

## **Who benefits from certification? Analysis of third-party audited certification schemes in the cocoa sector in Ghana**

### **Context and research question**

Cocoa is an example of a commodity that is produced mainly by poor smallholder farmers in tropical countries (Hütz-Adams 2012). With low cocoa prices and naturally varying yields on their farms, the producers often are not able to invest in their farms. Therefore, average productivity is very low (ibid.). This is of concern to the chocolate industry that faces steadily rising demand for cocoa (Barrientos 2011). Increasingly, certification programs are seen as one way to improve the productivity, as well as to respond to ethical and environmental standards. In Ghana, the second largest cocoa producer in the world, around 15% of the harvest is produced under one or more of the third-party audited certification systems like UTZ Certified, Rainforest Alliance, Fairtrade and Organic (Potts et al. 2014).

In spite of a growing number of studies focusing on the impact of certification schemes, many questions remain about how certification works in practice (Paschall 2013). The rural structure is complex and consists of more categories than the usually referred to "farmer". Therefore, the various categories were disentangled in the present study to better define who can benefit from certification. Moreover, although certification standards refer to rights of laborers, not much is known about the amount and costs of hired work in cocoa production, and about the working conditions of laborers. Taking the different categories of people involved in cocoa production into account, the study also investigated the issue of benefit sharing with a perspective on compensation systems for the integration of trees in agricultural landscapes that will be implemented in Ghana in the framework of international climate change mitigation and adaptation activities.

The objective of the study was to investigate the view of cocoa producers on the benefits and challenges of certification, as the systems are still evolving in a context of competition between buyers of certified cocoa. The goal of the study is to contribute towards a better understanding of the ways certification works on the ground and how it can contribute to the improvement of the situation of cocoa producers.

### **Approach and methodology**

The research was carried out in close collaboration with the Kwame Nkrumah University of Science and Technology in Kumasi (Secondary Advisor, Field Assistants). In a first phase of research (Nov. 2012), qualitative methodology was used, such as focus group interviews and semi-structured expert interviews, in order to define the research questions. In the subsequent phase (July/August 2013), a structured questionnaire targeted at these questions was administered in eight communities, taking care to select the communities in an independent way of the certification implementers and according to defined criteria, such as one single certification per selected group. 228 interviews were carried out, comprising 115 certified and 68 non-certified cocoa producers as well as 45 wage laborers. The quantitative survey data was analyzed using the software "R", version 3.0.2. The contrastive study used descriptive statistics, two-way analysis of variance and non-parametric statistical methods for analysis.

## Results and conclusion

The results show that the incomes of cocoa producers depend heavily on factors like the size and access to land, the production efficiency, the educational background and the number of dependent persons. Nonetheless, certification has a significant influence on the income of Fairtrade and Organic groups surveyed. Their income in comparison with the conventional farmers within their communities had significantly improved. For Rainforest Alliance the average income was still around 300 US\$ higher than the average income of the control group, however with a very high variance in the data. For the UTZ Certified groups, the difference was not statistically significant, which could be due to a later participation in certification.

Hired laborers are used by nearly 82% of the cocoa farmers surveyed. They are very often hired for clearing and weeding of cocoa farms, as well as for spraying them against pests and diseases. Spraying is paid with a higher daily rate than other work, except in the community where organic pest protection is used. Daily wages for laborers depend largely on the community the workers are employed in. Reported yearly incomes of sharecroppers and laborers tend to be higher when working for certified than when working for conventional employers, but the difference was not statistically significant. Laborers stated that labor rights are observed by all groups of employers, though some cases of abuse were felt. Critical issues are the provision of protective clothing and access to knowledge for laborers. It is concluded that conditions for hired labor generally are not decisively altered by certification. However, it is suggested that the issue will be investigated with a larger sample of long-term laborers.

In all certification groups, farmers are convinced about getting higher yield since they participate in the certified groups. Farmers are almost unanimous in giving great credit to the training they have access to through certification and consider the return from certification is higher than the investments they need to do for it. The similarities between labels are much less when it comes to the premiums the certification implementers distribute, and in how they do it. Many certification group members had concerns about transparency in the system, though the vast majority is of the opinion that they would not leave the certification group under any circumstance.

The study also shows that experiences from cocoa certification can help shaping compensation systems for the integration of trees in agricultural landscapes. It is shown that trust and transparency in the benefit sharing system are a crucial motivation (or a disincentive if not functioning) for participation. Certified groups are in general more sensitized for shade trees than conventional farmers, which provides a favorable starting position for respective programs. However, cocoa farmers do not yet have high incentives to grow timber trees on their farms, not the least due to actual legal regulations in the country.

The study concludes that value chain transformation to more sustainable production does not come without a cost. Even though training can be seen as an addition to the certification system that raises the costs, the growing global concerns and awareness of mutual dependencies on the demand side as well as the very real danger of dropping production in the case of cocoa, makes the better training of producers for sustainable cocoa production a self-interest of the industry.