Changes Induced by Certification Practices in the Cocoa Value Chain

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Abstract

This paper focuses on the changes that certification has brought to the cocoa value chain in recent years. Certification has been a common tool for all stakeholders in the cocoa sector. Not only, major chocolate companies committed to source 100 % certified products in the years to come, but also action has been taken by governments, retailers and NGOs to support the introduction of certification to the cocoa value chain. As a result, the increased number of certified cocoa producers and the higher demand for certified cocoa, have led to a restructuration of how cocoa is being traded. One change at the producer level is that village traders tend to disappear while large exporters build direct relations with farmer groups. This shortening of the supply chain is led by certification of cocoa producers and the creation of cooperatives, induced by exporters. We propose a theoretical model of value chain organisation and provide an analysis of the forces involved in shaping the value chain. Our model is supported by primary data collected in Côte d'Ivoire and Indonesia. Results confirm that a shortening of the value chain through certification is by eliminating village traders while the farm gate prices increase only in form of premiums received. Since premiums are projected to disappear or at least decrease in the years to come as a result of mass certification, we expect that farmer groups will see the cost of certification outweighing the benefits. This paper ends by discussing how institutional changes can secure a more positive outcome of certification in the cocoa value chain.

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