, the highest fixed premium of any certification scheme. The Fairtrade Premium is an amount on top of the selling price. The full amount is paid directly to farmer organisations to spend on projects of their choice. The Premium helps to build strong and viable co-operatives that can respond to their members' needs and strengthen them as long-term business partners for buyers.



⁴³ 8% of CDI cocoa is Fairtrade certified (160,815 MT), based on the most update 2016 Fairtrade International monitoring data combined with Cocoa Barometer data. Approximately 8% of Ghana cocoa is Fairtrade-certified (67,975 MT), based on the most update 2016 Fairtrade International monitoring data combined with Cocoa Barometer data.

Figure 1: Fairtrade Living Income Reference Price for Côte d'Ivoire in relation to historical world market cocoa prices and Fairtrade Minimum Price



FARMERS HAVE BEEN BADLY SQUEEZED BY LOW WORLD PRICES, SO THE HIGHER FAIRTRADE MINIMUM PRICE AND PREMIUM HELP TO LEVEL THE PLAYING FIELD FOR A MORE SUSTAINABLE FUTURE.

Fortin Bley, a Côte d'Ivoire cocoa farmer and chairperson of Fairtrade Africa's West African Network

Impact of Fairtrade

Although there's more work to be done to achieve a living income, farmers have been benefiting from Fairtrade since it was established 25 years ago.

Over the past five years, Fairtrade cocoa co-operatives have earned \$118.9 million in Fairtrade Premium to spend on projects of their choice that benefit their businesses and communities. In 2017 alone, Fairtrade cocoa farmer co-operatives earned nearly \$43 million in Fairtrade Premium to invest in their communities and businesses.⁴⁶ The case studies in this report outline the positive difference that this investment has already made to farmers and their communities.

⁴⁴ As announced in December 2018 <https://www.fairtrade.org.uk/Media-Centre/News/December-2018/Cocoa-farmers-to-earn-more-through-a-higher-Fairtrade-Minimum-Price>

⁴⁵ Set in West Africa CFA francs (XOF) at 1,201,838 per metric tonne.

⁴⁶ These figures are based on Fairtrade sales data (detail not yet published as of January 2019). These figures were converted from Euros (The premium earnt over last 5 years was €103.2 million, and in €38 million in 2017).

When consumers enjoy chocolate with Fairtrade ingredients they are helping to make a huge difference to cocoa farmers' lives. There is a huge range of Fairtrade chocolate sold throughout the UK's high streets and in addition to 100 percent Fairtrade companies such as Divine, major high street brands such as Mars, Nestlé and Green & Blacks source high volumes of Fairtrade cocoa.

THE MINIMUM PRICE IS ONE OF THE ADVANTAGES OF THE FAIRTRADE LABEL COMPARED TO OTHERS... WHEN THE MARKET PRICE FALLS, WE AUTOMATICALLY USE THE MINIMUM PRICE. THIS ALLOWS THE PRODUCERS TO KEEP FARMING AND EVEN TO IMPROVE THE PRODUCTION.

Ebrotié Tanoh Florentin, cocoa farmer and General Secretary of CEAA, Côte d'Ivoire



We're also working to expand the volume of cocoa that farmers sell on Fairtrade terms and working with chocolate companies to increase the amount of Fairtrade chocolate sold to UK shoppers.

Since 2014, for example, businesses have been able to source Fairtrade certified cocoa as an ingredient in composite products without all other ingredients being Fairtrade sourced. In 2017, Co-op made a landmark sourcing commitment when it became the first retailer to switch the cocoa in all its products to Fairtrade.

Commitments such as these have led to increased sales for farmers: in 2018, the global volumes of Fairtrade cocoa sold from Côte d'Ivoire and Ghana grew by 57 percent.⁴⁷

Incomes must be at the heart of company sustainability efforts

As discussed in the previous chapter, it's time that sustainability efforts in cocoa were refocused on the shared goal of achieving living incomes. Fairtrade pioneers Divine and Café Direct showed the world that business could be done differently when they set up models that shared their profits with producers. Divine remains the first and only 100 percent Fairtrade chocolate company that is farmer-owned, while 50 percent of profits from Café Direct go to a charity set up to support farmers directly. A recent arrival in the UK, Dutch chocolate brand Tony's Chocolonely has also placed living incomes at the heart of its business strategy, with a commitment to pay higher prices for its Fairtrade cocoa. Its annual report states: 'When cocoa farmers have good living conditions the likelihood of child labour and other types of illegal labour decrease significantly.'⁴⁸ The company has carried out its own calculations to close the living income gap and now pays that sum, in addition to a commitment to pay the Fairtrade Minimum Price and Premium.

Fairtrade Africa goes further to support farmers

The producer network Fairtrade Africa offers a range of services to co-operatives. Additionally, and in recognition of the specific challenges facing cocoa farmers, the Fairtrade West Africa Cocoa Program was established in 2016 to provide further support to cocoa farmers. The programme helps co-operatives to become stronger, more inclusive and viable businesses that are better equipped to respond to their members' needs. It is helping thousands of farmers by giving co-operatives technical support and training, which supplements the financial benefits they receive through sales under Fairtrade terms. This means farmers have the resources to put the training into action and are able to purchase whatever resources, tools, transport or equipment they need to run their farms. Linked to this, Fairtrade is carrying out monitoring and evaluation to assess the impact of its long-term goal of increasing farmers' incomes.

⁴⁷ Fairtrade International Annual Report 2017-2018 https://www.fairtrade.net/fileadmin/user_upload/content/2009/about_us/annual_reports/2017-18_FI_AnnualReport.pdf

⁴⁸ Tony's Chocolonely Annual Report 2017-2018 https://tonyschocolonely.com/storage/configurations/tonyschocolonelycom.us/files/jaarfairslag/2017-2018/tonyjfs_201718_complete_eng.pdf

Awa Traoré, Director General, CAYAT co-operative, says: 'We provide a lot of training and coaching to producers in all kinds of good agricultural practices to improve their capacity. We work with Fairtrade Africa to deliver training to producers in the field, including financial management and entrepreneurship, on top of agricultural practices.'

In order to make it accessible, we've also built a radio station to share these messages. It's a really important tool to communicate with many farmers. We fight against child labour, and every year we put 65 million CFA into projects to ensure that farmers' children can attend school. All of this has been possible thanks to Fairtrade Premium.'



WOMEN'S SCHOOL OF LEADERSHIP

In rural cocoa farming communities, women typically rise at 5am to carry out chores such as cooking, cleaning or fetching water from the village well. They then head to the fields where they toil all day to cultivate and harvest cocoa pods until their evening tasks begin. The additional burden of domestic responsibilities means that women have less time to spend on farming, which affects their earning potential.

With the aim of empowering women and increasing women's leadership in Fairtrade co-operatives, Fairtrade Africa set up the Women's School of Leadership in 2017. The project, funded initially by Co-op and Compass Group UK and Ireland, has been supporting women to gain practical skills and greater confidence. Anne Marie Yao, Fairtrade Africa's Regional Cocoa Manager, runs the project. She says: **'Women already have the skills and capacity to make a difference, so if we give them the resources and power they will have an influence.'**

Graduate Salimata Diakite, a mother of six, says: **'It's really hard being a female cocoa farmer. Before women were doing a lot of tasks... women do everything, right until the cocoa dries. But when the**

cocoa has dried, the men take the cocoa, sell it at the co-operative and are never accountable towards women. But with Fairtrade Africa's school, we can teach our men gently and with negotiations that this is not the way things should go, since we are all working together.'

The first group of graduates are sharing their newfound skills and inspiring others in their communities with their achievements by starting new businesses or taking up leading roles in co-operatives.

Since graduating, Awa Traoré, Director General of CAYAT co-operative, has focused on sharing her experiences further. With funding from the Fairtrade Premium, she has set up a radio station to share the importance of gender equality, among other topics. In addition, Awa has been part of efforts to increase the involvement of co-operative members' wives through CAYAT's Women's Society. Together they advocate for more women to access land. Awa says: **'Women are very important in the development process. If you want to change the lives of producers, you have to focus on women.'**



ROSINE BEKOIN, GRADUATE OF THE FAIRTRADE AFRICA WOMEN'S SCHOOL OF LEADERSHIP AND SECRETARY OF THE WOMEN'S SOCIETY, CAYAT, CÔTE D'IVOIRE

Rosine Bekoin, a mum of five, is one of the 25 percent of women in Côte d'Ivoire who does own her own land. She runs a 2.5-hectare farm, which she inherited from her mother. Rosine used to sell her cocoa to local middlemen but struggled to make a decent living. After joining the farming co-operative CAYAT, she received training in quality and good agricultural practices helping to increase her production by 50 percent. This was a welcome boost to her income, which she put towards building a new house. Now, through the women's society, more than 400 women are collectively investing their Fairtrade Premium in income diversification projects, such as a communal vegetable garden. Growing food crops to sell locally provides a good source of additional and independent income, particularly for the women who don't own land. They grow other food crops like cassava, aubergines and bananas to provide an independent income that supplements cocoa.

As Rosine says: '**Diversification is important; having cassava, chilli, bananas in the field brings us a lot of revenue. This benefits the children, because outside of the cocoa harvesting season, when the income isn't there, it's the women who have sold other things who contribute to the family income to pay for school fees.**'

Ever entrepreneurial, the group is expanding into chicken rearing too, which has a positive effect for their fellow farmers. They are able to buy bags of organic fertiliser produced from the chickens at a much reduced rate. Rosine added: '**Fairtrade Premium encourages us, as women cocoa farmers, to be able to achieve certain things. We know that with Fairtrade there is a Premium waiting for us, and for each woman, you can do what is in your heart.**'



Alphonsine N'Guetia, cocoa farmer,
Coopaza co-operative, Côte d'Ivoire

BEN & JERRY'S AND FAIRTRADE PROJECT IS WORKING TO INCREASE LIVELIHOODS OF COCOA FARMERS BY 25%

Ben & Jerry's is working jointly with Fairtrade, Sustainable Food Lab and Barry Callebaut to make an even greater impact on improving the livelihoods of farmers. The company already sources Fairtrade ingredients for its ice creams, but it wanted to go further to address the systemic problems of low incomes for cocoa farmers. In 2016, Ben & Jerry's started funding an innovative pilot, part of the Producer Development Initiative (PDI), which is being implemented on the ground by Barry Callebaut in partnership with Fairtrade Africa.

The initiative works with three Fairtrade cocoa co-operatives in Côte d'Ivoire – Coopaza, Capressa and Coobadi – to develop stronger business partnerships and to increase the incomes of their 3,800 farmer members. Fairtrade have seen how this holistic approach ultimately ensures farming communities are more resilient to the problems of poverty, child labour and climate change. By putting living incomes at the heart of this programme, Ben & Jerry's and Barry Callebaut are enabling Fairtrade cocoa farmers to invest in their futures.

Ben & Jerry's has worked closely with their cocoa supplier Barry Callebaut to develop an innovative technical support programme and to date, nearly 900 farmers have participated in state-of-the-art farmer field programmes.

Farmers are supported to invest in rejuvenating their farms with individualised plans and access to tools, financing and ongoing coaching. Farmers with older trees face low yields and are more vulnerable to the impacts of climate change. Planting new trees is expensive and can result in loss of income for up to five years, so the programme helps farmers to invest in tree replanting by providing multi-year technical support and sharing costs. Moreover, throughout this period, farmers have the security of the Fairtrade

Premium generated from cocoa sales, and they choose to invest this in whatever suits their individual needs. Early successes witnessed so far in the programme suggests that a combination of sustained increase in cocoa productivity, stable prices, technical services and additional cash crops or enterprises is the best route to achieving a living income. This is an industry-leading approach, as such measures are essential for small-scale farmers to undertake investments that are critical in the long-term.

The Fairtrade Premium enables farmers to respond to the challenges they experience and become more entrepreneurial. For example, Julienne Kouadio yah Assoko, a member of Capressa and a single mother of two teenagers, has seen her yields decline in recent years partly due to unpredictable weather and partly due to a shortage of skilled labour as she needs help on her farm. One way she has responded to this challenge is to supplement her income by investing Fairtrade Premium in diversification. She now grows rubber and vegetables and bought 400 chickens to rear for the local market, all of which are proving profitable. She uses the additional income to pay for her children's education – one is now attending university.

As a widow, Alphonsine has also had the sole responsibility of providing for her three children and has struggled to manage her money in the past, often having to borrow. She has to get up at 4am every day to clean and tidy before walking two hours to her farm where she has two hectares of land. Since taking part in farming school, she is making the most of her land and her production has improved since Capressa gave farmers seeds for shade trees. She also now has a savings account with the co-operative and through training sessions has learnt how to budget. She is saving to build her own home and wants to start up a clothing business. She says: '**Through the co-operative I believe I can achieve things.**'

What's next for Fairtrade?

Fairtrade will be implementing a living income strategy in cocoa, together with farmers, brands and retailers, including improved Fairtrade Minimum Price and Premium, and more programme interventions.

However, reaching a living income for cocoa farmers will require collective action across the industry, as well as an enabling public policy environment. As proud as we are of our impact, only eight percent of cocoa produced in Côte d'Ivoire and Ghana respectively is Fairtrade certified.⁴⁹

It will take considerable effort and commitment from everyone to make living incomes possible. The next chapter lays out an ambitious agenda for action for how we can achieve this goal.



Fairtrade cocoa is kept separately from conventional cocoa after processing at ECOOKIM's warehouse in Abidjan

⁴⁹ 8% of CDI cocoa is Fairtrade certified (160,815 MT), based on the most update 2016 Fairtrade International monitoring data combined with Cocoa Barometer data. Approximately 8% of Ghana cocoa is Fairtrade certified (67,975 MT), based on the most update 2016 Fairtrade International monitoring data combined with Cocoa Barometer data.

CHAPTER 3 – AN AGENDA FOR ACTION

The ambitious goals and targets to end poverty, support small-scale farmers and decent work for all enshrined in the Sustainable Development Goals will not be met unless urgent action is taken to support farmers in some of the poorest parts of the world. Below, we outline an ambitious agenda for action, setting out how governments, chocolate companies, traders, retailers and shoppers can help achieve living incomes for cocoa farmers. It's time cocoa farmers got a sweeter deal.

The UK Government

Whatever happens with Brexit, it's crucial the UK plays a positive role in the international community and continues to play its part in supporting the world's poorest people to escape poverty.

The UK Government played a leading role in creating the Sustainable Development framework, which includes ambitious goals and targets to end poverty, support small-scale farmers and decent work for all. The Government has committed itself to a vision of a 'Global Britain'⁵⁰ and to support developing countries to reduce poverty through trade.⁵¹ DFID's Economic Development strategy commits to spending UK aid in ways that support smallholder farmers.⁵² Given these commitments, it is important that the Government backs efforts to bring about a living income, both through relevant aid interventions, and also by ensuring that UK domestic policy does not result in unintended barriers to action. A particular concern for Fairtrade is the perception amongst many businesses that competition law is a barrier to action on farm-gate prices.⁵³

We call on the UK Government to make sure our trade with developing countries puts poverty reduction first, delivering living incomes for all, especially women, by:

1. Playing a leadership role

The Government should support a global initiative of governments and business to enable living incomes in supply chains, starting with cocoa.

Promising initiatives on cocoa are being developed by other governments that the UK could back in order to drive forward change. The 'Beyond Chocolate' initiative (launched by the Belgian government) brings together over 40 stakeholders including major chocolate manufacturers and retailers, who have committed to ensuring that cocoa farmers they source from receive a living income by 2030 at the latest. The Living Income Task Force (initiated by the German government and to be launched in 2019) is globally focused and aims to develop solutions for a sustainable cocoa sector. Fairtrade is involved in both initiatives.

The UK should actively support the Living Income Task Force.

We recommend that the Living Income Task Force:

- Commit to the goal of ensuring that cocoa farmers receive a living income by 2030 at the latest, in line with the Belgian initiative. Measures to achieve this could include progress towards the payment of a Living Income Reference Price.
- Involve a wide range of stakeholders including chocolate companies, traders and retailers, cocoa-producing governments, farmer organisations, NGOs, certification schemes, unions and social impact investors.
- Require companies – including UK chocolate manufacturers and retailers – to make ambitious, transparent, measurable commitments towards the task force's goals, reporting annually.
- Work with other initiatives to avoid duplication.

⁵⁰ UK Government *Global Britain: delivering on our international ambition* (2018) <https://www.gov.uk/government/collections/global-britain-delivering-on-our-international-ambition>

⁵¹ <https://www.gov.uk/government/publications/trade-white-paper-preparing-for-our-future-uk-trade-policy-government-response/trade-white-paper-preparing-for-our-future-uk-trade-policy-government-response>

⁵² Department for International Trade *Trade White Paper: Preparing for our future UK trade policy* (2018) https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/587374/DFID-Economic-Development-Strategy-2017.pdf

⁵³ Sophie Long & David Taylor, Competition Law and Sustainability: A Study Of Industry Attitudes Towards Multi-Stakeholder Collaboration In The UK Grocery Sector (Fairtrade Foundation 2019) <http://www.fairtrade.org.uk/Resources/Library/Researching/Policy%20Resources>

2. Making living incomes a priority for UK aid

DFID should put achieving living incomes and wages at the heart of its Economic Development strategy, supporting programmes and businesses that take living income seriously.

This could include the establishment of a strategic match-fund facility that would support businesses committed to achieving living incomes for farmers and looking to innovate in their supply chains.

We suggest such a fund:

- Put farmers at the centre. The fund should empower farmers and farmer organisations to shape the interventions that will enable them to increase their incomes.
- Support pilot projects with UK and global companies that will promote sustainable cocoa production, such as by helping to improve farming practices, diversify incomes, renovate trees, and produce more on less land.
- Address local market failures and dysfunctions to address issues such as poor quality fertilisers.

3. Incorporate living income into Government Business and Human Rights policies

A living income is a human right.⁵⁴ It should be upheld by measures aimed at implementing the United Nations Guiding Principles on Business and Human Rights, including Government policy on business and human rights, and other relevant government policy. There should be a level playing field for companies that understand the need to address living income but struggle to do so in isolation.

Some progress has been made with the passing of the Modern Slavery Act, which requires companies to report on action to eradicate slavery and human trafficking from their operations, but the need remains for stronger enforcement of human rights obligations, such as by strengthening human rights due diligence (HRDD) requirements.⁵⁵

The Government should recognise that enabling living incomes, and the payment of fair prices, are central to the realisation of human rights in UK supply chains, and integrate this recognition into policy. This could include:

- Future updates of the Government's National Action Plan on Business and Human Rights⁵⁶ recognising the central importance of living incomes to achieving human rights. This could include expanding public procurement policy to encourage government bodies to procure goods where people are paid living incomes.⁵⁷

- Updating the Modern Slavery Act (Part 6 (5)) to include a requirement that an organisation's slavery and human trafficking statements include information on the progress they are making to ensure farmers and workers in their supply chains achieve a living income or are paid living wages.
- The Government and Competition and Markets Authority (CMA) issuing clearer communications on how businesses can collaborate for sustainability purposes in order to address low farm-gate prices in a manner that would be consistent with competition law, as set out in Fairtrade's recent report on competition law.⁵⁸

The chocolate industry

'We affirm that the cocoa sector will not be sustainable if farmers are not able to earn a living income... All stakeholders should develop and implement policies that enable cocoa farmers to make a living income.'

Recommendation of the World Cocoa Forum (WCF), based on the feedback of 1,500 delegates, Berlin, April 2018⁵⁹

The cocoa industry is highly concentrated among a relatively small number of huge global chocolate manufacturers and traders. There's a high degree of consensus that current farmer livelihoods are unsustainable, and we welcome the range of sustainability initiatives that have been set up by the industry.

However, the experience of the past few years shows that despite intention and investment, a change of focus is needed – one that puts achieving living incomes at the heart of all initiatives. Only with living incomes being paid to farmers can any cocoa be considered sustainable. We need a new approach where higher farm-gate prices are a key component in a holistic approach.

⁵⁴ As set out in Chapter 2.

⁵⁵ The independent review of the Modern Slavery Act's Transparency in Supply Chains clause recommends various measures to strengthen implementation. Independent Review of the Modern Slavery Act Second Interim Report (2019) https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/772529/FINAL_Independent_MSA_Review_Interim_Report_2_-_TISC.pdf

⁵⁶ UK Government Good Business: Implementing the UN Guiding Principles on Business and Human Rights (2016) https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/522805/Good_Business_Implementing_the_UN_Guiding_Principles_on_Business_and_Human_Rights_updated_May_2016.pdf

⁵⁷ Part 18 (iii) of the UK National Action Plan states that UK Government procurement rules already allow for human-rights related matters to be reflected in the procurement of public goods, works and services. UK Government Good Business: Implementing the UN Guiding Principles on Business and Human Rights (2016)

⁵⁸ Sophie Long & David Taylor, *Competition Law and Sustainability: A Study Of Industry Attitudes Towards Multi-Stakeholder Collaboration In The UK Grocery Sector* (Fairtrade Foundation 2019) <http://www.fairtrade.org.uk/Resources-Library/Researching/Policy%20Resources>

⁵⁹ ICCO Berlin Declaration of the Fourth World Cocoa Conference (2018) <https://www.icco.org/about-us/icco-news/387-berlin-declaration-of-the-fourth-world-cocoa-conference.html>



Women work together on each other's farms to collect cocoa pods at harvest time in Affery, Côte d'Ivoire

We recognise that a highly competitive market with low margins means that chocolate companies and retailers are unwilling to increase the price they pay for cocoa overnight, or on their own. That's why we want each company to publicly pledge to paying living incomes within a clear timeframe.

We call on chocolate companies, traders and supermarkets to:

- Join the Living Income Task Force, the multi-stakeholder initiative focused explicitly on ensuring that cocoa farmers receive a living income (as set out above).
- Commit to sourcing their cocoa on Fairtrade terms as a first step.
- Commit to the goal of ensuring that cocoa farmers receive a living income by 2030.

Cocoa-exporting country governments

Cocoa-exporting country governments have a strong role to play, especially in Côte d'Ivoire and Ghana, where the governments set the price that cocoa farmers receive. Cocoa is a vital part of national export earnings, and there are many competing priorities for investment in their countries. A higher cocoa price is critical to allow them to set higher prices paid to farmers, and provide much-needed investment in social and economic development.

Fairtrade does work closely with origin country governments, such as the Conseil du Café-Cacao (CCC) in Côte d'Ivoire, to share findings and develop living income projects, and with consuming countries on policies that would support sustainable trade and human rights.

'This living income benchmark, and its comparison with the current situation for cocoa farmers... will allow us to really understand, and account for, the realities of these households. The Conseil du Café-Cacao is expecting to use the outcomes to fine-tune the interventions currently being implemented by the Ivorian government' – Dr Mamadou Gbongue, Conseil du Café-Cacao

What we can all do

As shoppers we all have considerable power and influence. The growth of ethical consumerism in recent years has signalled to companies that they must become more sustainable and has led to many positive changes. As we launch our new campaign, we encourage people to get involved.

Shoppers can buy Fairtrade chocolate and help to ensure farmers get a better deal. For those who want to go further, there are thousands of community groups across the UK campaigning in support of living incomes for farmers. We encourage everyone to get involved in local events, to support this campaign and sign our petition in support of our ambitious agenda for action.

<http://www.fairtrade.org.uk/petition>



Sacks of cocoa are stored in this warehouse which CAYAT co-operative built using Fairtrade Premium

CONCLUSION

The problems outlined in this report point to a social, economic and environmental disaster that is as unsustainable as it is unjust. If we are to end the poverty experienced by cocoa farmers, action to meet their right to a living income is urgently required. But Fairtrade cannot solve a problem on this scale alone, which is why we are calling for action. All chocolate companies, governments and retailers will need to act on the challenges outlined in this report if we are to succeed.

Companies and governments that act will be supported by the public. In a new survey, 77 percent of people said it is unacceptable that cocoa farmers were often exploited and not earning enough for a decent life. Consumer support for fairer treatment of farmers is also demonstrated by rising Fairtrade sales globally.

The case for action is unarguable. It's time to take away cocoa's bitter aftertaste.



Kra Zelna Madeleine speaks to others as part of the Women's School of Leadership, Côte d'Ivoire

ENDNOTES

All references in this report are based on existing research which was published or internal sources which were the best available at time of publication.

The income-related references in this report are being constantly reviewed by the sector and therefore the estimates that we refer to here are based on the below public sources (the best available as of February 2019):

For Côte d'Ivoire:

- Fairtrade International, *Living Income Reference Prices for Cocoa: An Explanatory Note* (2018) https://docs.wixstatic.com/ugd/0c5ab3_96ae8e48e7a745bea74e4e9982a7cc3e.pdf (also Ghana)
- Benchmark Report prepared for The Living Income Community of Practice (2018) https://docs.wixstatic.com/ugd/0c5ab3_71310ed04c5d4fec8805580ed901c933.pdf
- KIT, *Analysis of the income gap of cocoa producing households in Côte d'Ivoire* (2018) https://docs.wixstatic.com/ugd/0c5ab3_fc3386a550b94a898c7757ee13ab59e6.pdf

For Ghana:

- Benchmark Report prepared for The Living Income Community of Practice (2018) https://docs.wixstatic.com/ugd/0c5ab3_55017cee608047d494f56b496925ae4a.pdf
- KIT, *Analysis of the income gap of cocoa producing households in Ghana* (2018) https://docs.wixstatic.com/ugd/0c5ab3_93560a9b816d40c3a28daaa686e972a5.pdf

All hyperlinks referenced in this report were accessed on 4 February 2019.



Women cocoa farmers working on a demonstration plot, CAYAT co-operative, Côte d'Ivoire

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Sean Hawkey, Simon Rawles

Cover image: Généviève Yapipko, cocoa farmer and member
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