

## Background briefing

### Cocoa in Ghana

Ghana depends on cocoa. After gold, it's the country's economic mainstay, and Ghanaian cocoa is considered to be some of the world's finest. Most Ghanaian cocoa is produced on small farms of 3-4 hectares. (To visualise one hectare, think of a rugby pitch, or Trafalgar Square.)

There are about 720,000 cocoa farmers in Ghana.

There are a lot of links in the supply chain between the cocoa tree in Ghana and the chocolate bar in the UK. Cocoa farmers, right at the beginning of the chain, often benefit the least from the global cocoa industry.

In Ghana, each farmer sells their cocoa to a private buying company, which then sells it on to Cocobod, the Ghanaian government cocoa marketing board. Cocobod then sells it on to international buyers, such as chocolate manufacturers and commodity brokers, at a price set on commodity exchanges, which mediate between buyers and sellers of cocoa worldwide.

This website deals mainly with the experiences of the cocoa farmers, the challenges they face, and how Fairtrade makes a difference.

### What are the problems faced by cocoa farmers?

Cocoa farmers' lives are hard. On average, they earn £380 a year<sup>1</sup> and, although they might grow much of their own food, they need cash to pay for many essentials such as inputs and tools for their farms, school fees, medicine, doctor's fees, transport and clothes.

As part of the cocoa supply chain, cocoa farmers face a number of other problems:

- Farmers are often underpaid by local cocoa buyers using 'fixed' scales, set to show a lower reading than the actual weight of their cocoa beans.
- The price of cocoa on the world market is volatile, fluctuating up and down. In 2016/17, the price of cocoa plunged from US\$3,000 to below US\$1,900 in five months.

- This means cocoa farmers have no long-term security. Unlike big companies that can hedge cocoa at the stock exchange to reduce their risks, farmers are at the losing end of the supply chain.
- It is difficult for farmers to switch to growing other commodity crops when the price drops, given the long lifespan of cocoa trees and the fact that farmers do not generally have savings or access to credit/finance.
- When cocoa prices fall, companies and retailers enjoy an increase in their profit margins that is neither passed on to consumers, nor shared with cocoa farmers. The fall in cocoa price in 2016/17 led to a US\$4.7bn reduction in purchasing costs across the industry compared to the previous year<sup>2</sup>.
- There has been no global management of cocoa production, stocks and prices since international commodity agreements collapsed in the 1980s.

The experiences of Ghanaian cocoa farmers mirror those of many primary commodity producers all over the world, caught in a trading system that primarily benefits big companies and retailers based in the richest countries, such as the UK.

## What is Fairtrade?

Fairtrade aims to change the way that conventional international trade works, building fairer trading relationships between consumers and companies in the developed world and commodity producers in developing countries.

### What does Fairtrade mean for cocoa farmers?

In the Fairtrade system, cocoa farmers are organised into co-operatives. A co-operative is a business owned and governed democratically and directly by farmers themselves. Decisions are based on how the co-operative's resources can best be used to improve the lives of each family and the community as a whole.

Cocoa farmers' co-operatives get a guaranteed minimum price for their cocoa beans of \$2,000 (about £1,400) per tonne<sup>3</sup>, which covers at least their cost of production and gives them the security to plan for the future. Without Fairtrade, farmers organisations sell into the conventional market, where the price of cocoa fluctuates and can fall below the cost of production. Organic cocoa commands a higher minimum price of \$2,300 per tonne.

An extra 'Fairtrade Premium' of \$200 (about £140) is also paid on each tonne of Fairtrade cocoa, to be invested in community projects such as clean drinking water wells, schools or medical clinics.

Fairtrade certified farmers co-operatives gain other benefits:

- Long-term trading contracts provide security and the possibility of planning.
- The process for buying and selling farmers' produce is fair, clear and more accountable.
- They benefit from guaranteed minimum health and safety conditions.
- Farmers are encouraged and helped to protect the environment.
- Education and training are provided, in areas such as improving quality and preventing crop disease.

Farmer co-operatives are democratic, so farmers have a real say in how they are run and how the income from Fairtrade is used to benefit the whole community.

## **The Fairtrade Mark**

The Fairtrade Mark is an independent consumer label, which appears on products as a guarantee that farmers and producers in the developing world have been given a better deal. It is awarded and monitored in the UK by the Fairtrade Foundation. When you buy a Fairtrade product, such as a chocolate bar or a banana, you can be sure that farmers or workers in the developing world who helped to make it were paid a fairer price, worked in decent conditions, and weren't exploited or mistreated – which is, of course, nice to know!

## **Kuapa Kokoo – Good Cocoa Farmers**

The farmers featured on this website are members of the Kuapa Kokoo co-operative, an association of more than 80,000 cocoa farmers in Ghana. Kuapa Kokoo was set up to develop fairer trading practices and represent the interests of cocoa farmers. Kuapa Kokoo means 'good cocoa farmer' in the Twi language. Their motto is 'Pa Pa Paa' which means 'best of the best' in Twi.

Being members of the co-operative enables farmers to work together, giving them the strength to compete in the market. They also work to improve community services, such as healthcare, education and access to clean water - and, most importantly, they give farmers the pride and dignity to create a better life.

Farmers sell their cocoa to Kuapa Kokoo, which then sells the cocoa on to Cocobod, the government cocoa board. Kuapa Kokoo is able to get its members a better deal on all of their cocoa, but they particularly benefit when their cocoa is sold on Fairtrade terms. The extra income generated through Fairtrade is used for community projects, farmer training, and bonuses paid direct to Kuapa Kokoo members.

Although all their cocoa meets the required Fairtrade standards, Kuapa Kokoo are not able to sell all of it to the Fairtrade market. This is because there is not yet enough demand from consumers. More shops will stock Fairtrade chocolate, and more chocolate companies will make it, if people show that they will buy it.

The Pa Pa Paa teaching resources are part of a wider movement to support producers across the developing world to sell more of their produce into the market on fairer terms of trade.

## Divine Chocolate

The company featured on this website is Divine Chocolate. Divine Chocolate was set up by the farmers of Kuapa Kokoo (with the help of Twin Trading, the Body Shop, Christian Aid and Comic Relief) so they could capture a share of the chocolate market. Kuapa Kokoo supply most of the cocoa for Divine Chocolate and own a 44% share in the company. This means cocoa farmers have a real say in how Divine is run and benefit from a share of the profits.

## Footnotes

1. This figure is based on: the average smallholder farmer producing 5 sacks of cocoa a year at £76 per sack. (Farm gate price of cocoa in Ghana = 475 cedis per sack in 2017/2018. Average exchange rate for year to 31/12/18 = 0.1599)
2. *Cocoa Barometer 2018*. [www.cocoabarometer.org](http://www.cocoabarometer.org)
3. The international Fairtrade Minimum Price and Fairtrade Premium for all Fairtrade commodities is always set in US\$. Average exchange rate for year to 31/12/18 = 0.7443.