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Does Double Certification Add to the Productivity and Welfare of Smallholder Cocoa Farmers? Evidence from the Northern Peruvian Amazon

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Abstract

Cocoa is mainly grown by smallholder farmers in the lowland tropics of Latin America, West Africa and Indonesia. An increasing share of the global cocoa area is certified to private standards, with Fairtrade, organic, Rainforest Alliance and UTZ being the most important standards, each covering between 2.5 and 15 % of the global cocoa area. Private standards are very important for the cocoa sector in Peru, a country that ranks ninth in global cocoa production but has the fourth largest Fairtrade cocoa area and the third largest organic cocoa area in the world. Although figures on the extent of multiple certification are lacking, it is becoming increasingly common for smallholder cocoa farmers to be double or even triple certified to different schemes. The combination of Fairtrade and organic certification is especially common in Peru and elsewhere. While there is a substantial body of literature investigating the implications of private standards for smallholder farmers, insights on the benefits of multiple certification are lacking. In this paper, we analyse the productivity, income and poverty effects of Fairtrade (FT) and Organic (Org) certification for cocoa farmers in the northern Amazon of Peru. We use cross-sectional survey data from a sample of 583 cocoa farmers in the San Martin Region, of which 288 are certified, including 130 FT and 119 FT-Org certified. We analyse the impact of single and double certification on six different outcome indicators: poverty, poverty gap, total household income, cocoa income, cocoa yield and cocoa price. We use logit, tobit, OLS estimations and propensity score matching techniques. We find that certification in general does not significantly improve yields or incomes, and organic certification is actually found to reduce cocoa yields and household income. This negative effect, however, disappears in double Fairtrade-Organic certification.

Keywords: Cocoa, fairtrade, organic certification, Peru, small farmers