

Does Cocoa Certification Improve Lives?

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Motivation

- Cocoa market is valued at ~ US\$46.61 billion
- Cocoa value chain is broad ranging from producers to the consumer, with each country having different players
- Farming has been linked to unsustainable practices and calls for sustainable sourcing from chocolatiers
- Globally, cocoa farmers' earnings in the global cocoa value is 6% and there are concerns about poverty levels of the cocoa farmers



Motivation

- Economic frictions affecting efficiency and sustainability
 - Transparency
 - Price disparities
 - Unsustainable farm practices
 - Alternative use of land
- Regulatory measures to address the challenges
 - Certification systems



Illegal Gold Mining Boom Threatens Cocoa Farmers (And Your Chocolate)

Ghana, one of the world's biggest producers of cocoa beans, is facing a crisis around dangerous and dirty galamsey, or informal, mining—which experts warn could derail its agriculture sector.

Source: National Geographic

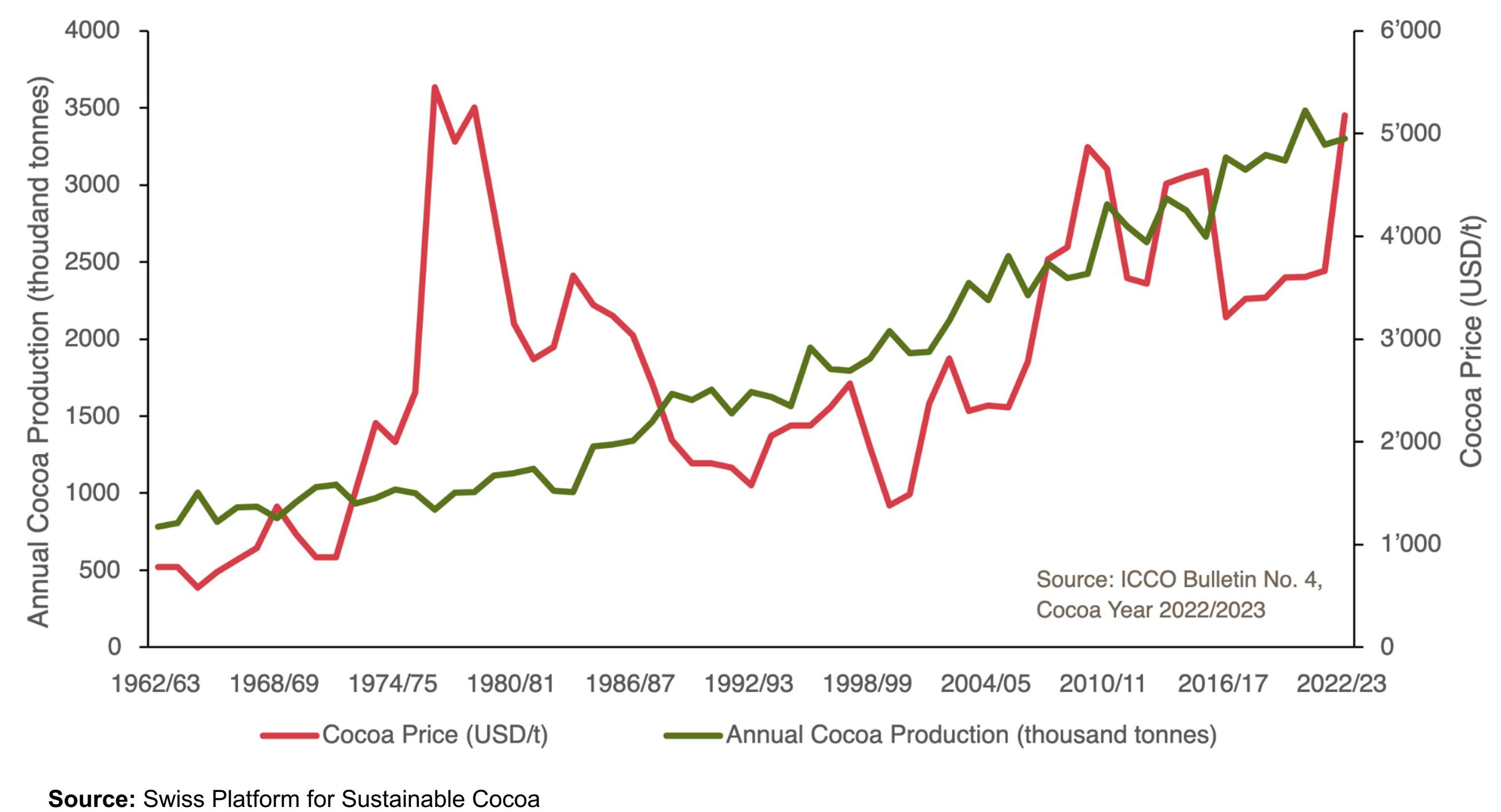
Motivation

- Effect of certification on:
 - economic livelihood of farmers
 - land use
 - child labour



Institutional Setting

- Ghana Cocoa
 - Global production
 - Export and foreign exchange
 - Political produce
 - Controlled system vs. Semi-liberalised
 - Living income differential (\$400/MT)
- Cocoa Sustainability Initiatives
 - Certifications (Rainforest and Fairtrade)
 - Cocoa Cooperatives
 - Other actors



Cocoa Certification

- **Fairtrade**
 - Fairtrade Minimum Price
 - Fairtrade Premium
 - Living income support
 - Farmer cooperatives
 - Prohibit dangerous agro-chemicals and GMOs
 - Child labor standards
- **Rainforest (now same as UTZ)**
 - Reduce deforestation
 - Economic impact on farmers
 - Strengthen child labor oversight



FairTrade ≠ Rainforest Alliance

Standards	Fairtrade International	Rainforest Alliance
Guaranteed Minimum Price	✓	x
Fixed Premium for community projects	✓	x
Additional premium for organic farming	✓	x
Goal of Living Income for Farmers	✓	x
Farmer control of premium funds	✓	
Farmer ownership of standards	50%	none
Democratic decision-making in farmer organizations	✓	x
Emphasis on collective bargaining for workers	✓	x

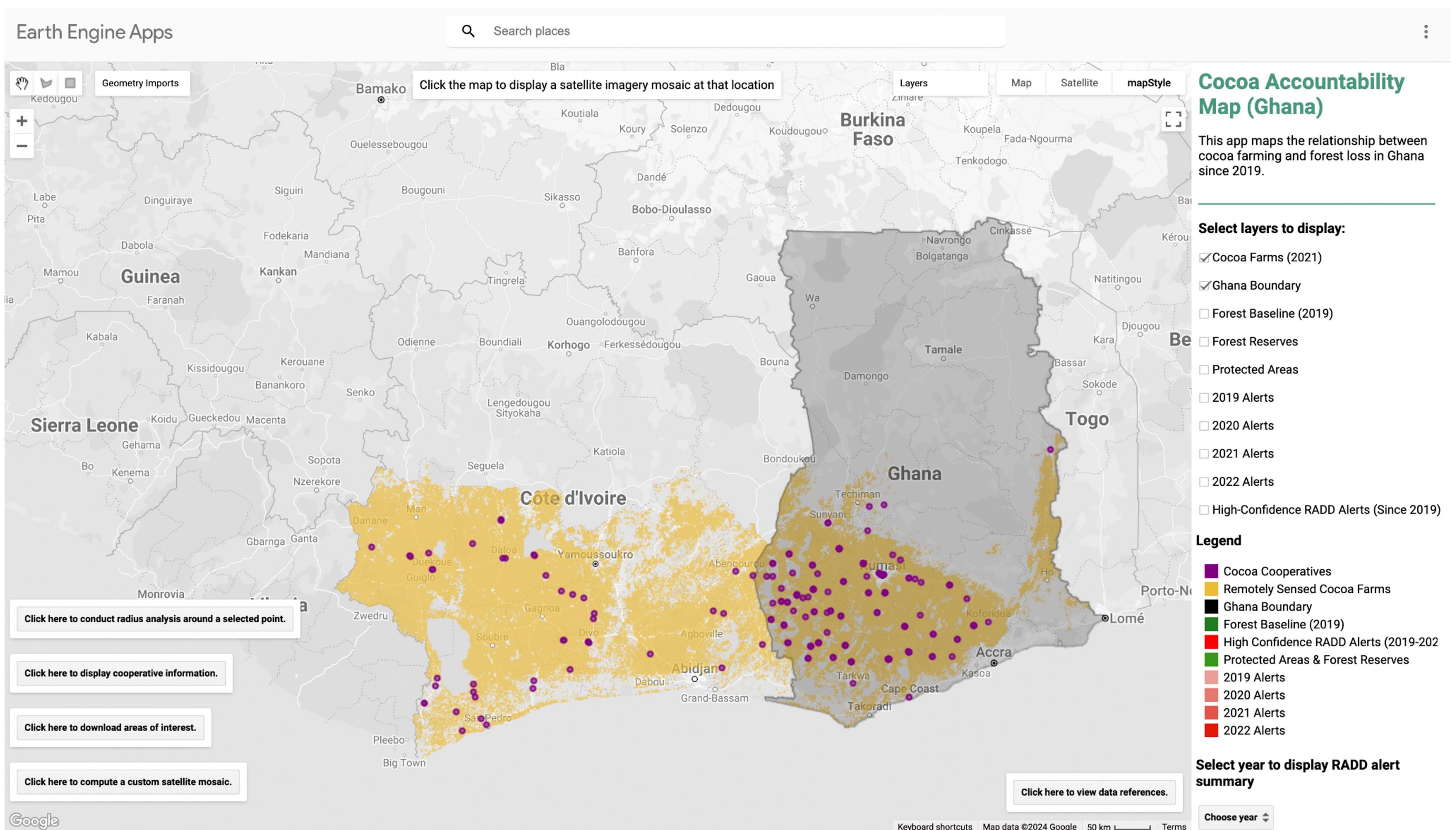
Source: Fair World Project

Extant Literature

- Narrow studies on certification systems
- Limited ground truth data and limited scope
- Sustainability and agriculture commodities (cocoa, coffee, maize, etc)
 - Systematic differences in treated and control groups
 - Cooperatives
- Limited focus on the mechanisms and the use of an economic theory to underpin the analysis
- Policy surveys and research (for Harkin-Engel Protocol)

Data: Certification

- Certification at the farm level
 - Fairtrade
 - Rainforest Alliance)
- Farm level data from cocoa regulator



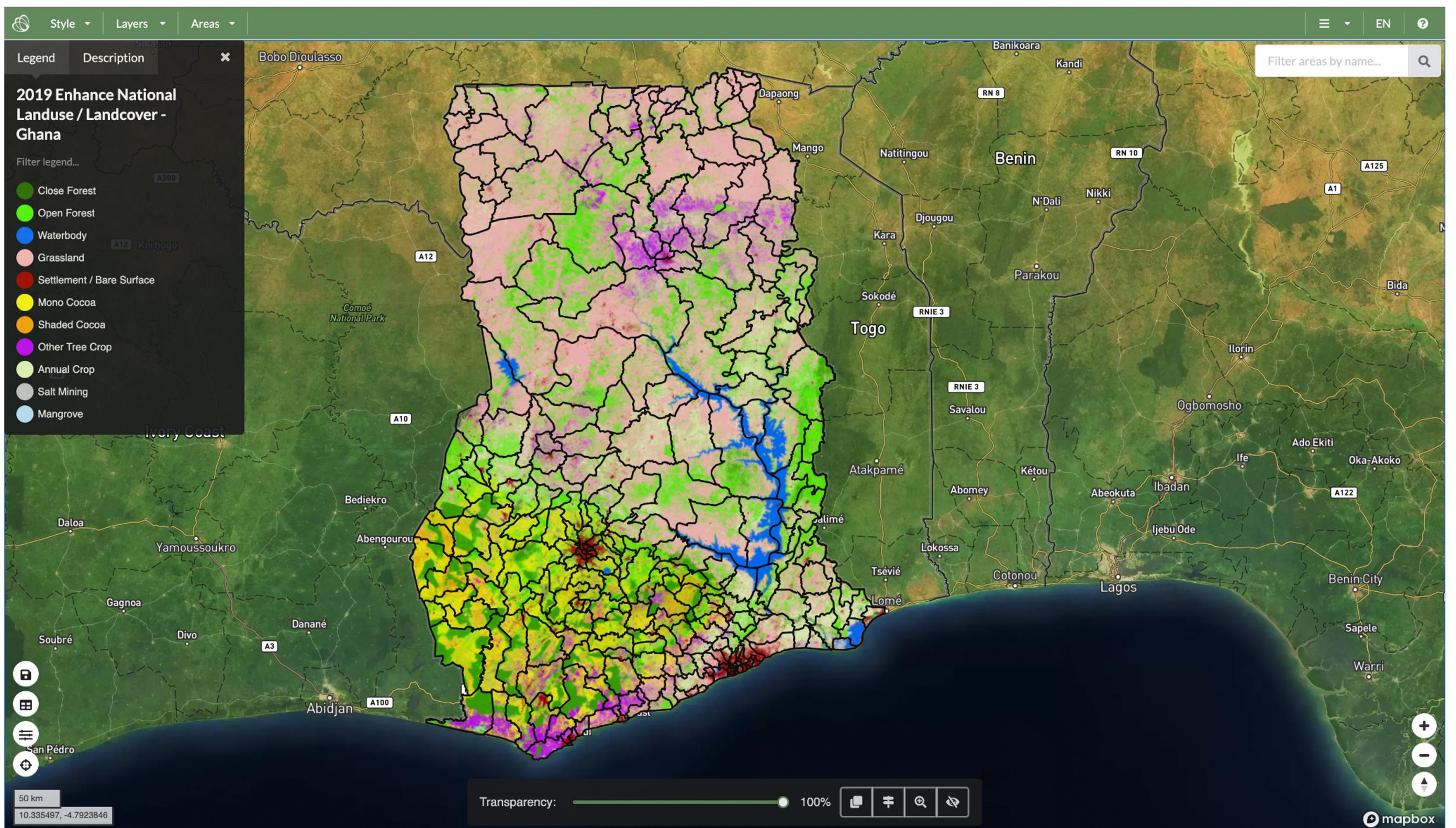
Data

- Economic livelihood
 - Luminosity
 - Wage (based on demographic surveys)



Data: Land Use

- Land use
 - Deforestation
 - Illegal mining
 - Land cover for other crops



Data: Child Labour

- Child labour
 - Education (administrative data and survey)
 - Education performance/results data
 - Child labour (survey)
 - National survey
 - ILO Survey
 - UNICEF Survey

Q&A

References

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Thank You