

Ethical Certification and Sustainable Transformation of the Cocoa Value Chain: Insights from Ghana

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Abstract

This research analyses the implementation process of one UTZ certification project in Ghana's cocoa sector and the evolving structural transformation in the cocoa value chain. The study focuses on two main levels: immediate effects at the community level and institutional as well as governmental alterations at the national level of Ghana's cocoa sector. Combining global value chain governance analysis with a global governance concept of structural power, the study highlights tendencies of increased power concentration in the cocoa value chain linked to transnational corporations' recent engagement in ethical certification. Based on empirical findings, this study provides a normative discussion on ethical certification's implications for local development perspectives and explores what kind of sustainability of the cocoa value chain is achieved.



Introduction

The global cocoa value chain (CVC) is characterised by high degrees of...

- concentration in the chocolate (6 manufacturers =40%) and processing (2 grinders = 70-80%) industries
- value distribution inequality (with only 6,6% value addition for producers)
- cocoa producers' poverty (mean income of cocoa farmers in the two main exporting countries Côte d'Ivoire 0,50\$/day and Ghana 0,84\$/day)
- environmental degradation in main production areas

Since the 2000s, these challenges led to an increasing consumer pressure on international cocoa and chocolate industry to act more responsible in the CVC. The industry's responses were:

- A rapid growth of CSR projects during the 2000s,
- A step-wise focus shift of CSR interventions in form of infrastructure provisioning in cocoa communities to more sophisticated sustainability projects, new focus mainly on the increase of smallholders' farm productivity as a means for poverty reduction
- Since about 2010, sustainability interventions increasingly use 3rd party ethical/sustainability certification schemes which provide sets of GAP standards and control points to measure the degree of farmers' compliance with the requirements. Already in 2012, 22% of the whole cocoa production was standard-compliant and 10% of the global export market was sold certified by one of the four main sustainability labels existing in the cocoa/chocolate market: Organic, Fairtrade, Rainforest Alliance and UTZ Certified.

Research approach and methods

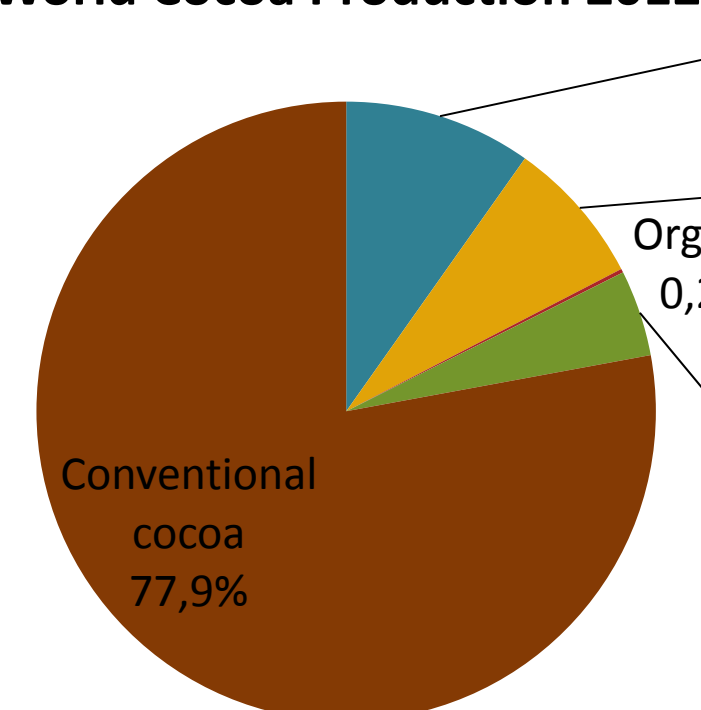
Objective: discussion of power dynamics induced by ethical certification in the cocoa value chain (CVC).

Research questions:

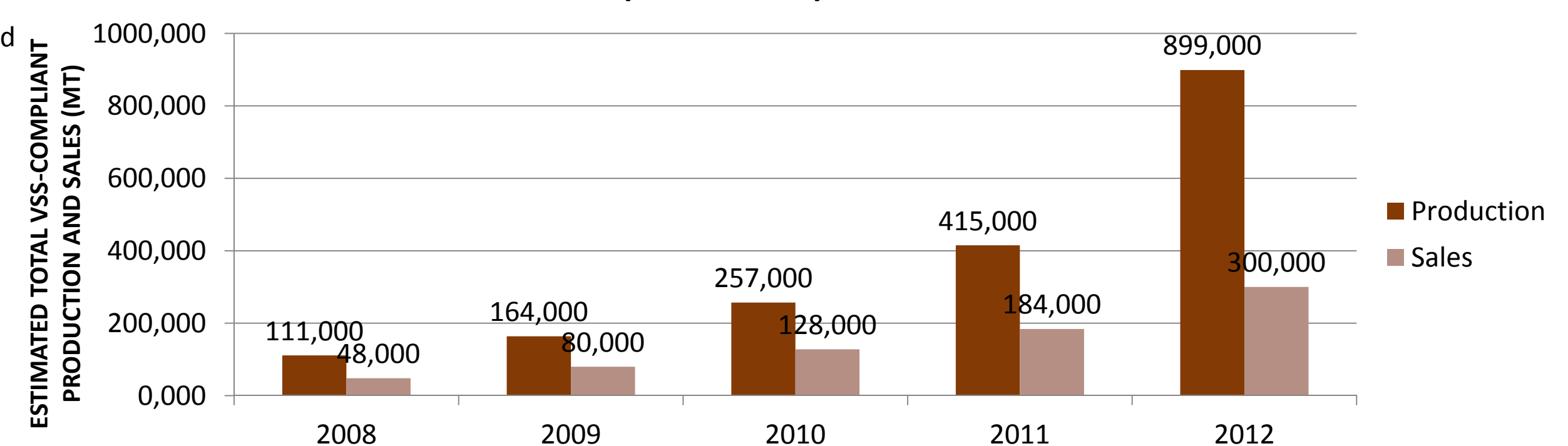
- (1) How do certification projects affect farmers' livelihoods and their cocoa production?
- (2) How does the implementation of ethical certification transform the institutional environment and thereby the governance structure of the CVC?
- (3) How do these dynamics shape power relations in the CVC? To which form of chain development lead transnational private sector-led sustainability interventions?

Case study: Cargill Akuafu Adamfo Cocoa Sustainability (CAACS) project. Ethnographic and quantitative research tools are triangulated. In 2015, 90 semi-structured expert interviews with representatives from public and private sector (producers, national and transnational firms) were conducted. In the beginning of 2017, a questionnaire survey will be conducted. Finally, the discussion of the results is guided by two concepts of governance analysis: global value chain governance and structural power in global governance.

World Cocoa Production 2012



Growth in standard-compliant cocoa production and sales, 2008–2012



Source: Potts, Jason et al. (2015): The State of Sustainability Initiatives Review 2014. Standards and the Green Economy. International Institute for Sustainable Development (IISD) and the International Institute for Environment and Development (IIED), p. 132, 135.

Analytical frame: the industrial–global governance nexus¹

Global value chain analysis

- Input/output structure
- Geographical scope
- Institutional environment
- Industrial governance (market, modular, relational, captive, hierarchical governance)

Global governance analysis

- Structural power over decision-making
- Discursive shaping of political perceptions
- Shifts in processes of agenda-setting
- Creation and dissemination of rules and norms, sanctioning of non-compliance

¹ Similarly Bair, Jennifer/Palpacuer, Florence (2015): CSR beyond the corporation: contested governance in global value chains. In: Gopal Networks, Vol 15, S.1-19.

Case study Cargill Akuafu Adamfo Cocoa Sustainability project: first findings and discussion

CAACS' stakeholders



- Cargill: transnational agricultural commodity and world's second largest cocoa grinding company
- Akuafu Adamfo: the second largest Licensed Buying Company in Ghana
- Solidaridad: Dutch-based NGO provides logistics, knowledge and infrastructure to private sector's sustainability efforts
- UTZ: Dutch-based NGO develops GAP standards, provides training on standards to CAACS staff

Implementation process

CAACS works through a decentralised Internal Management System (IMS) that consists of two main pillars: provision of training on UTZ standards and control over internal marketing through traceability. Targeted farmers enter a contract on conditions of participation, e.g. membership in farmers' group, documentation of farming practices and selling to CAACS. After a successful auditing, each bag of 64kg beans is sold with a bonus of 2€. However, the maximum number of participants is limited, thus leaving the majority of the community out from benefits. The traceability system segregates beans along the internal marketing chain; bags go directly to Cargill plants instead of the public warehouses.

Effects at the community level

Interviewed participating farmers mentioned training as the strongest incentive to join certification, followed by premium and material gifts. Some indicated an increase in quality and quantity of their production, some apply more and some fewer chemicals than before the project participation. Whether this translates into an income increase is not clear yet. However, so far it became apparent that participants do not escape poverty. New local inequalities are created with non-participating farmers lagging behind having no access to training and bonus payment and less productive farmers being more likely to be excluded.

Institutional effects

Two new spheres of transnational corporations' influence are opened: community extension and internal marketing, two formerly publically-dominated areas. By doing so, new local institutions with standards-executing and decision-making positions are established. This leads to an expansion of local influence of Cargill and decreasing public regulatory capacities. Participating farmers enter a quasi-contract farming relation and are now eager to join certification. This in turn is likely to lead to even stronger concentration in the internal marketing system as smaller local buying companies don't have resources to set up an IMS.

Governmental effects

Cargill establishes a relational form of governance with Akuafu Adamfo. Local agricultural practices are influenced through training and control over local produce flows is achieved through traceability. The IMS as structure allows to participate in local and national cocoa sector agenda-setting and to implement and facilitate privately set production and process standards. All together improves Cargill's vertical chain management. In the present case, ethical certification appears to be an important governmental tool rather than to shape structural sources of producers' poverty, like unfair distributional patterns in the value chain or missing farmers' participation in decision-making.