

Certification is not the systemic solution to unsustainable cocoa

When the only tool you have is a hammer, a lot of your problems start looking like nails. For a long time, in the cocoa sector, it seemed like the only tool available to achieve sustainability was certification. Over the past two decades, civil society has been one of the main promotional vehicles for the uptake of certified cocoa production and consumption. With an increase in sector efforts, in data and research, and in experience with implementation, the sector now has a wider range of interventions at its disposal. With a slew of major developments – such as the release of the new ISO standard, Fairtrade’s revised Minimum Price and Living Income Reference Price, and the work on the new merged Rainforest/UTZ standard – it is time for Civil Society to take stock of where we are.

Farmer Poverty remains dire

Chocolate companies and retailers have a tendency to look for the cheapest label, neglecting the potential negative effects of this price pressure. The race for certified volumes has not led to the bar being raised. None of the standards have been able to significantly contribute to farmers achieving a living income, or even to lift farmers out of structural extreme poverty. Though average income of certified farmers might be slightly higher than non-certified farmers, the overall impact is relatively low; a certified cocoa farmer is still nowhere near earning a living income.

Income interventions from certification have not been sufficient, and also recent developments will not suffice. The recent announcement of the governments of Côte d'Ivoire and Ghana to set a floor price of \$2,600 USD per ton (FOB/world market price) is a good step, but still falls far short of the circa \$ 3,467 (resulting in \$ 2,668 at farm gate) that Fairtrade claim is necessary for a Living Income. Neither Rainforest nor Fairtrade have plans to pay anywhere near that price, except in small pilot projects with companies. The action by the governments and the huge gap between the prices is an indication of how inadequate the minimum price and premium is unless it is leading to a living income.

Rainforest Alliance/UTZ; danger of a race to the bottom on price

Fairtrade raised their minimum price for the next main cocoa harvest (see below). The new Rainforest Alliance standard is currently in consultation. Whereas the new draft Rainforest Alliance standard does have a mandatory premium, it is not clear yet whether this will have a fixed minimum or be dependent on farmer negotiation. Additionally, there are no arrangements for a minimum price in the general Rainforest Alliance standard, and sector specific guidance on cocoa is still to be developed. If the new Rainforest Alliance standard will not address the need for higher farmgate prices, this will counteract any effort to start to reach a living income for farmers and fuel a race to the bottom between the different standards. Rainforest Alliance’s new standard will need to go beyond just agronomical solutions and address the power imbalances in the supply chain, specifically the pricing of cocoa, to ensure a living income for smallholder cocoa farmers. Rainforest Alliance should no longer ignore that cocoa farmers are highly exposed to volatile world market prices. A minimum price is a safety net for cocoa farmers, and until the new standard is published, Rainforest Alliance should incorporate a minimum price to protect farmers against world market prices which decrease below a certain level. Increasing market share by undercutting farmer income cannot be the business model for a standard that claims to improve sustainability in cocoa farming.

Fairtrade’s minimum price is a step but not sufficient

Recently, Fairtrade revised their minimum price for cocoa, from \$2,000 to \$2,400 per tonne. This move is a good first step but nowhere nearly sufficient in order to bridge the living income gap. Fairtrade acknowledges that with this minimum price – and an increased farmer premium – farmers will still not be close to earning a living income. The new Fairtrade minimum price in Cote d’Ivoire still leaves a significant gap with the €3,467 that Fairtrade claims would provide a Living Income. The calculations that Fairtrade has published on the living income reference price have been a welcome contribution to the debate on sustainable cocoa, however knowing how much you should pay, while not paying it, cannot be considered sustainable. Fairtrade should now make a real commitment by publishing a timeline after which it will pay a full Living Income Reference Price.

Delivering on a promise

Despite the fact that between a quarter and a third of all the global cocoa production is grown under a certification label (such as Rainforest Alliance, UTZ Certified, or Fairtrade), or an own company sustainability label (such as Mondelez' Cocoa Life, Nestlé's Cocoa Plan, etc.), major problems persist, including on certified farms. Child labour is still a major challenge in all major West African cocoa growing nations. Deforestation is the norm rather than the exception in cocoa, and no growth in certification schemes has helped to stop cutting of old growth forests. Recently, Rainforest Alliance/UTZ has suspended all expansion due to questions around the reliability of the audits and quality of compliance. Though this move is commended, it may not be enough to address the major challenges in monitoring that would guarantee certification is delivering on its promise to ensure worker's rights, protect environment, and provide a decent income.

Certified cocoa is not sustainable

Though claiming sustainability off the back of a certification system is misleading, the terms "certified cocoa" and "sustainable cocoa" are still often – wrongly – used interchangeably. Certified cocoa cannot be claimed to be sustainable just off the basis of certification, whether this certification is Fairtrade, Rainforest, ISO¹, organic, or any other standard. Members of our alliance have routinely found certified cocoa, which was tainted with very low income and connected with this human rights abuses including child labour and environmental concerns such as deforestation. These claims should therefore no longer be made.

What certification does well

Whereas certification does not seem to significantly increase farmer income, or protect against environmental harms, or labour grievances, there are several ways in which certification plays an important role to make value chains more transparent; it is one of the few ways by which higher prices and premiums can potentially be delivered to the farm gate, and certification plays an important role in supporting farmer organisation. If certification isn't the answer to all problems in the cocoa sector, the question that should be asked is if it is an efficient enough tool on these issues for it to be part of the solution.

Systemic solutions are needed

In order to be able to find solutions, clarity on the nature of the problems is urgently required. After almost two decades of efforts trying to improve cocoa farming itself, it's time to realise that the cocoa farmer is not the problem; the problem is systemic. Systemic problems require systemic solutions, not a tick-box exercise at farm level. Currently, the cocoa farmer bears almost all of the risk, reaps hardly any of the reward, and no one is taking the responsibility for this systemic failure. Looking forward, solutions should deal with the distribution of risk, reward, power and responsibility throughout the value chain. The systemic failure of voluntary initiatives gives strong evidence that legislative measures on ecological and human rights due diligence are needed. In the meantime, all standard setting organizations need to improve their systems, acknowledging that a sustainable solution needs to include price mechanisms.

¹ It is important to note that the new ISO standard suffers from several additional weaknesses to the Fairtrade and Rainforest concerns mentioned in this paper. This includes an overly rigid set of constraints that does not allow for essential elements such as requirement for fair payment. Additionally, the standard in essence only covers those elements that are in direct control of the cocoa farmer, whereas many of the necessary prerequisites for sustainability are outside of the control of cocoa farmers. As such, the ISO standard does not come close to providing a sufficiently inclusive definition of sustainability.