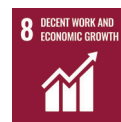


Sustainable Cocoa Production for the Planet and Its People: The Case of Ghana



by Daniele Fattibene

The hidden costs of unsustainable cocoa production for humans and the environment have progressively come to the fore as a key issue at the European and global level. These costs are particularly evident in cocoa-producing countries like Ghana, where the spread of harmful farming practices (such as slash-and-burn)¹ has led not only to deforestation, but also various forms of child labour and exploitation.²

Importing countries like EU member states have a huge responsibility to

promote fairer cocoa supply chains through stronger regulations. Cocoa is indeed one of the main vectors of imported deforestation in the European market, with EU countries importing 36 per cent of products associated with global deforestation.³

According to estimates by the International Labour Organisation (ILO), one in ten of the 16 million people worldwide that are subject to “forced

¹ This is a technique that pushes farmers to destroy swathes of rainforest to grow new cocoa plantations, before moving elsewhere, thereby causing widespread damage to local ecosystems.

² Genevieve LeBaron, *The Global Business of Forced Labour. Report of Findings*, Sheffield Political Economy Research Institute (SPERI) and University of Sheffield, 2018, <http://globalbusinessofforcedlabour.ac.uk/?p=1593>.

³ European Commission, *The Impact of EU Consumption on Deforestation: Comprehensive Analysis of the Impact of EU Consumption on Deforestation*, Luxembourg, Publications Office of the European Union, 2013, <https://op.europa.eu/s/onPL>. See also European Commission, *Commission Staff Working Document Accompanying the Document Establishing a European Pillar of Social Rights (SWD/2017/201)*, 26 April 2017, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52017SC0201>.

Daniele Fattibene is Research Fellow at the Istituto Affari Internazionali. This IAI Commentary is part of a project entitled “The African Century: People, Agriculture and the Environment”. The project was realised with the support of the Policy Planning Unit of the Italian Ministry of Foreign Affairs and International Cooperation pursuant to art. 23-bis of Presidential Decree 18/1967. The views expressed in this report are solely those of the author and do not necessarily reflect the views of the Italian Ministry of Foreign Affairs and International Cooperation.

labour" work⁴ in the agriculture, fishing and forestry sectors.⁵ Long and opaque food value chains are marked by strong asymmetries in bargaining power, with a few large retailers and other corporate food giants able to dictate how food is paid for at the source, and then distributed and consumed.⁶

This has led to a steady erosion in the share of end consumer prices left to small-scale farmers and agricultural workers, as well as a progressive reduction of their rights in a number of global food value chains, including cocoa.⁷

Ghana is the second-largest producer of cocoa in the world after the Ivory Coast, with an estimated annual production of over 800,000 metric tonnes, generating around 10 per cent of GDP.⁸ Cocoa is thus a major source of employment, especially for smallholder farmers, who

represent more than two-thirds of the 800,000 farmers involved in cocoa production.

The whole supply chain, from harvest to market and export, is overseen by a national authority, the Ghana Cocoa Board (COCOBOD). This is the only body entitled to grant private companies licenses to buy cocoa from farmers at a fixed price in Ghana and then export it abroad. All farmers are paid a so-called "farm gate price", an amount that is set twice a year and is usually a percentage (generally 70 per cent) of the world cocoa price.

Cocoa price is therefore highly exposed to global fluctuations, which have huge repercussions for farmers. For example, the 30 per cent decline in its global price between 2016 and 2017 (from 3,000 to 1,900 US dollars within a few weeks), caused huge losses to smallholder farmers. A similar crunch has occurred after the COVID-19 pandemic, with the October 2020 cocoa price 13 per cent lower than in October 2019.⁹ It is no coincidence therefore that poverty has increased among Ghanaian farmers.

Moreover, cocoa production has impacted children's lives in Ghana. Although some laws to protect children's rights exist, such as the Elimination of the Worst Forms of Child Labour, poverty triggers child labour in cocoa plantations. Estimates note that more than 2 million children work in cocoa fields in the Ivory Coast and Ghana, in stark contrast to the

⁴ Forms of forced labour include debt bondage (up to 70 per cent in agriculture), withheld wages (24 per cent), and threats and acts of physical violence (16 per cent). See ILO website: *Forced Labour, Modern Slavery and Human Trafficking*, <https://www.ilo.org/global/topics/forced-labour>.

⁵ Elizabeth Grossman, "Did Slaves Produce Your Food?", in *Civil Eats*, 26 October 2016, <https://civileats.com/?p=25730>.

⁶ Robin Willoughby and Tim Gore, *Ripe for Change. Ending Human Suffering in Supermarket Supply Chains*, Oxford, Oxfam International, 2018, <https://www.oxfam.org/en/node/8339>.

⁷ Antonie Fountain and Friedel Hütz-Adams, *Cocoa Barometer 2018*, July 2018, <https://www.voicenetwerk.eu/?p=80>.

⁸ IDH, "Touton, The Business Case for a Landscape Approach to Sustainable Cocoa Production in Ghana", in *IDH Landscape Case Study Series*, 2018, p. 3, <https://www.idhsustainabletrade.com/publication/touton-the-business-case-for-a-landscape-approach-to-sustainable-cocoa-production-in-ghana>.

⁹ Kathrin Strauss, "How Does the Cocoa Market in Ghana Work?", in *Fairafric*, 30 October 2018, <https://fairafric.com/?p=4965>.

Harkin-Engel Protocol, whereby cocoa companies pledged to reduce child labour in cocoa fields by 70 per cent by 2020.¹⁰

Excessive exposure to global price fluctuations not only impoverishes farmers, but makes it harder to invest in alternative, more sustainable agricultural practices, including labelling or certification schemes.¹¹ The amount of sustainable cocoa sourced in Ghana has undoubtedly increased over the past years. However, there is still no concerted effort by industry or governments to alleviate the burden of unfair prices paid to farmers. Securing a living income is crucial to lift them out of poverty and facilitate a switch to more sustainable production techniques.

Fairtrade International has calculated that, in Côte d'Ivoire, a living income would amount to roughly 2.51 US dollars per day, much higher than the actual income of farmers, which averages 0.78 US dollars per day.¹² Certifications and premium prices such as those paid by Fairtrade labels (worth around 180

million euro in 2017)¹³ can help farmers, but are not sufficient. Many certified cocoa farmers often remain poor, while there is still confusion among producers as to how these schemes really work.

Moreover, in Ghana, cocoa has become a cause of not only poverty, but also environmental problems, leading to a significant deforestation of primary forests, as well as degradation of soil, water scarcity, unpredictability in rainfall and crop failures.¹⁴

It is estimated that natural forest cover in Ghana, Côte d'Ivoire and Burkina Faso has plummeted by more than 70 per cent in the past three decades. Such degradation explains why cocoa has one of the lowest productivity rates per hectare, pushing farmers to move to other areas, and putting biodiversity even more at risk. Cocoa production is also threatened by competition over land resources from the rubber and gold mining sectors, with poor farmers allowing small-scale artisanal miners (a practice also known as *Galamsey*) to use their land in exchange for cash.

Against this backdrop, the European Union can play a crucial role in fostering more sustainable cocoa production, working at different levels,

¹⁰ ILO website: *Africa: Child Labor in Cocoa Fields/ Harkin-Engel Protocol*, https://www.ilo.org/africa/technical-cooperation/accel-africa/WCMS_159486.

¹¹ Giorgia Ceccarelli and Daniele Fattibene, *Do We Need an EU Ethical Food Label? How a Mix of Measures Could Help Clean Up Europe's Agri-Food System*, Open Society Foundations, September 2020, <https://osf.to/2G29fib>.

¹² True Price, *Cocoa Farmer Income. The Household Income of Cocoa Farmers in Côte d'Ivoire and Strategies for Improvement*, April 2018, <https://www.fairtrade.net/library/cocoa-farmer-income-the-household-income-of-cocoa-farmers-in-cote-divoire-and-strategies-for-improvement>.

¹³ Fairtrade International, *2017-18 Annual Report. Working Together for Fair and Sustainable Trade*, 2018, p. 6, <https://www.fairtrade.net/library/2017-18-annual-report-working-together-for-fair-and-sustainable-trade>.

¹⁴ Frédéric Amiel, Yann Laurans and Alexandre Muller, "Agricultural Value Chains Facing the Biodiversity Challenge: The Cocoa-Chocolate Example", in *IDDRI Studies*, No. 5 (October 2019), <https://www.iddri.org/en/node/25022>.

from national institutions, to the private sector and individual consumers.¹⁵

Such efforts call for a review of current EU policies (e.g. the Common Agricultural Policy or Forest Strategy) to reduce potential negative externalities such as deforestation in third countries, with the aim to comply with the provisions set out in the Farm to Fork Strategy, the Biodiversity Strategy, the European Green Deal and, overall, the UN's Agenda 2030.

The Farm to Fork Strategy stated that in 2021 the European Commission will present a legislative proposal to avoid or minimise the sale of products associated with deforestation or forest degradation in the EU market.¹⁶ Moreover, there are several tools that the EU could implement to minimise the impact of imported products on deforestation.

One option could be to apply current regulation on imported deforestation to agricultural commodities, and support third countries in applying a floor price, as per a recent Communication by the European Commission.¹⁷

¹⁵ Duncan Brack, *Towards Sustainable Cocoa Supply Chains: Regulatory Options for the EU*, Fern/Tropenbos International/Fair Trade Advocacy Office, June 2019, <https://www.fern.org/publications-insight/towards-sustainable-cocoa-supply-chains-regulatory-options-for-the-eu-1978>.

¹⁶ European Commission website: *Farm to Fork Strategy – For a Fair, Healthy and Environmentally-friendly Food System*, https://ec.europa.eu/food/farm2fork_en.

¹⁷ European Commission, *Stepping Up EU Action to Protect and Restore the World's Forests* (COM/2019/352), 23 July 2019, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52019DC0352>.

Furthermore, in the short term, the EU should also support local authorities in investing in cocoa agro-forestry, helping farmers to grow cocoa under forest cover in association with local forest and fruit trees. In addition, more funds should be allocated to boost organic farming, and to improve rural infrastructure (particularly the secondary road network), schools and healthcare as well as launching reforestation programmes in illegally deforested areas.

In addition, the EU should expand the share of Fairtrade products in bilateral trade agreements or public procurement, encouraging companies to buy more Fairtrade products and to change their sourcing and purchasing practices to ensure better management of human rights issues across all their value chains.

Finally, sustainable production of cocoa requires a stronger fight against human rights violations, addressing their root causes, such as structural poverty, lack of schools and other basic infrastructure. The EU should promote legislation including biodiversity and human rights protection principles through due diligence regulations applicable not only to the internal EU market, but also to future agri-food-related trade agreements.¹⁸

The European Commission has announced a mandatory EU wide human rights and environmental due

¹⁸ Lise Smit et al., *Study on Due Diligence Requirements Through the Supply Chain. Final Report*, Brussels, European Commission, January 2020, <https://op.europa.eu/s/onR5>.

diligence legislation for 2021.¹⁹ The legislation would require all companies to set up effective plans and processes validated by third parties to demonstrate that their operations do not breach human or environmental rights and to drive companies to radically change their business models. A good model in this case could be represented by the French Law on mandatory vigilance (Law 399/2017).

Finally, the EU should strengthen its efforts to provide consumers with better tools to make informed choices. In this sense, the sustainable food labelling framework envisaged for 2024 will be a crucial step to raise awareness and empower consumers to foster more sustainable food patterns.

Working at both the consumers and private sector level is an essential first step to better position the EU in the global fight for responsible sourcing. While this alone will not suffice to revolutionise food trade and supply chains, given the role of other importing countries and regions with less stringent rules and regulations, it at the very least positions the EU as a global leader in the quest for more just and ecologically sustainable global food supply chains.

26 October 2020

¹⁹ Responsible Business Conduct Working Group (RBC WG), *European Commission Promises Mandatory Due Diligence Legislation in 2021*, 30 April 2020, <https://responsiblebusinessconduct.eu/wp/?p=380>.

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Via dei Montecatini, 17 - I-00186 Rome, Italy

T +39 06 3224360

iai@iai.it

www.iai.it

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