

Politics, power and unfair market concentration in the cocoa Global Value Chain (GVC):  
Analysing the prospects of the Living Income Differential (LID) for achieving a just and  
sustainable livelihood for cocoa farmers in Ghana

by

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Date : July 5, 2021

## **DEDICATION**

This Thesis Research is dedicated to my mother, Christiana Akosua Denteh (Aunté Akose) and my sister, Rita Anaba Yung-Hoi for their unflinching support throughout my undergraduate and graduate life. I am exceedingly thankful for having both of you in my life. This work is also dedicated to the millions of Ghanaian cocoa farmers and workers, whose unremitting devotion and work in the production of cocoa beans continue to spearhead the social and economic transformation of Ghana. Any errors or omissions, of course, are entirely the author's own.

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## **ABSTRACT**

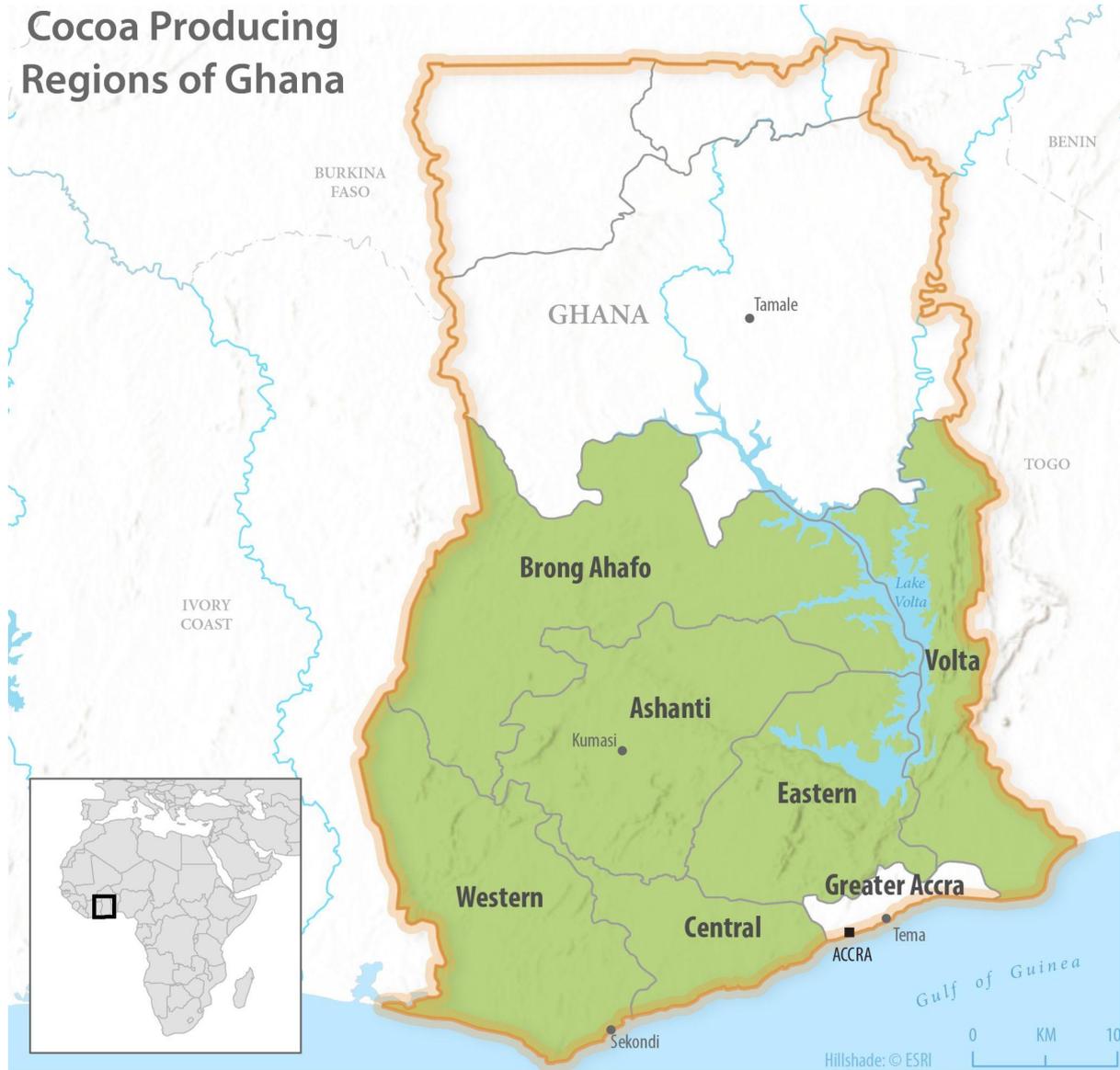
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Abstract: Ghanaian cocoa farmers confront many social and economic challenges and are unable to pursue needed farm improvements because of insufficient and dwindling income. The income of farmers is too low for them to generate enough capital to invest in improvements in productivity or even more sustainable ecological practices. While various initiatives exist aimed at eradicating the problem of child labour, promoting better farming methods and ensuring access to agricultural inputs like fertilizer, sustainable credit and financing, often overlooked is the centrality of guaranteeing a viable minimum price for cocoa farmers, their families and workers, upon which other sustainable achievements in the cocoa industry ultimately hinge. A guaranteed minimum price can play a key role in combating the vicious cycle of poverty and social injustice by providing farmers with a living income. Having a guaranteed minimum price can create a more stable social and economic environment in which cocoa farmers can have the confidence to invest in their farms, including the necessary and costly replanting of cocoa trees. Cocoa farming cannot be considered fair, ethical or sustainable if it cannot provide a living income to the millions of hardworking farmers and workers in Ghana. I will argue that the decision by the Government of Ghana to initiate a guaranteed minimum price of \$400 premium per tonne for cocoa is the most efficient and simplest way to address insufficient income among cocoa farmers in the long term.

July 5, 2021.

## MAP OF COCOA PRODUCING REGIONS OF GHANA



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## ACRONYMS AND ABBREVIATIONS

|         |  |
|---------|--|
| ANC     | African National Congress                |
| CCC     | Coffee and Cocoa Council                 |
| CFI     | Cocoa and Forest Initiative              |
| CIA     | Central Intelligence Agency              |
| CL      | Child Labour                             |
| CMB     | Cocoa Marketing Board                    |
| CMAA    | Cocoa Merchants Association of America   |
| CMC     | Cocoa Marketing Company                  |
| COCOBOD | Ghana Cocoa Board                        |
| COP     | Conference of Parties                    |
| CPP     | Convention People's Party                |
| CSO     | Civil Society Organisation               |
| CSSDV   | Cocoa Swollen Shoot Disease Virus        |
| EU      | European Union                           |
| FAO     | Food Agriculture Organisation            |
| FCC     | Federation of Cocoa Commerce             |
| FoB     | Freight on Board                         |
| GAP     | Good Agricultural Practices              |
| GISCO   | German Initiative on Sustainable Cocoa   |
| GNACOFA | Ghana National Cocoa Farmers Association |
| GOG     | Government of Ghana                      |
| GVC     | Global Value Chain                       |
| HR      | Human Rights                             |
| ICCO    | International Cocoa Organisation         |

|        |  |
|--------|--|
| ICI    | International Cocoa Initiative                     |
| IGO    | Inter-Governmental Organisation                    |
| ILO    | International Labour Organisation                  |
| ILRF   | International Labour Rights Forum                  |
| IMF    | International Monetary Fund                        |
| ITLOS  | International Tribunal for the Law of the Sea      |
| LBC    | Licensed Buying Company                            |
| LICoP  | Living Income Community of Practice                |
| LID    | Living Income Differential                         |
| LIG    | Living Income Gap                                  |
| PBC    | Produce Buying Company                             |
| NGO    | Non-Governmental Organisation                      |
| NORC   | National Opinion Research Center                   |
| OECD   | Organisation of Economic Cooperation               |
| PBC    | Produce Buying Company                             |
| PPRC   | Producer Price Review Committee                    |
| SAP    | Strategic Partnership Agreement                    |
| TNC    | Transnational Corporation                          |
| UDHR   | Universal Declaration on Human Rights              |
| UN     | United Nations                                     |
| UNCTAD | United Nations Conference on Trade and Development |
| WB     | World Bank   |
| WCF    | World Cocoa Foundation                             |
| WTO    | World Trade Organisation                           |

## **CHAPTER ONE**

### **1.0 INTRODUCTION AND CONCEPTUAL FRAMEWORK**

Cocoa plays a pivotal role in the economic development of producing and consuming countries. For producing countries such as Côte D' Ivoire and Ghana, who grow more than 60 percent of the world's cocoa beans, the cash crop remains an important source of revenue, income and rural employment (Abbadi et al., 2019, p. 5; Vigneri and Kolavalli, 2018, p. 1). In both countries, cocoa accounted for over 30 percent of export earnings from 1995-2014. Moreover, globally, cocoa is produced by close to 6 million farmers and, in 2012, it provided revenue for 40-50 million people, mostly in developing countries and particularly in the West African sub-region (Kudom-Agyemang, 2020, para. 7; Voora, Bermudez and Larrea, 2019, p. 1; World Cocoa Foundation, 2012, as cited in Gayi and Tsowou, 2016, p. 2). For most farmers in Ghana and West Africa, cocoa is their primary source of income and livelihood, without which life becomes extremely difficult. However, despite cocoa being an important ingredient in the global confectionery, food and beverage industries, and more recently, in the pharmaceutical and cosmetics industries, the majority of cocoa farmers live in desperate poverty due to the extremely low farmgate prices they receive for the product of their labour. This has led, over the years, to a vicious cycle of poverty and deprivation, creating labour related risks to children and hired labour, especially women and girls, and environmental degradation to cocoa growing regions (Gayi and Tsowou, 2016, p. 2).

### **1.1 BACKGROUND TO CASE STUDY: LIVING INCOME DIFFERENTIAL (LID)**

In West African cocoa producing countries, the problem of low farmgate prices is largely undermining the ability of cocoa farmers to earn a living income. Despite the global chocolate market size being estimated to reach over \$182 billion by 2025, cocoa farmers and workers, the backbone of the industry, live in deteriorating social and economic conditions.

After decades of sector-wide interventions and an increasing dialogue among key players in the global cocoa-chocolate industry, the problems of extreme poverty, chronic child labour and deforestation remain intractable in the cocoa sector. For example, the implementation of certification schemes and standards for cocoa such as UTZ certified, Rainforest Alliance, Fairtrade International and Organic, in addition to the adoption of commitments by consumer countries to confront poverty and reduce child labour, have not achieved a substantial impact on a broad scale, with the cocoa Global Value Chain (GVC) delivering unfair outcomes to smallholder cocoa farmers in West Africa, who are unable to compete against the political and economic power of well-structured cocoa buyers, manufacturers, marketers and retailers at the global and national levels (Gayi and Tsowou, 2016, p. 2).

In response to this crisis in human development in the cocoa industry, government representatives of the two major West African cocoa producing countries, Ghana and Côte D'Ivoire, met in Abidjan, the capital city of Côte D'Ivoire, on 3<sup>rd</sup> July 2019, to announce a fresh policy, aimed at raising farmgate prices and increasing incomes for cocoa farmers, through price regulation. This new intervention is called the Living Income Differential (LID). In attendance at the Abidjan meeting were also stakeholders and representatives of lead firms in the cocoa marketing, processing and manufacturing industries including the Hershey Company, Mars Incorporated, Blommer Chocolate, Cémoi, Sucden, Mondelēz, Touton, Barry Callebaut, Cargill, Olam International, and Ecom Trading, who, after extensive deliberations, were informed of the decision to implement the LID (Africa News, 2019; Duncan, 2019; Du Venage, 2021; Economist Intelligence Unit, 2019; Fair Trade International, 2019; Maytaal, Ange and Nigel, 2019; Thompson; 2019).

The LID is a new pricing mechanism that fixes an additional premium of \$400 per metric tonne on all categories of cocoa bean contracts sold by the two countries beginning in the 2020/2021 crop year, irrespective of the terminal market level. This \$400 per metric tonne

will be exclusive of the generic premiums of the respective countries that are paid based on the origin and quality of the cocoa. In a joint communiqué signed on 16<sup>th</sup> July 2019 by Joseph Boahen Aidoo, the Chief Executive Officer (CEO) of the Ghana Cocoa Board (COCOBOD) and Koné Brahim Yves, the Director General of Côte D'Ivoire's Coffee and Cocoa Council (CCC), both governments stated that, after lengthy deliberations with stakeholders at the Abidjan meeting, the two countries “have implemented a floor price concept by instituting a fixed Living Income Differential (LID) of \$400 per metric tonne on every cocoa sold by either country for the 2020/2021 season” (Yves and Aidoo, 2019, p. 1). They argued that the LID would have a greater universal impact on easing farmer poverty than many of the companies' sustainability programs that help only small and select proportions of West African cocoa farmers. Consequently, to resolve the problem of low farmgate prices among cocoa farmers in their respective countries, they have decided that cocoa farmers must earn a living income guaranteed by price regulation. For Ghana and Côte D'Ivoire, private brands and other company initiatives have woefully failed to fulfil pledges of enhanced income for farmers (Myers, 2020).

The LID means that, in addition to the terminal market price of cocoa beans, buyers will now be required to add \$400 to every tonne. Furthermore, a minimum of 70 percent of Gross Freight on Board (FoB) price of \$2,600, as the projected floor price, would be legislated and paid to farmers in both countries. Notably, besides the LID of \$400, which would be added to the terminal market price on the international market, the minimum of 70 percent of Gross FoB price of \$2,600 is a further policy reform both governments are introducing at the farmgate level for their cocoa farmers, which works up to \$1,820 per metric tonne. It is the projection of both governments that the terminal market price in addition to the \$400 will push the Gross FoB price to \$2,600. However, when the terminal market price in addition to the \$400 is under \$2,600, both governments would have to cover

the remaining balance in order to give their farmers a minimum of 70 percent of Gross FoB price of \$2,600. When the Gross FoB price at the end of the Cocoa Season is between the minimum price level of \$2,600 and \$2,900, the farmer would be entitled to “Bonus” payments and other investments in the cocoa sector. The amount and application of such bonus payments and other investments will be determined by each country. When the Gross FoB price is above \$2,900, the excess proceeds will be placed in a Stabilisation Fund to be established under the Ghana-Côte D’Ivoire Cocoa Initiative Secretariat. Both countries have appointed external auditors, who will report to the Secretariat and determine the value of payments to be made into the Stabilisation Fund (Yves and Aidoo, 2019, pp. 1-2). The Ghana-Côte D’Ivoire Cocoa Initiative Secretariat is a joint industry body, which is aimed at finding ways to improve the income of farmers, combat cross border smuggling of cocoa beans and encourage further collaboration between the two countries (Admin, 2020, para. 2). Furthermore, the \$400 per metric tonne will be added to internal sales to factories in both countries, which means that cocoa buyers and consumer countries cannot get around this amount (Umeshiso, 2019, para. 46).

Since the introduction of the LID, private organisations such as the World Cocoa Foundation (WCF), Fairtrade International and major chocolate companies in Europe and North America including Nestlé, Mondelēz, Barry Callebaut, Ferrero, Cémoi and Blommer Chocolate have publicly supported the initiative, stating that the LID represents a clear action by the two major cocoa producing countries to drive change at the farmgate level. In a statement issued by Nestlé, for example, the company stated that they strongly support any price regulation by Ghana and Côte D’Ivoire that ensures cocoa farmers earn an income and allows them to maintain a decent, adequate standard of living for themselves and their families and workers. According to Nestlé, they were one of the first companies to buy the 2020/2021 cocoa with the LID. For her part, Cathy Pieters, the Director of Mondelēz’s Cocoa

Life program, has fully supported the LID, stating that “we are totally embracing the LID-it is baked into our strategic planning and we will pay for that” (Askew, 2020, para. 31). Similarly, the President of the World Cocoa Foundation (WCF), Rick Scobey, speaking at the WCF Partnership Meeting in Berlin in October 2019, endorsed calls for the implementation of the LID. He stated that WCF company members are incorporating the LID into their individual procurement programs for the 2020/2021 crop year. He explained that the LID is a great opportunity for cocoa farmers to attain a living income, which is crucial to responsible farming practices and wider sustainability goals in the cocoa sector, especially in Ghana and Côte D’Ivoire (EPA Monitoring, 2019, para. 2).

Even though the announcement of the LID has received general support from key industry players in the cocoa sector, it is worth noting that some lead firms in the global chocolate industry including Mars Incorporated, Olam International and the Hershey Company have raised concerns over its implementation, claiming the initiative will lead to surplus production and may eventually prompt them to seek other sources of cocoa supply. These chocolate companies have argued that the LID is a tool of a West African cartel seeking to artificially inflate the price of cocoa. Therefore, it did not come as a surprise to watchers in the global cocoa industry, when a media altercation ensued between the two major cocoa producing countries, and Hershey and Mars Incorporated over the payment of the LID. In a joint letter signed on 30<sup>th</sup> November 2020, Ghana and Côte D’Ivoire accused the two lead firms of conspiring to derail and undermine the implementation of the LID. They explained that the decision by Hershey to buy cocoa on the United States Futures market is an indication that the company is evading the payment of the LID. Similarly, Côte D’Ivoire accused Mars Incorporated of modifying its cocoa butter procurement to avoid paying the LID. Speaking at the WCF Partnership Meeting in Bogotá in November 2020, Joseph Boahen Aidoo stated that, “any brand that is seen not to be serious in accepting the LID by

mid-December 2020 must consider all its cocoa beans from Ghana and Côte D'Ivoire as conventional. We are prepared to name and shame these brands" (Maytaal and Ange, 2020, para. 7). To send a strong message to the world about their seriousness over the payment of the LID, Ghana and Côte D'Ivoire withdrew their membership of a United States industry association, which is the Cocoa Merchants Association of America (CMAA), accusing them of condoning and conniving with American companies against poor West African cocoa farmers. Moreover, Ghana and Côte D'Ivoire cancelled all sustainability programs operated by the two companies, and threatened to suspend the purchasing licenses of any chocolate maker who does not pay the LID. The two countries concluded their letter by reaffirming that they would do "whatever is within our power to protect the over 3 million farmers from impoverishment" (Almeida, Mieu and De Bassompierre, 2020, para. 6).

Prior to the introduction of the LID, every stakeholder in the cocoa sector generally agreed that something was basically wrong in a context where, only 6 percent of the value of chocolate went to cocoa farmers. Independent researchers, senior executives and representatives of consumer and producer countries agreed that cocoa farmers needed a major boost to achieve a living income. In effect, at the core of the living income challenge for smallholder cocoa farmers lies a significant imbalance between the risks of cocoa production shouldered by these farmers and their power to shape their own market participation within the cocoa GVC (Oxfam, 2018, p. 3). Nonetheless, the question of living income has centred mainly on the strategy stakeholders in the cocoa industry should develop towards the attainment of this desired objective. As the Managing Director of the VOICE Network, which is an association of Non-Governmental Organisations (NGOs) and Trade Unions working on sustainability in cocoa, Antione Fountain, recently put it, when it comes to ensuring a living income for cocoa farmers "it seems we are looking at everything except for how to raise cocoa prices for farmers" (Nieburg, 2017, para. 10). While in recent times, some farmer

cooperatives and major cocoa producing countries such as Ghana and Côte D'Ivoire have argued that cocoa farmers can ultimately only achieve a living income guaranteed by price regulation on the global market, other private organisations and companies, in contrast, have maintained that cocoa farmers can achieve a living income through increase in productivity at the farm level (Culliney, 2012).

For governments of producing countries like Ghana and Côte D'Ivoire, they make the point that the problem of low farmgate prices experienced by cocoa farmers can be explained by the unfair and imperfect nature of the cocoa GVC, where unequal market power and dominance by chocolate lead firms characterise the distribution of value along the chain. A significant proportion of the value generated along the cocoa GVC accrues to only a few lead firms in Europe and North America to the disadvantage of smallholder cocoa farmers in West Africa, who receive a disproportionate share of the value distributed. They insist that the only way to counterbalance the growing political and economic dominance of lead firms, and thus, guarantee fair prices for farmers, is for major cocoa producing countries to have a hand in how prices are decided on the international market. For Ghana and Côte D'Ivoire, the question of how to raise prices for cocoa farmers lies in the significance of a minimum guaranteed price, instead of the misplaced focus on farm-level productivity (Culliney, 2012). While considering improved productivity and farmer resilience to be important in their own rights, the governments of Ghana and Côte D'Ivoire have come to the conclusion that, ultimately, only price regulation will guarantee a viable living income for their cocoa farmers.

Countering this argument, other private organisations and companies have advocated for cocoa farmers to earn a living income through improved farm-level productivity. They make the point that insufficient farmer income is due to the low levels of farm productivity in the cocoa sector. With improved production methods and the promotion of crop diversification, farmers will be able to increase cocoa yields per hectare, expand income

options and consequently, secure more viable long-term livelihoods. Along these lines, the WCF, which is a non-profit international organisation helping to improve sustainability in cocoa, has introduced a program called the Cocoa Livelihoods Program (CLP). The CLP seeks to increase the income of cocoa farmers through enhanced farm-level productivity, efficient service delivery and increased farmer resilience. The CLP, which includes extension services and farmer training, envision that, for farmers to earn a viable living income, farm-level production should be increased to at least 1000 kilograms per hectare, compared to what is happening currently in most producing countries, which is about 400-600 kilograms per hectare (World Cocoa Foundation, 2019, para. 1). For some private players in the cocoa sector, the question of how to raise prices for cocoa farmers lies in increasing productivity at the farm level, which in turn assists them to achieve a living income.

## **1.2 STATEMENT OF RESEARCH PROBLEM**

The problems of low farmgate prices, hazardous child labour and deforestation have led multiple stakeholders in the cocoa sector to introduce different initiatives as a way of confronting those challenges. For example, the use of certification schemes and standards for cocoa such as UTZ certified, Rainforest Alliance, Fairtrade International and Organic are more common in cocoa than with most agricultural commodities sold worldwide. Private companies have also launched their own initiatives relating to worker's rights and sustainability issues. For example, the WCF organises "Cocoa Action", which brings together leading cocoa and chocolate industries, producer governments and key industry players in the cocoa sector around issues of cocoa sustainability (Brack, 2019, p. 18). Furthermore, a number of consumer-country governments are starting to adopt commitments targeted at reducing deforestation in cocoa regions by establishing regulations that ensure standards for sustainability produced cocoa (Brack, 2019, p. 19).

In general, however, there is increasing acceptance that existing initiatives on cocoa are not achieving their targets in either economic, social or environmental respects. Existing initiatives have not been able to achieve significant impact on a broader scale, with the cocoa GVC delivering unfair results to most smallholder cocoa farmers because only a few lead firms have the power to decide how value is distributed among the various actors within the value chain. For instance, cocoa organisations have been talking about low farmgate prices, child labour, and deforestation for decades now without substantial action to address them. As a result, it is widely accepted that certification schemes alone cannot be a sustainable solution to the problem in the cocoa industry because these systems place an unfair burden on cocoa farmers to achieve sustainability without offering much in terms of reward, in particular sufficient and viable prices (Brack, 2019, p. 21). In light of the limitations of existing initiatives, the Governments of Ghana and Côte d'Ivoire have put in place the LID, which would directly affect world prices by creating a minimum guaranteed price based on living income estimates.

Prior to the LID, the world price of cocoa had long been established on a terminal market known as the cocoa futures market. Cocoa is a relatively homogenous commodity, which is traded worldwide. This allows us to speak of a global cocoa market establishing the world price for cocoa. Pricing in the world market critically depends on ICE Futures Europe (London) and the ICE Futures United States (New York) as points of reference (Gilbert, 2016, as cited in Oomes et al., 2016, p. 20; International Cocoa Organisation, 2020, p. 1). For Oomes et al. (2016), to explain this connection, it is important to differentiate between exchange prices and transaction prices. The price of a cocoa future (exchange prices) is the price for a financial contract involving the forward delivery of a specific quantity of cocoa. Transaction prices, on the other hand, are set mutually between buyers and sellers for the actual delivery of cocoa. In the world cocoa market, these transactions are negotiated on the

two major exchanges. Oomes et al. (2016) state that such contracts leave significant room for negotiation so that different cocoa buyers and processors will end up paying different prices for cocoa of the same quality, depending on their trading expertise, the timing of delivery and market power. Therefore, there is no single spot price for cocoa on the futures market, which is problematic in terms of providing stable and viable income to smallholder farmers (Gilbert, 2016, as cited in Oomes et al., 2016, p. 31). For example, the December 2020 prices for cocoa decreased by 8 percent from \$2,283 to \$2,107 per metric tonne on the ICE Futures Europe (London), whereas, on the ICE Futures United States (New York), prices dropped by 7 percent from \$2,509 to \$2,338 per metric tonne (International Cocoa Organisation, 2020, p. 2).

To address the problem of low farmgate prices, my thesis will explore this new policy of a guaranteed minimum price and examine the following research question: how viable is the initiative of a guaranteed minimum price for meeting the objective of a living income for reducing poverty and social injustice among farmers in the cocoa industry in Ghana? Beyond contributing to the body of knowledge on price regulation and developments in cocoa generally, and the impact of the LID for reducing poverty and injustice among cocoa farmers in Ghana, the study will highlight the political and social factors influencing such a decision by the state. It seeks to ascertain whether the LID policy by Ghana will meet the objectives of fair income, reduce the incidence of child labour and address environmental concerns. The study will deepen understanding on the significance of a mandated minimum price for achieving sustainability in the cocoa sector, and hopefully stimulate further debate on the need to find sustainable means of cocoa production and living incomes for millions of cocoa farmers in West Africa.

### **1.3 RESEARCH METHODOLOGY**

The research design for this thesis focuses on a case study approach, exploring the decision by the Government of Ghana to implement the LID, which will enable cocoa farmers achieve a living income guaranteed by price regulation. The research methodology included interviews and focus group discussions. I made sense of the data by using content analysis to analyze and verify the results. The principles of confidentiality, avoidance of asking very sensitive questions, and being open and honest about the purpose of the research were adhered to at all stages. The empirical basis of this study was both primary and secondary data. Primary data came from interviews and focus group discussions; specifically, I interviewed forty (40) participants engaged at various levels of the cocoa sector in Ghana, irrespective of gender or ethnicity. Participants were state and non-state officials from: the Food, Agriculture and Cocoa Affairs Committee of Ghana's Parliament, Ghana Cocoa Board (COCOBOD), Agricultural Journalists, Ghana National Cocoa Farmers Association (GNACOFAs), Members of the Academic community (the Department of Economics, University of Ghana) and Cocoa Farmers, across the six cocoa growing regions of Ghana. The secondary sources of data included media publications, news articles, peer-reviewed articles, research papers, and papers presented by scholars. The secondary information was used to complement the primary data in order to enhance the validity, veracity and reliability of the findings through triangulation. The results from the interviews were transcribed and analysed using content analysis.

Again, my lived experience and social context has enabled me, as a researcher, to understand most of the human development challenges within the cocoa sector in Ghana. I worked as a Purchasing Clerk (PC) for close to three years in a small cocoa growing community called Kyebi-Amanfrom in the Eastern region, one of the six cocoa growing regions of Ghana. In the course of my stay and travel across the community, I became

conversant with the deprivation of cocoa farmers in terms of the lack of access to basic social amenities such as food, water and shelter. Further, children of cocoa growing families in the community had to stay out of school because of the lack of money to pay school fees and buy school books, and importantly, cocoa farmers in the community did not have the financial support to purchase the needed farming inputs such as fertilizer and improved seedlings for their cocoa business. Therefore, from my lived experience of Kyebi-Amanfrom, cocoa farmers lived in extreme poverty because the prices they received from the sale of cocoa were woefully inadequate to cater for the welfare needs of their families and workers.

#### **1.4 SCOPE AND LIMITATION OF THE STUDY**

There are limitations to the study including time and resource constraints, and insufficient documentary evidence for the purpose of this research. All these are foremost problems in the path of the researcher in the process of carrying out this arduous task. Perhaps, the main limitation of the research is that the LID project has only just begun, and therefore, I am unable to immediately measure and assess its full impact on cocoa farmers, as well as track prices over time. Moreover, another limitation is that because it is a case study, which explores the LID in Ghana, the findings from the research cannot be readily generalized and applied to other settings. However, the benefits of the research, as a preliminary investigation into the LID, is the need to immediately assess this new policy intervention and decide where it might head from here and make useful proposals moving forward.

#### **1.5 CURRENT CHALLENGES IN GHANA'S COCOA SECTOR**

##### **1.5.1 Low farmgate prices in Ghana**

For many farmers in Ghana, the income from cocoa is woefully insufficient to enable them to generate enough capital to invest in increased yields or in more sustainable agricultural practices. Cocoa farming families in Ghana make below the United Nations' \$1.9 definition of extreme poverty, earning on average \$1.34 per day, with a quarter of this amount coming

from non-cocoa sources (Peyton, 2019, para. 8; Slavin, 2020, para. 32). Terry Slavin (2020) explains that, even though certification schemes by Rainforest Alliance, UTZ certified and Fairtrade International (FLO) have increased the income of some cocoa farmers, it does so only marginally. While Rainforest Alliance and UTZ certified do not make public their premiums, farmers whose cocoa are certified by these schemes earn on average \$1.40 per day. Cocoa farmers certified by Fairtrade International, which pays a global fixed floor price for cocoa of \$2,400 per metric tonne, earn \$1.54 per day (Slavin, 2020, para. 32). Thus, even with the implementation of different certification schemes and standards, cocoa farmers are still earning income far below the international poverty line.

According to the International Cocoa Initiative (2017), which is a non-profit foundation that promotes child protection in cocoa growing communities in Ghana, there are several factors that affect cocoa farmers' capacity to earn higher income. The majority of cocoa farmers in Ghana, for example, operate small-scale farms of 2-4 hectares. Because farm sizes are small, the cocoa that is harvested is often small, at an average of 0.42 tonnes per hectare (para. 3). Furthermore, cocoa farmers find it difficult to access extension services, which could assist them in enhancing farming techniques and increasing yields. Low yields reduce the level of income generated by farmers and prevent them from having enough savings (International Cocoa Initiative, 2017, para. 3). Moreover, the high costs of production, including high cost of agricultural inputs, affects the income of cocoa farmers. The costs associated with buying fertiliser, farming equipment and pesticides put a large financial burden on their overall income (International Cocoa Initiative, 2017, para. 4). According to the International Cocoa Initiative (2017), of the 29 cocoa growing communities that they work with in Ghana, only 36 percent of farmers can afford to purchase farming inputs of any kind (para. 4).

Similarly, Antonie Fountain, Paul Elshof, Dick de Graaf and Friedel Hütz-Adams (2014) state that, the FoB price given to cocoa farmers, which is the price of a tonne of cocoa once it is loaded on a ship in the producing nation's port for export is unpredictable, varies on a daily basis, and tends to be even lower during the major harvest seasons (p. 1). Thus, the percentage of the FoB the cocoa farmer in Ghana receives is not only unstable, but also differs every crop season because the world market prices of cocoa have been established on a terminal market that allows cocoa buyers and processors to pay different prices for cocoa depending on delivery time and market expertise. None of these producer price calculations takes into consideration the basic needs or expected net income of cocoa farmers. The seasonality of cocoa farming suggests that incomes are extremely erratic and cocoa farmers face increased economic vulnerability and heightened poverty during the lean season (Fountain, Elshof, De Graaf and Hutz-Adams, 2014, p. 1). Few cocoa farmers are able to save money from their cocoa business and many cannot afford resilient economic strategies such as insurance coverage, pension schemes or other alternative income sources. In most instances, cocoa farmers borrow money to cover household expenses and agricultural inputs for approaching crop seasons, despite the fact that sustainable credit and financing and other means of technical support are limited in these rural cocoa communities.

In this situation of low farmgate prices and low income, women, engaged in cocoa farming are often the worst affected and the most vulnerable, as they have to take on additional labour by balancing cocoa farming with other income-generating endeavours such as producing oil palm, sewing, and maintaining chicken farms to meet needs for food, school fees and healthcare for household members (Fair Labour Organisation, 2014, p. 16; International Cocoa Initiative, 2017, para. 5). The Fair Labour Organisation (2014) explains that because women have fewer opportunities in any process within the cocoa supply chain in terms of higher income and better farming inputs, their productivity level generally remains

low; thereby, making their social and economic conditions worse than male counterparts (p. 8).

### **1.5.2 Hazardous Child Labour in Ghana**

Another major challenge that is a symptom of the low farmgate prices received by cocoa farmers in Ghana is hazardous child labour, which is common through much of the cocoa supply chain. The poor economic viability of cocoa farming makes this illegal practice of employing children worse and unresolvable. Low prices make it difficult for cocoa farmers to break the existing poverty trap, and young adults abandon the cocoa growing communities to migrate to urban centres in search of sustainable, and better paying jobs, cutting down significantly on the supply of rural workers. This lack of human capital in these cocoa rural areas makes farmers more reliant on children, particularly young boys and girls, which in the end aggravates rural poverty by preventing children from accessing quality education (Gneiting, 2019, para. 4). Aside from that, it is also the case that most cocoa farmers do not have money to pay for the services of adult labourers to help them grow and maintain their farms.

According to the Food Empowerment Project (2020), a project that seeks to prevent unfair working conditions among farmers and workers, many of the children working on cocoa farms are between the ages of 12 and 16, although a study conducted during the 2018/2019 crop season, by the National Opinion Research Centre (NORC), University of Chicago, indicates that children working in cocoa can be as young as 5 years (Myers, 2020). Forty percent of children who work in cocoa are girls, who either stay on the cocoa farms for a few months or end up working on the cocoa farms throughout adulthood (para. 5). Luckstead et al. (2019) point out that, almost 92 percent of the children working in the cocoa sector in Ghana in 2015 were involved in hazardous work (p. 1). This involves the use of dangerous tools such as machetes and cutlasses, as well as exposure to toxic agricultural

chemicals that many are forced to work with deep into the night. Children as young as ten years old have been documented spraying cocoa pods with poisonous agro-chemicals without any personal protective equipment provided by the farm owners (Food Empowerment Project, 2020, para. 8). According to a report released by the Payson Centre for International Development and Technology Transfer in 2014 titled “Survey on child labour in West African cocoa growing areas,” there is a lot of work to be done to eliminate child labour in the cocoa sector. The report states that 1.5 million children need to be taken out of hazardous work in the cocoa sector by 2020 to meet the Framework of Action of the Harkin-Engel Protocol, which is an international agreement aimed at reducing the worst forms of child labour by 70 percent across the cocoa sectors of Ghana and Cote D’Ivoire. At present, both countries have failed to meet this objective. For the Payson Centre for International Development and Technology Transfer, this objective is difficult to achieve because smallholder farmers are always in need of more cocoa income to cover basic household expenses (Payson Centre for International Development, 2014, p. 86).

### **1.5.3 Deforestation and Poor Governance Structures in Ghana**

Another consequence of low farmgate prices is the problem of land and environmental degradation. Extreme poverty forces farmers to plant cocoa in protected areas and virgin forests amid declining produce from aging trees, lack of Good Agricultural Practices (GAP), and a general reduction in suitable land area due to climate change (para. 4). The need for cocoa farmers to sustain their livelihoods has driven deforestation in protected areas, creating additional risks to cocoa farmers and their workers, and often leading to human rights abuses stemming from forced and violent evictions (Fountain and Hütz-Adams, 2018, p. 17). Forest clearance in protected areas has a negative ecological impact on cocoa yields, as such areas usually suffer from lower soil fertility, erosion and erratic rainfall patterns (Brack, 2019, p. 13). Although, sustainability programs aim to increase farmer income by growing cocoa on

less land, a Report by the World Bank (WB) demonstrates that many cocoa farmers are far below the poverty line, and thus, even if they are trained in GAP, or offered financial and technical support, not every farmer will be able to take up these options (para. 11). For example, Slavin (2020) states that, in research conducted by the Non-Governmental Organisations (NGOs) Mighty Earth and Lumina Intelligence, more than two years after the cocoa industry signed the Cocoa and Forest Initiative (CFI) with the Government of Ghana (GOG), deforestation-free cocoa was still elusive in the country. Notwithstanding 34 companies, which make up 85 percent of global cocoa usage, signing up to the CFI, since its launch at the 24<sup>th</sup> Conference of Parties (COP) climate summit in Bonn in November 2017, deforestation has worsened in cocoa growing countries because of the desire for cocoa farmers to increase their meagre income and attain a decent standard of living (Slavin, 2020, Para. 1 and 2).

In addition to these challenges is the problem of bad governance and inefficient law enforcement, which contributes to many of the problems in the sector. Ineffective ownership rights over land and forests in Ghana is a major problem. In practice, trees are owned by the state, not the cocoa farmer; thus, cocoa trees may be cut down if the government allocates the area to, for instance, a timber concessionaire. Subsequently, this undermines the motivation for cocoa farmers to allow natural tree regrowth on their farms because the value of these trees will belong to the government (Brack, 2019, p. 14). In many cocoa growing areas, clear land tenure is more difficult for women to attain, who find it difficult to obtain the right to be landowners due to patriarchal traditions. Even though women do a lot of the work in cocoa production, men are generally assigned the role of decision makers on the farms. Unclear land tenure systems, moreover, can lead to lower investments in farms, and even if investments are secured, it is uncertain the land will remain with cocoa farmers, as farmers

might choose to fell cocoa trees or to diversify production (Fountain and Hutz-Adams, 2018, pp. 18-19).

## **1.6 CONCLUSION**

Many stakeholders in the cocoa sector, including the VOICE-Network, have explained that living income should be the starting point of any conversation on farmer income. They insist that every cocoa farmer should be able to earn a living income, and preferably a lot more. Considering this objective, many discussions in the cocoa sector have centred around which approach better helps cocoa farmers achieve a living income. While some key players in the cocoa sector contend that cocoa farmers will achieve a living income guaranteed by price regulation, others insist that cocoa farmers will achieve a living guaranteed by productivity-driven programs. My thesis explores the introduction and implementation of the LID, with a focus on Ghana. Based on my investigations, I argue that the governments of Ghana and Côte D'Ivoire have critical roles to play in regulating prices on the global cocoa market, if, indeed, their farmers are to achieve a viable living income. My argument is that the LID challenges the assumptions in the cocoa sector about the ability of stakeholders, particularly, producing governments to transform the way cocoa is priced and traded to the benefits of cocoa farmers. The LID is now an economic lifeline for cocoa farmers, who otherwise would have continued to be held hostage by giant Transnational Corporations (TNCs). Research on the cocoa GVC indicates that market concentration and power imbalances are glaring and expansive within the value chain such that countries like Ghana and Côte D'Ivoire have only limited options to influence prices at the expense of a few, dominant giant lead firms in Europe and North America. To address the problem of excessive power and dominance within the cocoa GVC, I contend that every cocoa farmer in Ghana should earn a living income guaranteed by price regulation. Fairness, social justice and other sustainability achievements in the cocoa sector in Ghana ultimately depend on the centrality

of guaranteeing a viable minimum price for smallholder cocoa farmers and workers. The implementation of the LID is central towards the attainment of this goal.

## **CHAPTER TWO**

### **2.0 THEORETICAL FRAMEWORK AND HISTORICAL CONSIDERATIONS**

This chapter discusses the theoretical framework and historical considerations of the study. The Global Value Chain (GVC) approach is presented as the theoretical framework that guides the study. In this chapter, I argue that, although the West African region dominates in the production of cocoa beans, the processing, manufacturing, retailing and consumption of the final products of cocoa are largely done in Europe and North America, where a greater share of the value is also retained. The cocoa GVC involves the operation of five major segments. The first segment is cocoa beans production, which further involves three stages: cocoa growing, harvesting, and fermentation and drying. The second is the sourcing and marketing segment, involving the export of cocoa beans from the farmgate level to the export market. The third segment involves processing of cocoa beans into other finished products, and encompasses two stages: grinding and roasting. The next segment comprises chocolate manufacturing and distribution, and remains the most valuable segment of the cocoa GVC. The final segment is retailing to final consumers, involving packaging, commercial marketing and retailing.

### **2.1 THEORETICAL FRAMEWORK: THE GVC APPROACH**

According to Stefano Ponte, Gary Gereffi and Gale Raj-Reichert (2019), the GVC refers to the complete range of activities that lead firms, farmers and workers undertake to bring a product from its conception to its final use. These activities include production, processing, distribution, marketing, finance and consumer services. Within the GVC, these functions are distributed among different lead firms scattered around the world. Lead firms are groups of firms that operate particular functional positions along the value chain, and therefore, are able to influence what is done along the chain and by whom, at what price, using what standards, to which specifications and at what point in time a particular commodity is delivered (Gereffi

and Fernandez-Stark, 2016, p. 7; Humphrey and Schmitz, 2001; Kaplinsky and Morris, 2000, as cited in Lessmeister, 2008, p. 144; Ponte and Sturgeon, 2014, as cited in Ponte, Gereffi and Raj-Reichert, 2019, p. 1).

The emergence of GVC, as a concept and analytical framework, has enabled researchers to understand the changing dynamics of the global economy. The GVC approach was postulated in reaction to neoclassical trade theory, which claims that firms have valuable and rare assets, which they deploy in independent market exchanges with other firms. According to neoclassical trade theory, market power and concentration is important for firms because it leads to the extraction of new profit opportunities, which in the end makes them more competitive and efficient (Tavassoli, Saeedi and Biglari, 2018, p. 4). In critiquing the neoclassical trade theory, GVC thinkers argue that economies, especially those of developing countries, must recognise that market power and concentration in value chains are not just coordinated spontaneously through market exchanges, but emerge out of deliberate and calculated strategies and decision making by specific actors, particularly giant “lead” firms in Europe and North America to manage and control their access to final markets globally (Ponte, Gereffi and Raj-Reichert, 2019, p. 1).

A GVC approach is a compelling methodological framework for documenting, evaluating and analysing the impact of social movements on corporate governance structures. It has moved, over the years, from highlighting the economic decisions of transnational lead firms to placing more emphasises on a range of institutions, from social movements, labour unions and industry associations to cultural values, legal standards and industry codes. A GVC approach enables the researcher to include social movement theories in their research designs to examine how movements concerned with issues such as social justice, the environment, fairness and ethics can pressure corporations and introduce new forms of economic corporation (Fridell, 2019, p. 253). Further, it examines relationship between

economic agents, particularly transnational firms and the flow of value from developing countries to developed ones along the global chain (Fridell, 2019, p. 256). For example, the GVC approach has been employed by individuals, governments, private actors, NGOs, as well as the International Cocoa Organisation (ICCO), the World Bank and the European Commission to explore market power and concentration within the cocoa GVC and its impact on smallholder farmers and workers in major cocoa producing countries (Gayi and Tsowou, 2016).

Mostly, the research method used in a GVC approach is the case study approach, comprising a single or several cases in comparison. The focus of the case study is mostly a specific value chain or agents within the chain. The case study approach allows for examination of a unique case “as a whole” embedded in its particular social, political and historical context (Fridell, 2019, p. 254). For instance, comparative case studies have mostly been used in GVC literature, which has compared different chains to develop and expand typologies and conceptual frameworks (Bair, 2009; Talbot, 2004, 2009, as cited in Fridell, 2019, p. 254). Christopher Gilbert (2006) and Raphael Kaplinsky (2004) have used a GVC approach to examine the similarities and differences in high market power and concentration of the cocoa and coffee value chains, arguing that, in both value chains, there is significant growth in market concentration, primarily from the downstream processing ends of the chains to the final consumer.

According to Raphael Kaplinsky (2004), when it comes to the GVC, producers of commodities are connected to final markets in one of two ways. On one side of the spectrum, they take part in what is called “perfect markets” in much economic literature, in which they have little influence. Thus, they are price-takers rather than price-makers; their decisions are not influenced by those of particular competitors; and their relationships along the chain are short-term and impersonal. On the other side of the spectrum, when the transaction-costs of

markets are very high, production is internalised within a single firm, which is exemplified in its activities through a series of links in the production chain (Kaplinsky, 2004, p. 3). Nevertheless, during the last quarter of the twentieth century, a new type of organised production began to progressively dominate, especially as these production chains became international in nature. On one hand, these production chains were not internalised within a single firm, since intermediate inputs were passed along the chain by parties with unequal market links. On the other hand, the relationships that took place in this intermediate processing were neither impersonal nor short-term, but durable and reflected close cooperation among participating producers (Kaplinsky, 2004, p. 3).

However, the “link” holding the producers in these emerging chains together did not reflect equal market weight and opportunities. In each of these chains, one or more key actors came to exert undue power and control, and are known as “chain governors”. Thus, there emerged two dominant types of chain governance: producer-driven and buyer-driven chains (Kaplinsky, 2004, p. 4). In producer-driven value chains, giant, usually transnational manufacturers play central roles in coordinating production networks. These large manufacturers coordinate activities within the value chain and take responsibility for helping their suppliers and consumers to be more efficient. Producer-driven value chains are typical of capital and technology-intensive industries such as automobiles, aircraft, computers, semiconductors and heavy machinery. On the other hand, in buyer-driven value chains, retailers, marketers and branded manufacturers play pivotal roles in setting up decentralised production networks in a variety of exporting countries, typically located in developing countries. These chains are typical for labour-intensive industries and consumer-goods industries, and are highly relevant to developing countries because buyer-driven chains provide ready markets for their goods and services. Examples include: the agro-food industries, textiles, garment, footwear and furniture (Gereffi and Memedovic, 2003, p. 3).

The cocoa GVC can be understood within the context of a buyer-driven value chain, where lead firms including retailers and branded manufacturers have integrated the activities of marketing, distribution, export and processing in ways that enable them to capture much of the value added in marketing associated with domestic and global markets. Their ability to exploit the economies of scale through marketing and transportation, corporate consolidation, branding and diversification of consumption have changed power relations in the cocoa GVC to their advantage at the expense of smallholder cocoa farmers (Ponte, 2001, as cited in Traoré, 2009, p. 27). In effect, only a few lead firms in Europe and North America exert power and control over the determination of prices and obtain high margins. Lead firms in the cocoa GVC are not only merging or acquiring new deals with other smaller firms within the value chain, they are also exploring new profit opportunities including expanding their activities into different segments of the cocoa GVC, from sourcing cocoa beans to now producing chocolate products. This phenomenon increases the bargaining power of lead firms at the expense of important cocoa producing countries such as Ghana and Côte D'Ivoire, finding it difficult to influence prices for their farmers, despite their huge market share (Hütz-Adams and Schneeweiß, 2018, p. 11). While the cocoa GVC is increasingly being concentrated in the hands of a few lead firms, cocoa farmers remain dispersed, unable to hold countervailing power against well-structured cocoa buyers, processors, manufacturers, marketers and retailers at the global and national levels (Gayi and Tsowou, 2016, p. 2). In effect, the main issue within every stage of the cocoa GVC is who has the power and influence to decide who gets what, when and how.

According to Samuel K. Gayi and Komi Tsowou (2016), the cocoa GVC is characterised by a structural configuration, involving a high level of vertical integration and significant horizontal concentration at different successive stages within the value chain. These captive structures give rise to the exercise of unequal power in cocoa purchasing both

at the farmgate and at the global levels, which leaves limited room for cocoa farmers to cover production costs and provide themselves with a decent livelihood (Gayi and Tsowou, 2016, p. 13). Thus, there is adequate evidence, looking at the structural disparity of the cocoa GVC, to conclude that there is a causal connection between negative changes of farmer's share of world prices and changes that occur at the international level because of the penetration of foreign capital and excessive market concentration. Hence, an extremely powerful and limited number of lead firms, at present, dominate and control all segments of the global cocoa market. For example, in 2012, only five companies: Olam International, Cargill, Barry Callebaut, Armajaro Trading Limited and Cémoi bought over 50 percent of the cocoa beans in Côte D'Ivoire, Ghana, Nigeria, Cameroun and Togo (Oomes et al., 2016, p. 11).

An analysis of the cocoa GVC demonstrates that lead firms have made substantial cost savings and profits from their huge market power and concentration patterns at all segments of the cocoa value chain. In the view of neoliberal institutions like the World Bank, the World Trade Organisation (WTO) and the Organisation of Economic Co-operation and Development (OECD), concentration patterns in the GVC enable firms to become more efficient and benefit from the economies of scale. They argue that these activities enable companies to consider relative cost and build an effective value chain across different firms and locations (OECD, 2013, p. 7). This notwithstanding, for Gayi and Tsowou (2019), the debate on the GVC approach, particularly in the cocoa sector, should rather centre on whether concentration patterns have benefited farmers, who are less integrated and widely dispersed in the cocoa value chain. They point out that the extent to which cost savings resulting from concentration patterns in the cocoa GVC has been passed onto cocoa farmers is highly questionable. The low profitability of the cocoa farming business and the poor living standards of cocoa farmers is enough compelling evidence to show that market power and

concentration in the cocoa GVC is largely a self-serving agenda for a few lead firms, seeking to consolidate their control and influence within the value chain.

## **2.2 HISTORICAL CONSIDERATIONS: THE COCOA GVC**

According to Kristy Leissle (2018), the cocoa tree, *Theobroma cacao*, is indigenous to Central and Southern America; however, centuries of globalisation have spread its cultivation across the world to other regions where it can be viably grown, which is about 20 degrees north and south of the equator. The consequence is that, today, most cocoa grows outside of the Americas. West Africa is by far the dominant producer region with farmers there growing around three quarters of cocoa globally. Côte D'Ivoire, the largest exporter typically accounts for 40 percent. Ghana, the second largest, controls around 20 percent, and Nigeria and Cameroun about 5 percent. Countries in South America produce less than one fifth of the world's total, and the Asia Pacific region, owing to Indonesia, which is the third largest exporter of cocoa in the world, produces about a tenth (Leissle, 2018, p. 16).

Leissle (2018) explains that, for more than a century now, at least one West African producer has been among the top global cocoa exporters, starting with São Tomé and Príncipe, the second largest after Ecuador in 1900. Starting about 1911, Ghana (then known as the Gold Coast) became the leading exporter of cocoa, a position it maintained until Côte D'Ivoire surpassed it in the late 1970s. Because four of the leading producer countries are in West Africa, the region is an indicator of cocoa's trading prices and general market trends (Leissle, 2018, p. 18). Market analysts must pay close attention to West Africa's seasonal weather and long-term climate changes, as well as its political environment. These factors drive how much cocoa the region produces, and how difficult or easy it is to get the cocoa loaded onto container ships and headed to Europe and North America, which dominate in the processing of cocoa beans and final consumption. Leissle (2018) observes that, as the largest exporter of cocoa, the supply from Côte D'Ivoire is essential. Ghana is also important for

both supply and quality, because it produces the world's best bulk beans, whose flavours lie at the heart of what many European and North American consumers know and love as chocolate (p. 18).

According to Leissle (2018), in 2016, the value of all cocoa traded globally was about \$12 billion. At the same time, the total sale of the finished goods that come from cocoa, mostly chocolate, was about \$100 billion. She points to the fact that five companies- Mars Incorporated, Mondelez, Ferrero, Nestlé and Hershey, who are all headquartered in the United States and Europe, sell more than half the world's branded chocolate by value. Their huge economies of scale mean that these companies and the people who control them enjoy far higher profit margins than smallholder cocoa farmers in producing countries. Though they are unable to grow cocoa commercially, countries in Europe and North America enjoy the greatest economic benefits from cocoa because of the unequal and imbalanced power relations within the cocoa GVC. One way to measure this unequal power relationship is to look at grindings, the term for processing cocoa beans into more usable and valuable forms. The processing of cocoa within the GVC is concentrated in the hands of few processors globally, with Barry Callebaut, Cargill, and Olam International, grinding nearly two-thirds of the world's cocoa beans. In effect, Europe remains the leading region with regard to cocoa processing, as most of the world's cocoa processing happens in the Netherlands and Germany. Outside of the European region, the United States has the largest processing capacity (Leissle, 2018, p. 19).

Further, Leissle (2018) explains that another way of unpacking cocoa's value is to look at where people eat chocolate. Switzerland leads in total market value of chocolate, with the highest per capita rate of chocolate consumption in the world. On the opposite end, West African producer countries are estimated to capture just two percent of chocolate's \$100 billion global market value. In 2011, for example, Germany exported processed chocolate

products worth \$3.8 billion, with no West African country in the top 10 exporters of chocolate in the world (Food and Agriculture Organisation, 2015, p. 3). Moreover, retailers, grocery stores, restaurants, pharmaceuticals and bakeries in Europe and North America make billions of dollars on chocolate sales. As a result, while chocolate manufacturers receive 35.2 percent of the value of a \$1 chocolate bar, and retail and taxes take up 44 percent, cocoa farmers and workers earn just 6.6 percent (Fountain and Hütz-Adams, 2015, as cited in Nieburg, 2015, para. 3).

Essential to understanding value in the global cocoa industry has been the historical emergence of processed cocoa to finished goods. Leissle (2008) makes the point that Mesoamerican societies had been putting cocoa beans to different use for more than three millennia before Europeans encountered cocoa, which included using cocoa for drinks, currency and rituals. A major shift occurred, in the nineteenth century, as technologies emerging out of the Industrial Revolution, which started in Britain and spread to the regions of Europe and North America, made possible a radically new consumable form of cocoa called the “chocolate bar” (p. 19). Chocolate, as Leissle (2018) describes, “was a rectangle, glossy and sweet, and wrapped in packaging that gave it a brand identity” (p. 5). As a result of being the earliest to industrialize and mass-produce bar chocolate, North America and Western Europe today are the “mature” chocolate markets, and not West African cocoa countries, who produce its raw material.

Leissle (2018) makes the point that, despite the unevenness, and huge income discrepancy between cocoa farmers and chocolate manufacturers, dependency characterises both ends of the supply chain. Whereas processing capacity and consumer markets are rising in some producer countries, they still export most of their cocoa beans as primary agricultural commodity. The world’s six million growers of cocoa, who are dispersed and not well

integrated within the cocoa GVC, depend on a few lead firms and consumers overseas to purchase, process and consume their crops.

At the same time, lead firms owe their existence to cocoa. Even though two of the three largest processors have diversified product ranges and do not depend exclusively on cocoa, all major processors and chocolate manufacturers are headquartered in countries that cannot grow cocoa on a commercial scale because cocoa is predominantly grown in the tropics. These companies, therefore, depend on millions of cocoa farmers and workers, and the transportation systems in Côte d’Ivoire and Ghana especially, in addition to the labour of women and children, who provide them with unpaid domestic support to cultivate the raw material they need most (p. 20).

Unfortunately for these lead firms, observes Leissle (2018), there is no substitute for cocoa. The chemical composition of the seed and complexities of chocolate manufacture have meant that so far artificial imitation of chocolate’s flavour has proven impossible. The only ‘replacement’ that appears with any frequency, mostly in health food stores, is carob, which Leissle (2018,) characterises as a “legume indigenous to the Mediterranean region and it must be admitted requires some imagination to accept as chocolate analogue” (p. 20) This makes the cocoa beans unique and rare, peculiar to only a few regions in the World.

World Cocoa Bean Production (ICCO, 2017/2018 Crop Season)

| Continent        | Production (tonne) | Percentage |
|------------------|--------------------|------------|
| Africa           | 3,493,100          | 75%        |
| Americas         | 818,700            | 18%        |
| Asia and Oceania | 326,600            | 7%         |
| Total            | 4,638,400          |            |

Figure 1: The International Cocoa Organisation (ICCO), as cited in Tromba (2019)

## **2.3 ORGANISATION OF THE COCOA GVC**

This section examines the different nodes within the cocoa GVC by explaining what is done at every node, who governs it and where value is retained. The cocoa GVC has five major segments, namely: production; sourcing and marketing; processing; manufacturing and distribution; and retailing to final consumers (Gayi and Tsowou, 2016, p. 10).

## **2.4 PRODUCTION OF COCOA BEANS**

First, there is the cocoa beans production segment of the cocoa GVC. This segment is governed by major producing countries in West Africa, where over six million hectares of cocoa trees are cultivated, and the region accounts for about 70 percent of total world production. Côte D'Ivoire and Ghana are the largest producers, followed by Nigeria and Cameroon (Wessel and Quist-Wessel, 2015, p. 2). In 2016, for example, the largest producer of cocoa beans was Côte D'Ivoire (\$3.9 billion), followed by Ghana (\$2.5 billion) and Nigeria (\$0.8 billion) (Voora, Bermudez and Larrea, 2019, p. 1). The cocoa beans production segment of the cocoa GVC has three stages: cocoa growing, harvesting, and fermentation and drying.

### **2.4.1 Cocoa growing**

Cocoa growing is predominantly undertaken by smallholder farmers, who account for 80-90 percent of global production. These farmers generally cultivate small hectares of land, which is typically between 2-4 hectares. Cocoa beans are the seeds of the "Theobroma Cacao", which produces different varieties including the Forastero, Trinitario and Criollo. Cocoa trees thrive in tropical areas, within a range of 10-20 degrees north and south of the equator under the protective shade of other plants such as plantain, banana and palm trees. Further, cocoa trees begin to flourish and bear pods from the fifth year of their life and there is a higher investment cost in replanting because cocoa tree growth is less rapid and requires more labour and farming inputs (Ruf and Zadi, 1998, para. 11). In recent times, some advances in

breeding have enabled farmers to grow new species of cocoa trees, which are able to bear fruits in their third year. Although cocoa trees can live up to 100 years, most are productive for about 20-30 years (Gayi and Tsowou, 2016, p. 10).

#### **2.4.2 Cocoa harvesting**

Cocoa is harvested manually when the cocoa pods are ripe to avoid injuring the junction of the stem with the tree, as this is where future flowers and pods will emerge (Dand, 1997). Damaging the cushion of the cocoa tree serves as a potential point of entry for fungi. The process of harvesting consists of cutting the pods usually with a sharp instrument such as a machete or a cutlass. During the harvest season, cocoa farmers rely on a combination of household, hired and communal labour for the majority of activities. For poorer households, they may choose not to have additional labour and try to make do with household labour, even if it means the use of children for some activities (Bymolt, Laven and Tyszler, 2018, p. 162). Generally, the harvesting seasons of cocoa depend on the planting areas. In Ghana, for example, there are two harvesting seasons made up of the main crop season and the light crop season. The main crop season begins in October and ends in April, while the light crop season begins in June and ends in August (Owusu-Amankwah, 2015, p. 48).

#### **2.4.3 Cocoa fermentation and drying**

The third stage of the cocoa production segment is cocoa fermentation and drying. Cocoa beans are fermented and dried on the farm or at home in most cocoa growing villages of producer countries. After the cocoa pods are harvested, the pulp covering the beans are removed and stored in boxes or baskets or heaped into piles and covered with mats or with banana or plantain leaves. After the fermentation of the cocoa beans, the beans are dried in the sun, for several days- typically five to ten days. The drying stops the fermentation process and enhances the storability of the cocoa beans. Even though some countries choose to use machines in drying cocoa beans, sun drying is considered the best as it produces a better

flavour and quality. Sun drying is the natural means of drying beans in the sun on raffia mats. Cocoa farmers in major producing countries prefer this method because it is simple and cheap, but it is also labour intensive and there is much concern for stable weather (Mossu, 1992). Without proper aeration, the acid present in the beans does not escape completely, resulting in more acidic cocoa products (Gayi and Tsowou, 2016, p. 11).

## **2.5 MARKETING OF COCOA BEANS**

Second, there is the cocoa beans marketing segment of the cocoa GVC. Historically, marketing of cocoa beans from the farm gates to export markets is governed by national commodity boards in most major producing countries such as Cote D'Ivoire, Ghana and Cameroun. Even though the specific functions of these national cocoa marketing boards differ across producing countries, in general, these boards purchase cocoa beans from farmers at fixed price and act as principal sellers or exporters. However, with the introduction of trade liberalisation reforms in all three countries in the 1980s and 1990s including liberalisation of cocoa bean markets, cocoa farmers can now sell their crops directly at buying stations to agents of exporters or to traders and brokers, who usually use prices of cocoa beans futures on international markets, as references. These prices are denominated in the US dollars, Pound Sterling, and until recently, Euros. Once the cocoa beans are bought, most of them are transported to roasting and grinding plants in consumer countries in Europe and North America. Before cocoa beans are exported to consumer countries, local buyers in producing countries transport them first to an exporting company, which inspects the cocoa beans, then grades and stores them into burlap, sisal or jute bags for shipment to the importer's warehouse. At the port of destination, the importer may conduct additional quality checks before storing or selling the beans to cocoa processors or chocolate manufacturers (Gayi and Tsowou, 2016, p. 11).

## **2.6 PROCESSING OF COCOA BEANS**

The next stage involves the cocoa beans processing segment of the cocoa GVC. This segment is governed by importing countries in Europe and North America because of the development of new processing technologies and grinding installations, developments in transport (bulk shipping), and the ability of these processing companies to buy cocoa beans in large volumes and source from a variety of countries (Kaplinsky, 2004, p. 21). The processing segment typically encompasses two stages: roasting and grinding (Gayi and Tsowou, 2016, p. 12). Currently, four big chocolate companies: Barry Callebaut, Cargill, Archer Daniels Midland (ADM) and Blommer Chocolate control over 61 percent of global cocoa grindings (Gayi and Tsowou, 2016, p. 14).

### **2.6.1 Roasting**

Cocoa is roasted to reduce the water content and obtain rich aroma and flavours from the beans. Roasting can be done on the whole beans, which comprises the nib and the shell, before the shells are removed. This process of roasting the whole beans is called bean roasting. Alternatively, roasting can be done only on the nib after the shells are removed. This process is called nib roasting. In some cases, the shells that are removed from the nibs are sold and used as agricultural mulch or fertilizer, and thereby, providing opportunities for the development of cocoa by-products. After the beans are roasted, they undergo other processes, including alkalisation using alkaline solutions such as potassium and sodium carbonate. The use of alkaline solutions result in semi-finished cocoa products being darker and with less acidity. Further, time and temperature for roasting cocoa beans are key determinants of the flavour of semi-finished cocoa products (Gayi and Tsowou, 2016, p. 12). Cocoa roasting is an expensive stage for cocoa manufacturers because this process affects the quality and quantity of finished products such as butter and cocoa liquor at the manufacturing segment. Thus,

cocoa manufacturers invest a lot of technology, time and laboratory research in roasting in order to maintain the quality of final cocoa products (Mounjouenpou et al., 2018, p. 22).

### **2.6.2 Grinding**

After the cocoa beans have been roasted and shelled or shelled and roasted, the nibs are grinded to produce cocoa liquor under high pressure. Cocoa liquor can be used instantly as an ingredient for chocolate. Otherwise, it is pressed through a fine sieve or by using extraction solvents to obtain other products like cocoa butter. After the extraction of the cocoa butter, there is a solid material which is left behind called cocoa cake or presscake. The extracted cocoa butter is then filtered and stored in tanks in liquid form for use in chocolate manufacturing. On the other hand, the cocoa cake is either broken into smaller pieces and sold in cocoa markets or milled to produce a fine cocoa powder. Cocoa cake generally differs in terms of fat content depending on how much fat has been pressed out. This determines its end use ranging from chocolate drinks to bakery products and fillings (Gayi and Tsowou, 2016, p. 12).

## **2.7 MANUFACTURING OF CHOCOLATE**

The chocolate manufacturing segment of the cocoa GVC is predominantly governed by industrialized countries in Europe such as Switzerland, Germany, the Netherlands and the United Kingdom. In North America, industrial production of chocolate is mainly done in the United States and Canada. Countries in the Global North dominate in the manufacturing of chocolate because of their control over financial resources and vital manufacturing technologies, involving considerable research and development. Importantly, chocolate manufacturing is the most valuable segment of the cocoa GVC. In 2019, the chocolate market size was worth over \$138 billion and it is projected by industry watchers to reach \$182 billion by 2025 (Business Wire, 2020, para. 1). Mars Incorporated, the Ferrero Group, Mondelēz, Meiji Company Limited and the Hershey Company are the top five global chocolate

manufacturers, with combined chocolate industry net sales of \$61 billion in 2019 (Chocolate Industry Market Share, 2020, para. 3). In this segment, cocoa liquor and butter are mixed with inputs such as sugar, vanilla and other creaming agents and milk. This mixture then undergoes a refining process through a series of rollers until a smooth chocolate is obtained. Moreover, there is an additional process called conching, which ranges from a few hours to several days to further develop the flavour and texture. The resulting mixture, which is called industrial chocolate or couverture, is shipped in tanks in both liquid or solid forms, or alternatively, it is tempered and poured into moulds for distribution and utilisation by the downstream industrial players of the chain including confectioners, dairies, and bakers. In some cases where manufacturers have diversified their production into other areas of the value chain, the industrial chocolate is used in-house to produce consumer products (Gayi and Tsowou, 2016, p. 13).

## **2.8 RETAILING TO FINAL CONSUMERS**

The chocolate retailing segment of the cocoa GVC is the final step in the cocoa-chocolate value chain and includes packaging, commercial marketing and retailing. Similar to the manufacturing segment, this segment is governed by industrialised countries in Europe and North America because of their dominance over sales, marketing and financial services. In 2017, the chocolate industry had a global retail market value of \$106 billion and is expected to grow to \$190 billion by 2026 (Voora, Bermudez and Larrea, 2019, p. 1). Chocolate products are sold through grocery retail channels including hypermarkets, supermarkets, convenience stores, discounters, and more recently, online shopping. Furthermore, some chocolate manufacturers are now opening their own branded retail stores to improve their image and capture a larger consumer base. Chocolate retailing can be grouped into types, sales and geographic location. First, chocolate types include dark, milk and white chocolate. Second, chocolate sales include every day, premium or seasonal chocolate. Finally,

geographic locations of the sale of chocolate include North America, Europe, Asia and the rest of the world. Each category is important because it provides specific market opportunities in terms of consumer buying behaviour (Gayi and Tsowou, 2016, p. 13).

## **2.9 CONCENTRATION IN THE COCOA GVC**

In almost all of the cocoa GVC segments, there is an increasing presence of horizontal concentration and vertical integration because of a market structure in the global cocoa industry that promotes a number of mergers and acquisition deals. Moreover, market concentration in the cocoa GVC is not only limited to the global level, but also occurs in many cocoa producing and chocolate consuming countries.

### **2.9.1 Horizontal Market Concentration at the Global level**

There are three segments of the cocoa value chain where this phenomenon of horizontal concentration is mostly observed. These segments are cocoa marketing, cocoa processing and retail of chocolate products (Gayi and Tsowou, 2016, pp. 13-15).

First, there is the phenomenon of horizontal market concentration in cocoa marketing. From the 1980s to the early 2000s, the number of cocoa marketing houses in London dropped from 30 to less than 10. This was because companies with broadly diversified marketing interest, including Cargill and ADM, took over the role of some companies specialised in cocoa marketing such as Gill and Dufus, Berisford and Sucden (UNCTAD, 1999, as cited in Gayi and Tsowou, 2016, p. 15). The market concentration pattern has increased over the years due to mergers and acquisitions. Therefore, in 2013, the biggest cocoa marketing and processing companies- Barry Callebaut, Cargill and ADM- traded between 50 and 60 percent of the world's cocoa production (Gayi and Tsowou, 2016, p. 14). Further, an important driver of market concentration in the marketing segment of the cocoa value chain is trade liberalisation reforms that took place in the 1980s in producing countries. Whereas it was

argued that trade liberalisation would increase competition in domestic intermediation and in the export of cocoa beans by raising the number of players, in reality, the high costs of operation, including high transport costs in the domestic markets of cocoa producing countries, contributed to strengthening the position of lead firms, who have better access to financial and technological resources than small traders and buyers in the developing countries. Consequently, most small players were taken out of cocoa marketing channels or merged with other lead firms (Gayi and Tsowou, 2016, p. 14).

Second, there is the phenomenon of horizontal market concentration in cocoa processing. Since 2006, only four companies: Barry Callebaut, Cargill, ADM and Blommer Chocolate Company have controlled about 50 percent of world cocoa grindings. Currently, the four companies control about 61 percent of the cocoa processing segment within the cocoa GVC. Due to high costs of production including high machinery, fuel and electricity costs, independent processing companies are unable to make enough savings, resulting in smaller profit margins for most of them (Hardman & Co., 2014, as cited in Gayi and Tsowou 2016, p. 14). To address these high costs, companies have used mergers and acquisition strategies in the processing segment of the cocoa GVC as a means of lowering production costs. In effect, because of the capital-intensive nature of the cocoa processing segment, only financially powerful companies engage in it. Potential new entrants and small companies, lacking the financial and technological resources, are discouraged from participating in cocoa processing, especially those in cocoa producing countries in West Africa (Gayi and Tsowou, 2016, p. 14).

Third, there is also a high degree of market concentration in the retailing of chocolate products. Previously, chocolate companies sold their products in their home countries and most of them were owned by family firms. At present, a number of confectionery and branded chocolate companies operate in global markets, some of them still family-owned

brands like Mars Incorporated and the Ferrero Group, which are among the top five manufacturers of chocolate bars globally. In 2019, Mars Incorporated made over \$18 billion chocolate industry net sales, followed by Ferrero with \$13 billion chocolate industry net sales, Mondelēz with \$12 billion net sales, Meji with \$10 billion and Hershey's with \$8 billion (Chocolate Industry Market Share, 2020). This means that, in 2019, nearly half of the chocolate industry total sales went to only five companies, which is \$61 billion. Further, some chocolate manufacturers such as Mars Incorporated and the Ferrero Group are now opening their own branded retail stores, a phenomenon that has led to increased brand exposure and image enhancement, and in turn, significantly improved the share of big chocolate companies along the cocoa GVC (Gayi and Tsowou, 2016, p. 15). For example, Mars Incorporated has the largest branded retail business in the chocolate industry, with branded retail stores in North America, Europe and Asia, including New York, Las Vegas, London and Shanghai, considerably increasing their share of value along the cocoa GVC (Mars Incorporated, 2020, para. 7; Wilson, 2020, para. 11).

### **2.9.2 Vertical Market Concentration at the Global Level**

Many companies in the cocoa GVC are expanding their activities into other segments, which were previously not controlled by them. Currently, cocoa-chocolate companies are engaged in all segments of the cocoa GVC, from sourcing cocoa beans to producing chocolate products. In the past, a number of huge chocolate producers used to manage a large part of the cocoa value chain themselves, from purchasing cocoa beans to processing cocoa butter and powder to finally making chocolate (Gilbert, 2009, as cited in Gayi and Tsowou, 2016, p. 15). As such, many chocolate business entities positioned themselves on a specific segment of the cocoa value chain (Gayi and Tsowou, 2016, p. 15). However, since the late 1980s, an increasing number of mergers and acquisitions has resulted in a high degree of vertical integration in the cocoa industry. This vertical integration stems partly from the motivation of

lead firms in Europe and North America to gain tighter control and financial power over cocoa and chocolate products to satisfy demand in terms of quantity, quality and traceability (Menard and Klein, 2004, as cited in Gayi and Tsowou, 2016, p. 15).

The operations of marketing and processing companies have extended to the farmgate levels directly, by setting up cocoa-buying stations, and indirectly, by designating other people to buy cocoa on their behalf. This fight for dominance within the cocoa GVC has created a blurred boundary between marketing and processing companies, as the big marketing lead firms are now engaged in cocoa processing, while cocoa processing companies are, at the same time, engaged in cocoa marketing. Out of the eight largest companies, which control about 70 percent of global cocoa processing, seven of them are now playing important roles in the cocoa GVC in terms of cocoa origination, handling and marketing (Hardman & Co., as cited in Gayi and Tsowou, 2016, p. 15). Companies such as ADM and Cargill, who traditionally were marketers of cocoa beans, have now diversified their activities within the cocoa GVC into grindings and production of cocoa liquor, powder, butter and chocolate manufacturing; thus, achieving significant vertical integration (Gayi and Tsowou, 2016, p. 15).

Furthermore, other companies have increased their activities in different segments of the cocoa GVC from production of semi-finished cocoa products to cocoa beans sourcing on one hand, and to consumer chocolate production on the other. For example, Barry Callebaut and Blommer Chocolate Company, who used to specifically process cocoa beans and produce semi-finished cocoa products for chocolate producers, have now moved from sourcing cocoa beans to the production of chocolate bars. Conversely, large chocolate producers and brand owners such as Nestlé and Mars Incorporated have now moved into sourcing cocoa beans from farmers directly. Therefore, due to these vertical integration patterns in the cocoa GVC, only a few companies remain that have operations in a single, specific area of the value chain.

Companies that still engage primarily or exclusively in trading cocoa beans include Continaf BV, Novel Commodities and Touton at the international level, while at the country level Saf-Cacao operates in Côte D'Ivoire, Akuafu Adamfo in Ghana and Roig Agro-Cacao SA in the Dominican Republic (Gayi and Tsowou, 2016, p. 16).

## **2.10 MARKET CONCENTRATION AT THE REGIONAL AND NATIONAL LEVELS**

Apart from the market concentration that is observed in the cocoa value chain at the global level, market concentration also happens at both the national and the regional levels. In many cocoa producing countries, a small number of companies, either domestically owned or brokers for large firms, account for large market shares, and as a result, decide prices for smallholder farmers.

In most of the cocoa producing countries, marketing channels for cocoa beans are controlled and dominated by a limited number of players. In Côte D' Ivoire, for instance, only three international companies: Olam International, Cargill and Barry Callebaut, through their local brokers bought 50 percent of the cocoa produced during the 2011-2012 crop season. In Ghana, for example, Barry Callebaut, recently acquired Nyonkopa, a Licensed Buying Company (LBC), which is authorised to buy cocoa directly from farmers. According to Barry Callebaut, these types of acquisition align with its ambition to gain access to individual farmers in addition to farmer cooperatives. Aside from formal linkages with local firms, there are also informal relations that connect local activities to lead firms in the cocoa sector. For example, local exporters sometimes depend on multinationals for funding and in practical functions as shippers for cocoa processors (UNCTAD, 2008, as cited in Oomes et al., 2016, p. 13).

According to Gayi and Tsowou (2016), there is also increased market concentration in the national markets of chocolate consuming countries, which is driven predominantly by the importance of global brand recognition and commercial marketing strategies (UNCTAD, 2008, as cited in Gayi and Tsowou, 2016, p. 16). This means that the huge investments required for new competitors to promote their brand could constitute a serious impediment to market entry, particularly for small players. Additionally, like the cocoa processing segment, the chocolate manufacturing segment is also capital-intensive, which requires huge financial investments by new competitors. These political and economic factors have resulted in a few chocolate producing companies enjoying significant shares within the value chain. In France, for example, the major chocolate confectionery companies in 2014 were the Ferrero Group, who had 19 percent of the market shares, Lindt and Sprunli had 13 percent, and Nestlé and Mondelēz had 11 percent each. In the United States, the chocolate confectionery market is highly diversified in terms of suppliers including transnational corporations and national, regional and local companies. This notwithstanding, the top two chocolate producers namely Hershey and Mars Incorporated accounted for 65 percent of sales in the U.S in 2014. For instance, none of the new entrants in the chocolate sector in the U.S was able to go beyond 5 percent market share in 2014 (Gayi and Tsowou, 2016, pp. 16-17).

## **2.11 LESSONS FROM THE COCOA GVC AND ITS IMPACT ON FARMERS**

Within the cocoa GVC, market concentration has two dimensions: horizontal and vertical. A critical examination of both dimensions demonstrates increasing power imbalances, creating a dire situation of a monopolistic behaviour, where a few and powerful lead firms in Europe and North America have control of four segments of the cocoa GVC because of their vital dominance over technology, transportation, financial and marketing resources. While some argued that trade liberalisation and economic reforms in the 1980s and 1990s would enhance competition in domestic intermediation and in the export of cocoa beans by increasing the

number of players, in reality, the high costs of operation including the high cost of energy and transportation in major producing countries like Ghana and Côte D'Ivoire have contributed to further strengthening the position of lead firms, who have taken control of the cocoa GVC through mergers and acquisitions, whereas others have extended their activities into segments that were not within their core domain. This has increased the bargaining power of giant and well-integrated lead firms to the disadvantage of small actors such as smallholder farmers (Dobson et al., 2001; Godwin, 1994; Menkhaus et al., 1891, as cited in Gayi and Tsowou, 2016, p. 18). As a result, increasing concentration within the cocoa value chain has raised the dangers of anti-competitive practices including price agreements, and hidden or formal collusive behaviour among these lead firms (Gayi and Tsowou, 2016, p. 18).

While there is considerable market concentration in the marketing, processing, manufacturing and retailing segments, the cocoa production segment remains fragmented among scattered smallholder farmers and local traders, who mostly operate small-scale farms of 2-4 hectares (International Cocoa Initiative, 2017, para. 3). The end result is that cocoa farmers are entrenched in weak bargaining positions, which reduces them to small and remote price-takers, who in addition have limited access to credit and financing, market information and agricultural inputs including improved seeds and fertilizers (International Labour Rights Forum, 2014, as cited in Gayi and Tsowou, 2016, p. 18). Furthermore, increased concentration in cocoa marketing in exporting countries, especially in Ghana and Côte D'Ivoire, has reduced competition of cocoa buyers. Although market concentration has resulted in efficiency and higher profits for lead firms in the cocoa sector, the extent to which cost savings resulting from efficiency and market concentration patterns in the cocoa GVC has been passed on to farmers in major producing countries is highly disputed. The main objective behind the market power and concentration is for lead firms to continue to expand their profit opportunities, while exploring new ones. This compelling evidence of power

imbalances and social injustice within the industry, tilted heavily against the interests of smallholder farmers, points to the need to examine a guaranteed minimum price for cocoa farmers, on which sustainability in the cocoa industry ultimately only hinges. My argument is that the LID is currently an economic lifeline for cocoa farmers, who otherwise would have continued to be held hostage by these giant cocoa and chocolate lead firms in Europe and North America. Therefore, the LID cannot, in any respect, be described as a tool of a West African cartel when, indeed, giant chocolate companies including retailers and branded manufacturers in the cocoa GVC are allowed such monopolistic dominance in the free market economy, in which they have integrated their activities of marketing, distribution, processing and export in ways that enable them to exploit and control a substantial share of the value added in marketing associated with national and international markets to the complete disadvantage of smallholder cocoa farmers and workers in West Africa.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.0 INTRODUCTION TO RESEARCH METHODOLOGY**

This section covers the research design and methodology. It explains the research objectives and provides an appropriate methodology for achieving those objectives. The primary objective of the study is to examine the significance of the LID for reducing poverty and injustice among cocoa farmers in Ghana, and for creating sustainable cocoa farms and supply chains for the future. The topics examined here include sampling techniques, methods of data collection and approach to data analysis. The research made use of data collection from two sources offering primary and secondary data. In the area of primary sources, data was obtained by interviews and focus group discussions. Secondary sources of the research were employed using news articles, media publications, editorials, peer-reviewed articles and research papers by academics.

#### **3.1 RESEARCH DESIGN AND DATA COLLECTION**

In most GVC studies, the method employed by researchers has been the case study approach involving a single case or several cases. The focus of the case studies is typically a specific value chain or agents and a project or initiatives within the chain. The case study approach allows for the broad investigation of a distinct case, which is embedded in its political, social and historical context. When used comparatively, case studies provide a frame of reference to make statements about generalities or uniqueness of complex structures and processes and to develop explanatory and theoretical arguments (Nissen, 1998; Steinmetz, 2004, as cited in Fridell, 2019, p. 254). Comparative case studies have mostly been employed in the GVC literature, which has compared different chains to create and expand typologies and conceptual techniques (Fridell, 2019, p. 254).

The dominant method of investigation has usually involved qualitative research based on a combination of interviews and focus group discussions, document analysis (mostly a systematic reading of codes of conduct, industry publication, consumer magazine, institutional reports or media coverage), participant observation, data mapping and archival research. Whereas few works explicitly state the exact nature of their comparative methods, most use what is called “constant comparative method” (Thomas, 2016, as cited in Fridell, 2019, p. 254). This comprises continuous reading of data and analysis, comparing elements, coding them and creating core concepts and themes (Fridell, 2019, p. 254).

### **3.2 QUALITATIVE RESEARCH APPROACH: A CASE STUDY**

#### **3.2.1 Purposive sampling and Validity**

A case study approach allowed me to be purposive about my data collection, strategically selecting forty participants, who have in-depth knowledge, experience, and are directly involved in the cocoa GVC in Ghana. Participants were able to help me explore questions around value and income, and where it flows within the cocoa value chain. For this study, participants included state officials, Members of Parliament, agricultural journalists, academics, executives of cocoa farmer groups, cocoa purchasing clerks and cocoa farmers themselves. When I interviewed Members of Parliament (MPs) in Ghana, based on the purposive sampling technique, I focused on Members of Parliament serving on the Food, Agriculture and Cocoa Affairs Committee. The MPs selected are either cocoa farmers or have their constituencies located in major cocoa growing communities in Ghana. A purposive sampling technique enabled me to keep to the theme and focus of my study, and thus, avoided over-generalisation. Moreover, purposely selecting participants from different backgrounds allowed me to cross check the validity and reliability of the information provided by one informant against that provided by the other informants in the cocoa GVC.

### **3.2.2 Flexibility**

A case study approach allowed me to use interviews to solicit direct information from participants within the cocoa value chain, especially from cocoa farmers. With the support of a structured interview guide, I had the flexibility to organise and plan questions, and in some instances, ask follow up questions and engage in discussion beyond the initial script depending on where the interviewees wanted to direct the discussion further. Non-response to questions were generally low, as participants highlighted the centrality of a guaranteed minimum price to the sustainability of the cocoa sector. The interviews with key actors in the cocoa value chain made clear that smallholder farmers in the cocoa GVC are fundamentally assigned to the role of remote and small price takers. The nature of the cocoa GVC is such that farmers are unable to attain higher and fairer prices for their output. Therefore, the value chain is balanced against the social and economic interest of smallholder farmers and cannot bring about a just outcome without price regulation on the international market.

### **3.2.3 Contextualization**

A case study approach allowed me to contextualize the discussions on the benefits and challenges of the decision by Ghana and Côte D'Ivoire to institute a guaranteed minimum for cocoa farmers, locating the issue in its wider historical and political economy context. The implementation of the LID is significant within the context that it will protect smallholder farmers from the power imbalances and unfair market concentration in the cocoa GVC. Through various news articles, media publications and editorials, I was able to assess the response of key actors within the cocoa value chain including the response of major cocoa-chocolate lead firms. My analysis shows that, while some lead firms in the cocoa GVC, especially Mars Incorporated, the Hershey Company and Olam International, argue that the LID is a tool of a West African cartel to drive up the price of cocoa, major cocoa producing countries such as Ghana and Côte D'Ivoire, on the other hand, contend that the

LID is central to protecting their farmers against the growing dominance of these lead firms, whose agenda is to enhance their profit base while exploring new ones.

### **3.2.4 Triangulation**

A case study approach allowed me to triangulate multiple data sources including news articles, peer-reviewed articles, books, research papers and institutional reports from the World Bank and the United Nations Conference on Trade and Development (UNCTAD). Prior to the introduction of the LID and even after its implementation in the 2020/2021 crop season, various joint press statements, communiqués and letters were issued by Ghana and Côte D'Ivoire, as well as those issued by lead firms in the cocoa-chocolate industry either supporting or denouncing the implementation of the LID. Through numerous news articles and media publications, I was able to triangulate these documents, which allowed me to verify all the different sources: interviews, news media and government statements. For instance, I could ascertain the validity and veracity of what interviewees said by triangulating them with other data such as media reports and news publications. Moreover, a case study approach allowed me to complement these secondary data sources with my interviews and focus group discussions. In effect, I made sense of the data by using content analysis to analyse, triangulate and verify the results.

### **3.3 DATA COLLECTION**

Information gathered from my interviews were handwritten and tape-recorded with the consent of the interviewees. Participants' involvement ended with the interview, unless they requested a summary of the final results by email by consenting to be re-contacted and providing an electronic address. Questions progressed from general to specific using an interview guide, which was prepared ahead of the interview. Ethical issues, particularly confidentiality, were addressed and insured. Before the interview ended, participants were

asked whether they had anything to add. The interviewees were told that they would be further contacted in case there are aspects of the interview that remain unclear.

### **3.4 CONCLUSION**

In carrying out this research, I strove to consider all core ethical issues. In particular, the involvement of participants was done on a strictly voluntary basis. I assured interviewees of complete confidentiality, as this was explicitly stated in the informed consent form and the verbal consent script. I told participants that the interview exercise is strictly for academic purpose, and that, direct quotes and summaries of the interview will be used to write this MA thesis and any other academic work such as papers for publication in academic journals, newspapers, magazines, blogs, conference presentations, reports, research grant applications, and books. Participants may have their interviews withdrawn from the study at any time after the initial interview. Besides that, they can determine any future involvement with the study and may withdraw at any time.

In the course of this study, the use of qualitative research techniques such as interviews, focus group discussions, media publications and scholarly articles enabled me to extensively investigate and understand the historical, social and economic issues surrounding the introduction and implementation of the LID, and its significance for reducing poverty and creating fairness within the cocoa GVC. This is particularly important for early investigation into an initiative that has only just begun, and required initial research to advance and develop questions that can be further explored in the coming years as more data become available for longitudinal study. An important qualitative research technique that was used in gathering data for this study was interviews, which enabled me to properly plan ahead of time, by preparing a structured interview guide. Again, the use of interviews enabled me to understand the role of cocoa farmers in the cocoa GVC, which is primarily limited to the cocoa production segment of the value chain, and as a result, they do not have substantial

control when it comes to the issue of price. Aside from that, I observed the principles of confidentiality, and was open about the purpose of the research, which encouraged the total cooperation of participants.

## **CHAPTER FOUR**

### **DISCUSSION AND ANALYSIS OF DATA**

#### **4.0 INTRODUCTION TO DATA ANALYSIS**

This chapter presents the findings from the series of interviews with participants, as well as the triangulation of multiple sources and documents on the decision by Ghana to initiate a guaranteed minimum price in the form of a LID for cocoa farmers and how this new policy addresses the vicious cycle of poverty among farmers, leading to a sustainable cocoa sector. Interviewees were asked about the viability of the LID, and whether it will help cocoa farmers in Ghana fight the poverty that has plagued their farming business for years. Altogether, the forty (40) interviewees were of the view that the \$400 per metric tonne amount is not only critical and justifiable for cocoa farmers on the basis of social justice, in terms of increased farmgate prices, but also the amount could have been even higher, taking into consideration several factors that goes into cocoa production. Interviewees were of the view that the LID provides both fixed and enhanced income for cocoa farmers, which is a modest beginning in a cocoa GVC that is driven by unfair and uneven market power and concentration. The interviewees maintained that the LID will guarantee some stability in the producer price of cocoa and sustainability of the cocoa industry in Ghana. Moreover, they foresee this amount to be similar to a living wage because it will help smallholder cocoa farmers break even and make enough savings, through which they can provide for their households and workers.

#### **4.1 IMPLEMENTATION OF THE LID BY GHANA AND COTE D’IVOIRE**

On 9<sup>th</sup> July 2019, Ghana and Côte D’Ivoire issued a statement detailing how the LID will apply on the international market and in their respective domestic cocoa markets, which they termed “Mechanism for the LID”. According to the statement, after extensive deliberation with stakeholders at the Abidjan meeting, Ghana and Côte D’Ivoire have implemented a

farmer floor price concept by instituting a fixed Living Income Differential (LID) of \$400 per metric tonne for every cocoa contract sold by either country for the 2020/2021 season. The LID would apply to all categories of cocoa beans (Yves and Aidoo, 2019, p. 1).

#### **4.1.1 Mechanism for the LID**

1. All sales contracts will include a fixed LID of \$400 per metric tonne (Yves and Aidoo, 2019, p. 1). The \$400 per metric tonne is an additional premium added to the terminal market price.
2. The LID = \$400 per metric tonne
3. The LID of \$400 would be paid on all categories of cocoa beans contracts from COCOBOD and the CCC, irrespective of the terminal market price (Yves and Aidoo, 2019, p. 1).
4. The LID will be exclusive of the generic Premiums of the respective countries (Yves and Aidoo, 2019, p. 1). These Premiums are paid based on the quality and origin of the cocoa beans.
5. A minimum of 70 percent of Gross FoB price of \$2600, as the projected farmer floor price, would be legislated and paid to farmers in both countries (Yves and Aidoo, 2019, p. 1). It is worth mentioning that, aside from the LID (\$400), which would be added to the terminal market price on the global market, the minimum of 70 percent of Gross FoB price of \$2600 is a further policy reform both governments are introducing at the farmgate or domestic level for their cocoa farmers, which works up to \$1,820 per metric tonne.
6. It is the projection of both governments that the terminal market price in addition to the \$400 will push the Gross FoB price to \$2,600. However, when the terminal market price in addition to the \$400 is under \$2,600, both governments would have to cover

the remaining balance in order to give their farmers a minimum of 70 percent of Gross FoB price of \$2,600 because this policy would be legislated.

7. It is important to reiterate that the minimum of 70 percent of Gross FoB price of \$2,600 stated in Point (5) would be passed into law by both governments, which would operate at the farmgate level. Therefore, when this law is passed, Ghana and Côte D'Ivoire would, from now on, be legally mandated to guarantee a minimum of 70 percent of Gross FoB price of \$2,600 at the farmgate or domestic level. They want to avoid a situation where different political administrations would come to power in the future, and capriciously change this policy of a minimum of 70 percent of Gross FoB price of \$2,600.
8. When the Gross FoB price at the end of the Cocoa Season is between the minimum price level of \$2,600 and \$2,900, the farmer would be entitled to “Bonus” payments and other investments in the cocoa sector. The amount and the application of such Bonus payments and other investments will be determined by each country (Yves and Aidoo, 2019, p. 2).
9. When the Gross FoB for the season is above \$2,900, the excess value will be placed in a Stabilisation Fund to be set up under the Ghana-Côte D'Ivoire Cocoa Initiative Secretariat (Yves and Aidoo, 2019, p. 2). The Ghana-Côte D'Ivoire Cocoa Initiative Secretariat is a joint industry body, which is aimed at finding ways to improve the income of farmers, combat cross border smuggling of cocoa beans and encourage further collaboration between the two countries (Admin, 2020, para. 2). The purpose of the Stabilisation Fund would be to help both governments get enough money to pay the minimum of 70 percent of Gross FoB price of \$2,600 when the terminal market price in addition to the LID is under \$2,600.

10. When the Gross FoB for the season is above \$2,900, this will be reported by the external auditors of both countries to the Secretariat to determine the value of payments to be made in the Stabilisation Fund (Yves and Aidoo, 2019, p. 2). Notably, there are no further details on these external auditors and the timelines within which they will report to the Secretariat.

**Working Example:**

$\{[\text{ICE EU (Terminal) } \pounds + \text{Country Differential (Premiums) } \pounds] \times \text{GBP/USD}\} + \text{LID } (\$400)$   
= Final Contract Price/Gross FoB (Yves and Aidoo, 2019, p. 2).

**4.2 LIVING INCOME CALCULATION AND THE LID IN GHANA**

The Living Income Community of Practice (LICO<sub>P</sub>) has been working over the years to establish a living income for smallholder farmers, particularly in the cocoa sector. According to the LICO<sub>P</sub>, which is an alliance of partners dedicated to supporting activities focused on improving living incomes towards living income benchmarks, living income is the net annual income needed for a household in a specific place to afford a decent standard of living for occupants of that household. Central to this living income calculation is actually the “Living Income Gap”, which is the disparity between what a farmer or his family earns from the sources of income compared to what is defined as a living income (Uncommon Cacao, 2020, para. 3 and 4).

For Fountain and Hütz-Adams, who wrote a position paper on the LID, the elements of a decent standard of living include food, water, housing, education, healthcare, transport, clothing and other essential needs including provision for unexpected events. They state that because living income is defined as a net income, the costs of farming must be included in any living income calculation. Being able to earn a living income is a basic human right, and currently, they argue almost no cocoa farmer in West Africa is earning a living income.

Without a living income for cocoa farmers, cocoa will never be sustainable. If a farmer must choose between feeding his family and not cutting down his old growth trees, it is not a choice. Moreover, other challenges facing the sector such as deforestation and child labour will be difficult to tackle if farmers do not earn a living income because cocoa farmers are extremely poor and would have to employ some of these illegal methods to enhance their income.

Using the methodology of the LICoP, the living income Benchmark in Ghana as of March 2020 was \$312 per household per month for the cocoa growing regions, which includes two adults and three children and comes to about \$2.05 per person per day. From the Chart above, the green dotted lines that run across the top should be equal to \$312 per household per month. The brown box at the bottom or the “Net Farm Income” refers to both income from a cocoa farm and other cash crops, depending on the specific demography. Thus, it is this brown box in the chart that the LID seeks to address. The LID is meant to widen the brown box or the net farm income of cocoa farmers in Ghana, so that they can reach the Living Income Benchmark of \$312 per household per month (Uncommon Cacao, 2020, para. 5 and 6).

Based on this living income benchmark of \$312 per household per month, Fair Trade International increased their premium to \$240 per metric tonnes from the older premium of \$200 per metric tonnes. They also increased their FoB export price to \$2,400 per metric tonne, instead of the previous \$2,000 per metric tonnes. In both cases, the amount set by Fair Trade International was paid to exporters and not directly to the cocoa farmers, even though it was the need to support farmer living income calculations that inspired these changes by the Fair Trade. In contrast and with the coming into effect of the LID, COCOBOD has taken this amount further to \$400 per metric tonnes added to all cocoa contracts sold on the international market, which is will be paid to cocoa farmers, rather than exporters as it the

case with the Fair Trade premium of \$240 per metric tonnes. In addition, the LID uses \$2,600, as the global fixed floor price, compared to \$2,400 used by Fair Trade International. In effect, the purpose of the LID is to close the Living Income Gap of farmers as highlighted by the LICoP (Uncommon Cacao, 2020, para. 7 and 8).

#### **4.3 ADVANTAGES OF THE LID FOR COCOA FARMERS IN GHANA**

The cocoa harvest season in Ghana officially opened on 3<sup>rd</sup> October 2020 and cocoa farmers, who sold their cocoa beans to Licensed Buying Companies (LBCs), received a price that was 28 percent higher than last year's farmgate price. This is because of the implementation of the LID in Ghana. COCOBOD has allocated full payment of the LID and 70 percent of the FoB price at the Bank of Ghana year on year exchange rate of 5.71cedis to \$1 to increase farmgate prices for smallholder cocoa farmers in Ghana (Uncommon Cacao, 2020, para. 2).

In announcing the producer price of cocoa for the 2020/21 crop season, the President of Ghana, Nana Addo Dankwa Akufo Addo, stated that the producer price of cocoa will increase to 10,560 cedis per metric tonne, which is equivalent to 660 cedis per bag. The more than 28.2 percent increase from the 8,240 cedis per metric tonne (515 per bag) producer price of the just ended 2019/2020 crop season is the biggest in recent years. Prior to the implementation of the LID, the prevailing cocoa producer price for the 2019/2020 crop season was 8,240 (515 cedis per bag), which was just 8.2 percent increase over the 7,615 cedis per metric tonne (475 cedis per bag) in the 2018/2019 crop season.

The president attributed the price increase to the historic cooperation between Ghana and Côte D'Ivoire leading to the implementation of the LID, which he argued will change cocoa trading and bring \$1.4 billion in extra income to the two countries for their 3 million tons of cocoa that is produced annually. Speaking on 24<sup>th</sup> September 2020 at the launch of the National Cocoa Rehabilitation Program at Sewfi Wiawso in the Western North region of

Ghana, the President stated that “by this new producer price we have kept faith with our commitment under the international arrangement with Côte D’Ivoire and global stakeholders by awarding to our farmers the full \$400 per metric tonne Living Income Differential (LID)” (Hayford, 2020; Jacobs, 2020, para. 6). He stated that the two countries must continue to cooperate to ensure that the policy is sustained and that Ghana and Côte D’Ivoire increase their revenues, which flows from the multi-billion dollar international chocolate industry.

Even though Ghana and Côte D’Ivoire have always maintained strong bilateral relations as neighbouring countries, there have been some challenges along the way. In 2014, a maritime boundary dispute broke out between the two neighbouring countries following the discovery of hydrocarbon resources off the western coast of Ghana. Both countries claim that the hydrocarbon resources were in their jurisdiction. As a result, on 19<sup>th</sup> September 2014, Ghana instituted arbitration proceedings at the International Tribunal for the Law of the Sea (ITLOS), requesting them to delimit the maritime boundaries between the two countries. After more than two years of legal tussle, the Special Chamber of ITLOS delivered its judgement in favour of Ghana. According to ITLOS, the hydrocarbon resources were within Ghana’s jurisdiction, stating that the country is within its right to continue crude oil exploration (Cannon, Maxwell and De Brugiere, 2017, para. 6). Although Côte D’Ivoire strongly disagreed with the ruling, they had no options than to abide by the decision of the tribunal. Therefore, following this maritime boundary dispute, the two countries have committed to putting the past behind them and working towards building on the existing special bond of kinship and cooperation for the mutual benefits of their people. At the invitation of President Akufo Addo, President Alassane Ouattara of Côte D’Ivoire paid a working and friendly visit to Ghana from the 16<sup>th</sup>-17<sup>th</sup> October 2017. He was accompanied by a high-powered delegation including ministers of state, members of government and senior state officials. As part of this renewed spirit of cooperation and brotherliness, Ghana and Côte

D'Ivoire established a strategic cooperation framework called the Strategic Partnership Agreement (SAP). The SAP covers several economic areas including cocoa and other strategic crops (Ghana News Agency, 2017). Therefore, it is within the context of this renewed partnership after this long-standing maritime boundary dispute that the two countries have committed to working together by introducing and implementing the LID, starting with cocoa, which is strategic and important to the economic fortunes of both countries.

Besides this renewed cooperation between the two West African neighbours, the issue of cocoa and the welfare of farmers has always been a major source of fierce political debate in Ghana. Previous and incumbent political administrations in Ghana have tried fervently to endear themselves to the cocoa growing areas in order to enhance their political fortunes, which are predominantly swing areas, not strongly affiliated to any political tradition. When Ghana's first President, Kwame Nkrumah, tried to do otherwise, it led to a bitter political dispute between his Convention People's Party (CPP) administration and the chiefs and people of the Ashanti region, who produced most of the cocoa. As David Rooney (1988) explains, the 1954 elections in the Gold Coast (now Ghana) was expected to usher in a period of calm in the final progress towards independence, but rather this brought a period of such bitterness, crisis, and division that the Gold Coast colony was in the danger of breaking up. This crisis revolved around the key factor in so much of Ghana's life, cocoa (Rooney, 1988, p. 89). He states that, in their earliest political struggles, Kwame Nkrumah and the CPP had cleverly used the issue of the Cocoa Swollen Shoot Virus Disease (CSSVD) in the cocoa trees to strengthen their political demands for independence. The bitter resentment of cocoa farmers against the colonial administration's policy of "cutting out", that is, cutting down every tree affected by the swollen shoot disease was used by Kwame Nkrumah to swing the cocoa growing areas of the Ashanti region and the middle belt of the Gold Coast behind him in the elections in 1951 (Rooney, 1988, p. 89).

As a result, Kwame Nkrumah, after winning the 1951 elections, inherited the Cocoa Marketing Board (CMB) from the colonial administration. The CMB had been established to protect the farmers from the violent price fluctuations for which the cocoa industry was notorious. Each year, the CMB fixed the price to be paid to the farmers and marketed the crop. However, from 1951 onwards the motive of the CPP government led by Kwame Nkrumah was to give cocoa farmers as low a price as possible, and to use the balance of the revenue from the sale of cocoa for development purposes. Although the use of cocoa revenues for development purposes may not have been a bad policy by the Nkrumah administration because of the radical infrastructural development it brought to different parts of the country, the chiefs and people of the Ashanti region held the view that most of the infrastructural developments like roads, schools and hospitals were mostly centred in the capital city, Accra, whereas their region, which produced the bulk of the cocoa beans, did not have an equitable share of development projects. In 1954 against the background of increasing criticism, and with much greater power in the hands of Kwame Nkrumah and his CPP government, the ominous issue of cocoa price had to be decided. Cocoa prices had risen to £450 per tonne on the international market and expectations were that the producer's price would be substantially higher than the previous amount of 72 Shillings a load (Rooney, 1988, p. 90).

In August 1954, the Finance Minister, Komla Gbedemah, in a budget statement read to parliament, announced that for the next four years the price would be 72 Shillings, exactly the same price as before. This decision, which the Finance Minister justified on the grounds of the government needing revenue, caused an immediate uproar among the Ashantis, leading directly to the formation of a dangerous and separatist political party in the Ashanti region called the National Liberation Movement (NLM), which not only delayed the independence of the Gold Coast for another two years because of their threats to secede from the Gold

Coast, but also led to an increased number of political agitations and violent crimes in the region (Rooney, 1988, p. 91).

Learning from history and the experiences of the Nkrumah administration, successive political administrations have strenuously worked towards enhancing the social and economic well-being of cocoa farmers, conscious of the fact that failure to do so would negatively affect their political fortunes, and the current political administration in Ghana is no different in this regard. Therefore, the implementation of the LID should also be viewed within this context of the incumbent government wanting to endear itself to cocoa farmers and workers. I maintain that the implementation of the LID in Ghana is an opportunity for President Akufo Addo and his New Patriotic Party (NPP) administration to gain political and electoral capital as accrues to those who, ultimately, care for the welfare needs of cocoa farmers and workers in Ghana. This notwithstanding, President Akufo Addo and his Ivorian counterpart, President Alassane Ouattara, should also be commended for collectively standing up against the power of chocolate lead firms in the Global North, with some, obviously, dissatisfied with the LID project, and are attempting to undermine and derail it. While it is often assumed that West African cocoa producing governments cannot withstand the power and influence of chocolate companies in Europe and North America, the LID demonstrates that, to some extent, they can strongly push back against their dominance in the cocoa GVC and fight to secure the long term livelihoods of their farmers and workers. Furthermore, the views of some giant chocolate companies like those of Mondelēz International, who agree with Ghana and Côte D'Ivoire that cocoa farmers should earn sufficient income to safeguard their sustainable future livelihoods have also allowed both governments the space to make this historic political decision of implementing the LID, which many leaders, over the years, have failed to do.

Again, apart from the national political context that has led to the implementation of the LID in Ghana, the changing global political economy has also facilitated the enactment of the LID. The global political economy of today is dramatically different from the one inherited in 1945 when the foundations of the post-war global economic order were laid and the governance architecture took roots. At present, the emerging economies of the developing South are reshaping the world in a fundamental way. Over the past two decades, a fundamental transformation has taken place in the global economy caused by the impressive economic growth of developing countries like Brazil, Russia, India, and China, which together and combined with the smaller economy of South Africa, form the BRICS group of states (Fridell, 2014, p. 131). The economic centre of gravity is inextricably shifting towards developing countries characterised by South-South cooperation and the significant scaling up of South-South intervention by individual countries. For example, great efforts have been made in the reduction of absolute poverty levels from \$1.8 billion in 1990 to \$1.4 billion in 2005, which was led mainly by the efforts of formerly underdeveloped states like China and India (Puri, 2010, p. 7).

Moreover, presently, no fewer than 25 countries have robust South-South cooperation agendas that encapsulates a wide spectrum of technical and economic engagement. In effect, developing countries are gradually moving up the global value chain. This has been made possible because of large-scale targeted development interventions by these states, and the growing economic clout of emerging economies, which has translated into enhanced participation and stronger economic voice in the global governance architecture (Puri, 2010, p. 8). These changing economic patterns have been interlinked with new forms of international coordination, regional integration, and socio-political linkages among Southern partners. The results have been new relations between Southern countries; the emergence of new instances of Southern competition and cooperation; and the rise of powerful Southern

TNCs with global reach and influence. Altogether, these factors have had highly differentiated repercussions across the South, posing new opportunities as well as challenges for BRICS and smaller Southern countries (Fridell, 2014, p. 131).

Several Asian economies have been particularly central to the rise of the South, experiencing rapid and sustained economic growth and accounting for the vast majority of global poverty reduction since the 1980s (Fridell, 2014, p. 133). For instance, trade and investments flow between Africa and Asia have been increasing steadily in the past decades and these are largely because of flows from between China and India on one hand, and Africa on the other (Tsikata, Fenny and Aryeetey, 2008, p. 3). For example, India's total trade with Africa grew from \$6.8 billion in 2003 to \$76.9 billion in 2018, and India is now Africa's third largest trade partner. Indian investments in Africa have also grown rapidly in the last decade and the country is currently the seventh-largest investor in Africa (Chakrabarty, 2021, para. 2). Similarly, China-Africa bilateral trade has been rapidly increasing for the past 16 years. The value of China-Africa trade in 2019 was \$192 billion, up from \$185 billion in 2018 (China-Africa Research Initiative, 2021, para. 1).

Therefore, the new geopolitics of South-South trade, investment and cooperation has given Ghana more room to maneuver in terms of cocoa beans trade than in the past when it had to only deal with giant TNCs in Northern states. Global South countries are far less interested in Western chocolate companies than the United States or countries in Europe, and thus, are less resistant to the implementation of the LID. For example, China is now moving up the chain as one of the fastest growing cocoa beans export markets for Ghana. During the 2018-2019 crop season, Ghana's export of cocoa beans to China was worth \$47.7 million, surpassing a major cocoa consuming country like Belgium, and becoming the second fastest growing cocoa beans export market for Ghana (OEC, 2019). Again, Malaysia, a rising Global South country, is now the third largest importer of cocoa from Ghana, overtaking important

consuming countries like France and Japan (OEC, 2019). In effect, it is not only at the ideological or political level that the rise of the South gives Ghana an opportunity to introduce and enact the LID, but even in geopolitical terms, it gives Ghana more space to push forward with the LID at the expense of Western interests. Ghana's cocoa export markets are increasingly shifting from Europe and North America to other regions of the world like Asia and other parts of Africa. Global South countries such as China, India, Malaysia, Singapore and South Africa are now Ghana's major business and trading partners, and are buying large tonnes of cocoa beans from the country, creating alternative cocoa export markets for Ghana beyond those traditional ones in the Global North, and consequently, offering them a great opportunity to regulate prices on the international market.

In an interview with Fiifi Boafo, who is the Public Affairs Manager of COCOBOD, he argues that, with the implementation of the LID, cocoa should receive even more in terms of income. However, in a market-based economy where it is a matter of demand and supply, he holds the view that there is a need for Ghana to ensure that it is not seen to be overpricing its product in a way that puts its cocoa in a disadvantaged position on the international market. For him, COCOBOD strongly contends that looking at the indicators used in arriving at the amount of \$400 per metric tonne, they are of the considered opinion that this amount will not make cocoa farmers in Ghana "rich", but will be able to take them to above the poverty line, and afford them some decent living, which remains the ultimate objective of COCOBOD. The policy gives cocoa farmers the opportunity to save so that they can take care of their family in addition to their farming business earning them the right income they so deserve. As an illustration, he states that when you take an average farm of five to ten acres of cocoa land, which is producing for example ten bags of cocoa a year, with the world market price together with the LID multiplied by the ten bags, the expectation is that the cocoa farmer should be able to move from the state of abject poverty to a decent living and

income. Therefore, smallholder cocoa farmers will be able to save and provide for the household.

On the issue of whether the LID is the solution to cocoa sustainability in Ghana, Fiifi Boafo points out that the LID, obviously, is not the only solution that will work or make the cocoa industry sustainable. Nonetheless, a guaranteed minimum price is critical and non-negotiable, when you consider the several interventions within the cocoa value chain aimed at the sustainability of the sector. For him, COCOBOD has argued that an important issue that has not been strongly discussed, and which is pivotal to ensuring the sustainability of the cocoa industry, is price. In the view of the COCOBOD, price is central, in the sense that, you do not have to tell a cocoa farmer earning a good income to take his or her child, for instance, to a good school. This cocoa farmer will inevitably provide a better life for himself and his household when he or she earns enough from the cocoa business.

Drawing on Fiifi Boafo's argument on the centrality of a guaranteed minimum price to the sustainability of the cocoa sector in Ghana, I argue that there are numerous consumer-country and multi-stakeholder initiatives in the cocoa sector that have failed to consider the significance of guaranteed or higher prices. For instance, the WCF, established in 2000, is a global membership organisation representing more than 100 member companies across the cocoa GVC. It seeks to bring together public-private action to accelerate cocoa sustainability through multi-stakeholder partnership, public and private investments, policy dialogue and joint learning and knowledge sharing. In addition to other initiatives, the WCF organises Cocoa Action, which was launched in 2014. The Cocoa Action platform is a voluntary industry-wide strategy to bring together leading cocoa and chocolate companies, producer governments and key stakeholders on priority issues in sustainability. Most of the global cocoa and chocolate companies are participants in the Cocoa Action. Further, the International Cocoa Organisation (ICCO) has organised a series of biennial World Cocoa

Conferences to bring together stakeholder groups. The most recent one was held in Berlin in April 2018 (Brack, 2019, pp. 18-19).

In December 2018, Belgium, the third largest importer of cocoa beans in Europe with about 500 companies active in the cocoa processing industry, announced its “Beyond Chocolate Commitment” to confront deforestation and child labour and ensure a living income for cocoa producers. The goal of the commitment is for chocolate produced or traded in Belgium to meet certification standards or to be produced with cocoa products from company-specific sustainability programs by the end of 2025 at the latest. According to this program, by 2030, deforestation, as a result of cocoa production for Belgian producers should end and cocoa producers should earn at least a living income. Signatories to the commitment included international and Belgian chocolate companies, retailers, trade unions, civil society, social impact investors, universities and certification schemes (Brack, 2019, pp. 19-20).

In 2012, Germany, the second largest importer of cocoa beans in Europe jointly with confectionery and retail companies and civil society launched the German Initiative on Sustainable Cocoa (GISCO), with the goal of ensuring that at least 70 percent of the cocoa in the end products sold in Germany should originate from certified or independently verified cultivation by 2020. In January 2019, the German Federal Ministries for Economic Cooperation and Development and for Food and Agriculture launched a Ten-Point Action Plan for a sustainable cocoa sector. This included the long-term plan of sourcing 100 percent certified cocoa and the objective of establishing compelling regulations, which establishes a single standard for sustainability produced cocoa. The German government has also committed to establishing a Living Income Task Force during 2019 to act on the issues of incomes in the cocoa sector (Brack, 2019, p. 20).

In November 2018, the French government published a strategy to tackle imported deforestation including proposals to stop importing products linked to deforestation and unsustainable agriculture by 2030, to help companies meet their own deforestation objectives, and to encourage financial institutions to take ecological and social issues into account in investment decisions. The French government has also proposed establishing the due diligence requirement on companies at European levels based on the French “devoir de vigilance” law of 2017, which mandates companies to identify and reduce the social and environmental risk related to their operations and supply chains. The Strategy comprised the use of development aid, public procurement policy and minimum criteria for biofuel feedstocks, and the creation of a national platform for tackling deforestation, bringing together businesses, NGOs, and public authorities to support implementation and monitoring of zero-deforestation commitments made by private-sector stakeholders in particular by facilitating their work on traceability and risk analysis in the supply chains (Brack, 2019, p. 20).

In 2011, Nestlé launched the Nestlé Cocoa Plan, a global cocoa sustainability initiative that is committed to investing \$120 million over the next ten years (2011-2021). The plan aims to tackle challenges facing cocoa farming communities such as age and condition of cocoa trees, decreasing yields and insufficient income. The plan also aims to train and educate local farmers and help them increase their income by improving the quality and productivity of their harvest. The plan focuses on five pillars: farmer education, sustainability, supply chain efficiency, improving social conditions and working with partners. For example, with farmer education, the plan supports Field Schools, which assist farmers understand how to increase their yields and quality of their cocoa. According to the company, they are committed to buying cocoa from trained farmers and paying a premium for higher quality cocoa (Nestlé, 2019).

I acknowledge that these major initiatives such as certification schemes, social and environmental standards and state regulations are equally useful and contribute to the sustainability of the cocoa sector. For instance, there is the need for state regulations and proper governance structures that will prevent cocoa farmers from indiscriminately cutting down trees and moving into protected forest zones. Again, there is also the need for standards that ensure that cocoa farmers do not exploit their labourers, both children and adults, and that the excess income gained from the LID will be used to pay higher wages to labourers and hire the services of adults, instead of the use of children in certain cocoa activities. This notwithstanding, I maintain that they have, at the same time, avoided the critical issue of guaranteed or higher prices for cocoa farmers. I do not disagree with the fact that child labour and deforestation should be seriously confronted within the cocoa sector, especially in major producing countries like Ghana and Côte D' Ivoire. Neither do I disagree with the fact that cocoa farmers deserve a living income. In principle, the majority of major players in the cocoa sector also do not disagree with this desired goal. The critical question, however, which these major initiatives have constantly failed to discuss, is how to bring about the objective of a living income, which is so widely talked about in the cocoa sector. Current problems in the cocoa sector, including low farmgate prices, child labour and deforestation will be significantly addressed, when cocoa farmers achieve a living income guaranteed by price regulation, for which the LID offers, in contrast to these existing multi-stakeholder and consumer-country pledges and initiatives, which are woefully inadequate and have failed to make substantial and long term impacts on the livelihoods of farmers in major cocoa producing countries like Ghana.

I strongly believe that, through this collective action by Ghana and Côte D'Ivoire, the LID will attain higher and more stable prices for cocoa farmers and workers. Certification schemes such as Fairtrade International, on the other hand, seek to offer higher and more

stable prices for cocoa farmers. Moreover, while the prices set by Fairtrade International are above conventional ones, cocoa farmers in Ghana are still earning income far below the international poverty line. For instance, the global fixed floor price of \$2,400 used by Fairtrade International is lower than what is considered by the LID, which is \$2,600. My argument is that a socially reformist, state-led development strategy like the LID will enable Ghana to develop as one the most efficient cocoa economies in the world and allow cocoa farmers to enjoy high living standards. As stated by Fridell (2014), the experience of a Central American country like Costa Rica in leading a state-led development strategy in coffee, despite its relatively small size, historical dependence on a limited range of exports, and lack of geopolitical and economic power compared to larger Southern states, offers two very important general lessons for similar commodity-producing countries such as Ghana. Firstly, a central role of the state in managing agricultural commodities including cocoa in addition to democratic social reforms can provide developmental gains to the overall population, most especially farmers and workers, and secondly, under the right conditions, he explains that, the state can be made to play the role of leading development (Fridell, 2014, pp. 42-43). Therefore, I argue that major cocoa producing countries including Ghana can do a great deal more to protect and defend the interests of poor farmers and workers through social reforms and state-led development strategies, than they most often tend to do (Fridell, 2014, p. 43).

Again, Fiifi Boafo makes the point that there will be no need for Inter-Governmental Organisations (IGOs) including the International Labour Organisation (ILO) to push laws to prevent children from engaging in Child Labour (CL) within the cocoa sector in Ghana, when cocoa farmers are given higher incomes. They would naturally give their children the best of education and care. Similarly, the very things players in the industry complain about such as the use of children, and that the cocoa farmers are supposed to employ workers, and not to

rely on their children for farm support, at the heart of all these discussions, is the issue of cocoa farmers receiving fair income. Accordingly, they will be prepared to do what is required for the industry to grow. Of course, he asserts that we must do everything to ensure that laws on child labour work, but to ensure the sustainability of the industry significant interventions in terms of stability in prices will ensure that cocoa farmers resolve these challenges themselves.

Fiifi Boafo contends that one thing the COCOBOD has observed is that failure to implement this policy of a guaranteed minimum price was going to affect the sustainability of the cocoa industry. This is because cocoa farmers in Ghana have started turning their farms over to other competing cash crops, in the conviction that they are not earning enough from cocoa. Subsequently, cocoa farmers are abandoning their farms for rubber plantations while others are selling their cocoa farmlands to gold prospectors. Rubber cultivation is gaining local reputation among cocoa farmers in Ghana because rubber prices are more stable as opposed to cocoa, which makes it easier for farmers to make a decent living compared to cocoa production. Nonetheless, rubber cultivation is unlikely to provide a sustainable alternative in the long term looking at how much Ghana depends on cocoa for revenue, income and rural employment. Therefore, the major reason for the LID is to ensure that farmers continue with the business of cocoa production, which remains the mainstay of the Ghanaian economy and the chocolate industry.

For his part, Toma Imihere, a Financial Analyst, Economist and Journalist with the Goldstreet Business Ghana, the LID is “very crucial”. For him, this policy by the government of Ghana can be described “as a fixed sum”, which is supposed to go directly to cocoa farmers no matter how prices change on the international market. Every year the government of Ghana fixes the price of cocoa, which can go up or even come down, but in the case of the

LID, the \$400 per metric tonne remains unchangeable and will be paid directly to cocoa farmers.

Apart from the LID serving as a guaranteed minimum price for cocoa farmers, he points out that the LID has implications for the management of the cocoa sector in Ghana. This is because this policy will attract young people into the sector. He observes that for some time now young people in Ghana, due to insufficient prices, are pulling out of the sector. The youth do not want to enter into cocoa farming, but rather, they prefer to go into illegal gold mining activities, popularly known in Ghana as “galamsey”, which is causing destruction to the country’s vegetative cover and pollution of water bodies. He makes the point that there is an aging cocoa farmer population, which must be replaced and through this policy of LID, which brings in an extra income, there will be a lot of the young men and women who will be attracted into the sector.

Secondly, he asserts that this policy eases the managerial problems of the COCOBOD, in particular the problem of structural debt, which arises from the subsidies they provide for cocoa farmers. He asserts that we hear every year about how the Ghana Cocoa Board borrows cocoa receivable back loans from several international lenders, known as the Cocoa Syndicated Loans, which is self-amortizing. The fact is that part of the loan is used to provide subsidies to cocoa farmers in Ghana, which in his view is unsustainable. Therefore, with the coming in of the LID, COCOBOD can decide to reduce its subsidies, and will have a more sustainable business model, which is crucial for the cocoa sector. It is hoped that there will come a time when farmers will be earning enough from the LID, such that they can provide certain services including agricultural inputs for themselves. Moreover, COCOBOD can even hand over the supply of inputs to the private sector because farmers are earning enough, and as such, have the financial muscle to buy some of those inputs. Even when the inputs are provided on commercial terms, cocoa farmers in Ghana could be able to afford

them because of their enhanced economic position. He explains that the LID is not only crucial to the sustainability of cocoa production in Ghana, but is essential to the regulator itself, which is COCOBOD. The LID could provide them with a sustainable financial model through which they could structure their debt. For him, there is no doubt that the LID is “absolutely crucial”.

Toma Imihere argues that looking at the Ghanaian economy in general, workers do not earn enough to take care of their living expenses, and cocoa farmers are not different from other workers within the Ghanaian economy. Thus, the issue of whether this allows farmers to achieve a living income should be analysed within the context of the entire Ghanaian economic milieu. He corroborates the Public Affairs Manager of COCOBOD by asserting that the \$400 per metric tonne will not make farmers wealthy. However, this guaranteed minimum price will support farmers and allow them to break even, as well as have some money in some years to save, so as to provide for their family and their cocoa business. He explains that the fact that COCOBOD is running at a long-term structural and financial deficit implies that COCOBOD is already spending more on these farmers than it earns, in terms of its entire export proceeds. Hence, the LID is “a good deal for the farmers”. The onus, he states, is on COCOBOD and by extension the Government of Ghana to ensure that this money goes directly to the farmers.

He maintains that the LID is a major step forward for achieving cocoa sustainability in Ghana. This decision is part of a wider effort to make the cocoa industry sustainable based on commercial pricing for inputs, and he argues that is essential for the industry to grow. He holds that COCOBOD through this policy is trying to get more money into the hands of the farmers in addition to making them productive. When cocoa farmers are productive, inevitably they earn more in terms of income. In effect, he holds the view that, with LID

coming into effect, “the government wants to put more money in the hands of cocoa farmers and still take the margin off the top”.

For their part, Joseph Opoku Gakpo, a Cornell University Fellow and winner of the International Award for Agricultural Journalism, Stephenson Anane Boateng, the President of the Ghana National Cocoa Farmers Association (GNACOFA) and Jonathan Ofori, an Agricultural Journalist hold the view that the LID will help cocoa farmers stabilize the income of cocoa farmers, which is highly variable due to the political economy of the cocoa GVC. They state that farmers are unable to plan their business because of the lack of a guaranteed pricing structure. Nonetheless, they argue that, although the LID will allow farmers to break even and make some savings along the way, there are other sectors that the Government of Ghana must invest into beyond the LID. In addition to the LID, the government must invest more in cocoa processing and value addition, which remains a dismal failure in Ghana. Local cocoa growing communities in Ghana must be empowered to process most of the cocoa beans on their own, and that, it is only when value is added to the cocoa beans that is produced locally, and not only exported in its primary form, will farmers achieve a true living income in the short term.

Although Ghana accounts for 20 percent of the \$9 billion global cocoa beans market, less than 25 percent of the country’s cocoa beans grown are locally processed. This means that Ghana captures only 5 percent of the \$28 billion global cocoa processing industry (Sulaiman and Boachie-Danquah, 2017, p. 11). This unimpressive performance of Ghana in the processing industry can be attributed to the lack of investments, particularly in the energy sector. The high costs of energy due to fluctuating prices of fuel, which has a negative effect on the cost of production. Machinery can also become disrupted or malfunction, and thus, create huge costs in terms of missed production and considerable cost to fix broken down machinery. Unreliable electricity supply in Ghana can also disrupt cocoa processing activities

(Sulaiman and Boachie-Danquah, 2017, p. 31). Therefore, for Ghana to immensely increase its cocoa processing capacity, it must be ready to invest in the provision of constant and reliable energy supply, which is critical to the cocoa processing segment of the cocoa GVC.

For Sampson Ahi, the Member of Parliament for Bodi and Member of the Food, Agriculture and Cocoa Affairs Committee of Ghana's Parliament, argues that, in addition to the LID, cocoa farmers in Ghana should be paid the Gross FoB price of cocoa, instead of the Net FoB price they receive. Cocoa farmers, he argues, should be given "the full value of what they are producing". According to Sampson Ahi, the Gross FoB price is the international market price of cocoa devoid of any deduction. Thus, it is by paying cocoa farmers the Gross FoB price that they can achieve a real income. For him, analysing the way the Producer's Price of Cocoa is calculated from the start puts cocoa farmers at a great disadvantage. He states that the government deducts a lot from the world market price before at least seventy percent is paid to them. A cocoa farmer in Brazil, for example, who is paid fifty percent of the Gross FoB price is economically better off, according to him, than a farmer in Ghana who is paid seventy to seventy-five percent of the Net FoB price after more than nine items have been deducted. The list of items that are taken away before the Net FoB price is paid to farmers in Ghana include funds for jute sacks, funds for cocoa roads, cocoa scholarship schemes, free fertilizer, mass spraying, expenditure for the COCOBOD Head Office, buyers margin by the Licensed Buying Companies (LBCs), and quality control. Consequently, he believes that it is only when farmers are paid the Gross FoB price, along with the LID, will they achieve a living income.

On the other hand, according to Toma Imihere, the problem with government paying farmers the Gross FoB price as proposed by the Member of Parliament for Bodi, Sampson Ahi is that COCOBOD in so doing would then have to take away all the subsidies it provides to these farmers. For him, the subsidies COCOBOD provides is more than the twenty-five to

thirty percent it takes from the Gross FoB value when calculating the Producer's Price. The government will have to use part of the revenue made from the sale of cocoa to provide incentives to cocoa farmers. Again, what is the guarantee that farmers when given the full value of the international market price will provide these farming inputs themselves? He states that cocoa farmers in the hinterlands are used to government providing incentives, the problem is that when they are paid the Gross FoB price, they are likely not to buy the required inputs needed for production. Government must ensure that the extra money given to the farmers, part of it is being used to buy the proper production inputs. When the Gross FoB price is paid to farmers, will they be ready to use part of the money to buy the required farming inputs for their cocoa production? In this case, production may be affected by close to thirty to forty percent. Subsidies provided for cocoa farmers in Ghana include free fertilizer, free seedlings, pesticides and other farming inputs.

Presently, price-setting is based on a calculated percentage of the Net FoB price that Ghana receives from the export of cocoa beans. To arrive at the Net FoB price, the PPRC first deducts an amount from the Gross FoB price for disease and pest control, fertilizer application, operational input costs, the cocoa scholarship scheme, and education support and cocoa rehabilitation (such as nurseries and improved seedling), which has been useful to farmers in increasing production. The remaining percentage goes to the Government of Ghana through COCOBOD and other industry players within the cocoa value chain in Ghana as revenue. For example, COCOBOD retains about 9 percent of the cocoa Net FoB price (Mulangu, Miranda and Maïga, 2017, p. 482). For the 2017-2018 season, the producer price was set at 75 percent of the Net FoB price and the remaining 25 percent of the Net FoB amount was used for cost items such as buyers' margin, hauliers, cost storage and shipping, disinfection, grading, and COCOBOD revenue.

I agree with Toma Imihere that the proposal that cocoa farmers should be given the full value of the Gross FoB is unrealistic and unconvincing, because there is enough evidence to show that COCOBOD through these deductions have supported cocoa farmers to enhance their productivity. For example, in 2015, COCOBOD, through its Seed Production Division, distributed about 50 million hybrid seedlings to farmers across the country to increase their yields and incomes. This initiative forms part of COCOBOD's effort to raise the country's cocoa output from the current 850,000 tonnes to 1.5 million tonnes (Akalaare, 2015, para. 1 and 2). Again, since 2001, COCOBOD has engaged in mass spraying exercise of cocoa farms across the country. This exercise is to help cocoa farmers effectively manage cocoa pests and diseases, as well as improve the soil fertility and quality of cocoa. All these initiatives by COCOBOD contributed to Ghana, for the first time, attaining over one million metric tonnes of cocoa in the 2010/2011 crop season. Nonetheless, I should also point out that, as with most government agencies in developing countries, most of COCOBOD's initiatives are riddled with inefficiencies including corruption and partisanship. In most cases, these deductions have proven counter-productive because some of the service provision, for which these deductions are made, such as the procurement and distribution of fertilizer and seedlings, are ineffective, and there are constant complaints from cocoa farmers that agro-chemicals do not reach them on time or they are simply not available. According to Michael Amu, who is a farmer in Sefwi Akontombra in the Western North Region, "three or sometimes four cocoa farmers are given one bottle of agrochemicals to share". In most cases, those in charge of the distribution of these agricultural inputs are susceptible to nepotism, corruption and smuggling to neighbouring countries such as Côte D'Ivoire (Bymolt, Laven and Tyszler, 2018, p. 211). Therefore, for most farmers in Ghana, the problem in the cocoa sector is less about the 25-30 percent deductions that goes to government and its agencies than about how these initiatives can be implemented in an efficient and effective manner devoid of corruption, nepotism,

partisanship, and thus, allow them to increase their yields and make enough income and savings.

#### **4.4 CHALLENGES OF THE LID IN GHANA**

For Fountain and Hütz-Adams, who wrote a position paper on behalf of the VOICE-Network, they argue that the announcement by the Ghanaian Government to introduce a guaranteed minimum price to cocoa buyers is an important and necessary step in order to make the cocoa sector more sustainable and should be supported by the cocoa industry. This initiative, they maintain, will improve the income situation for cocoa farmers. For them, the LID is an extremely welcoming building block to make the cocoa sector truly sustainable in terms of respecting the human rights of cocoa farmers in Ghana. Nonetheless, they express concerns, which the Ghanaian Government and COCOBOD must address for the proposed LID to be effective.

They argue that intervening on price without looking at supply measures and enabling policies may not have the desired positive impact. This requires careful policy management, which COCOBOD must undertake. Additionally, they assert that these efforts by the Government of Ghana to increase prices is a necessary first step, but it is simply not enough for cocoa farmers to achieve a living income. They point out that the \$1,820 per metric tonne of cocoa at the farmgate is much lower than the prices farmers need in order to make a living income. They maintain that the LID of \$400 per metric tonne should be even higher.

Fountain and Hütz-Adams (2019) contend that these living income price calculations set by COCOBOD have erred significantly on the low side. They assert that, for a long time, being able to determine a fair farmgate price for cocoa was very hard, as there are so many variables that influence the answer. Some variables were not answerable until recently due to a lack of any data at all, let alone qualitative data. However, in the past two years, substantial

data has become more available publicly. Therefore, they point out that any living income calculations by Ghana should be based on the following data, which they used to support their assertion that the \$400 per metric tonne should be much higher (p. 1).

First, they contend that living income calculations should take into consideration the issue of production costs. One variable that is often not taken into consideration is the cost of production, especially as very little data is currently available about the cost of hired labour, input, fertilizer, and other production cost for cocoa farmers. They point out that their estimates are based on available data both publicly and privately. However, they hold the view that these numbers must be further solidified through the publication, by companies, of their data (Fountain and Hütz-Adams, 2019, p. 1). Their calculations are presented below.

| Available data   | Ghana       |
|--|-------------|
| Total farm yield   | 1,232       |
| Publicly available farm size in (ha) declared by farmers             | 3.33        |
| Production costs per hectare   | \$358       |
| Total production cost  | \$ 1,192.14 |
| Living Income level per household per year (Smith and Sarpong, 2018) | \$ 3,948    |
| Percentage of household from income from cocoa                       | 67%         |
| Gross income from cocoa needed to achieve living income              | \$ 3,837    |
| Necessary farm gate price per kilo                                   | \$ 3,116    |

Figure 2: Desired farmgate price levels for farmers to achieve a living income (Fountain and Hütz-Adams, 2019, p. 3).

Secondly, they argue that there is a need for realistic productivity increases. They make the point that all current calculations for a desired farm gate price assume farmers will be able to significantly increase productivity. They point out that only when cocoa farmers

realistically increase their productivity will a family be able to earn a living income. There are several key problems to that approach. To start with, earning a living income is a fundamental human right for everyone, and should not be available only to the highest achiever. Average cocoa farming households should be able to achieve a living income, not just the outliers. They explain that it is highly questionable whether cocoa farms will be able to achieve the kind of productivity increase by the \$400 per metric tonne set by COCOBOD ((Fountain and Hütz-Adams, 2019, p. 1-2).

Thirdly, they point out that there is the need for available and affordable inputs for cocoa farmers. For Fountain and Hütz-Adams, most cocoa farms are old, and therefore, to achieve a productivity increase, agricultural inputs such as fertilisers, seedlings and pesticides need to be available and affordable. This is not the case in most of the West African cocoa growing regions. In Ghana, cocoa farmers today pay fifty percent of the cost of fertilizer when, in the past, it was given to them for free. In any case, even if these materials were available farmers would have to invest money and labour to obtain and supply these inputs. This requires access to affordable credit, which is simply not available to most farmers as we speak (Fountain and Hütz-Adams, 2019, p. 2).

Moreover, they contend that there is the issue of availability and affordability of labour, which is crucial in cocoa production. This is because cocoa production is highly labour intensive especially during the growing phase. In the view of Fountain and Hütz-Adams, increased productivity per hectare requires an increase in labour hours. Unfortunately, there are presently no publicly available and reliable data on the relations between labour days and productivity per hectare. However, Fountain and Hütz-Adams state that published data of companies and research institutions available to them show that an increase to about 800 kilograms per hectare would require an increased amount of labour of at least 50 percent. This means that increasing productivity also requires a decent price for

cocoa, and it is highly questionable whether at the current price levels, including the LID, would pay off for farmers to invest in all this extra labour. As they report a Ghanaian cocoa farmer say “price is the best fertiliser”, if you want to increase yield per hectare (Fountain and Hütz-Adams, 2019, p. 2).

Further, Fountain and Hütz-Adams argue that there is the need for Good Agricultural Practices (GAPs), which will help cocoa farmers produce cocoa in a safe environment. They point out that GAPs are important because they can improve productivity and some measures even at very low cost. Nevertheless, even with improved agricultural practices, it is going to be a challenge for farmers to reach 800kgs per hectare as the experience of many projects in the past decades has shown. Their position is that, if cocoa farmers double their yields, the sector would be faced with a serious overproduction challenge (Fountain and Hütz-Adams, 2019, p. 2).

Fountain and Hütz-Adams ask the question whether farm sizes are overstated. For them, technological advances such as GPS and Polygon mapping show that farmers’ actual cocoa plots are often smaller than originally declared by farmers themselves, especially in Ghana. This significantly impacts several variables of the living income reference price calculation. It means that productivity is already often higher than is assumed, as declared total yield per farm is often correct. This will also have implications for many sustainability projects, if productivity levels are already significantly higher, it is not reasonable to expect as much return on investment on productivity-enhancing activities. According to Fountain and Hütz-Adams, based on an average of five separate databases that are not publicly available, but known to them, they contend that the average actual farm is reflected in the table provided below. This means that current productivity in Ghana is probably significantly higher than currently assumed. Additionally, it might be possible that a farmer has more plantations (for example illegal plots in protected areas) than these included in the

measurement. They maintain that, despite these problems, they have published these figures to put pressure on all involved stakeholders who have reliable data to make them publicly available ((Fountain and Hütz-Adams, 2019, p. 2).

| Ghana (averages)   | Self-Declared | Measured by GPS |
|--------------------|---------------|-----------------|
| Farm size (in ha)  | 3.33          | 1.74            |
| Farm yield (in MT) | 1,232         | 1,232           |
| Productivity       | 370           | 708             |

Figure 3: Farm sizes and yields in Ghana (Fountain and Hütz-Adams, 2019, p. 2)

For Fountain and Hütz-Adams, even with the assumption that current declared farm sizes and yields are correct, farm gate prices should be higher than the current reference price. They conclude that, based on data available to them and the numerous factors recounted, the minimum farmgate price necessary to earn a living income from cocoa, in their estimation, should be at least \$3,116 per metric tonne for Ghana, and not \$1,820 per metric tonne, guaranteed by the new legislation. In other words, for them, the LID (\$400) makes no substantial difference because the projection by Ghana that the \$400 together with the terminal market price will push the Gross FoB to \$2,600, and thus, guarantee a minimum of 70 percent for cocoa farmers at the farm gate level is highly flawed and errs significantly on the low side. According to them, frontrunners in the cocoa industry must take the issue of price and a living income seriously, which is key to the survival of the industry. Disappointingly, most cocoa supply chain actors have no living income reference price at all, this includes the Rainforest Alliance, despite repeated requests to put such a policy in place, as well as the large chocolate and cocoa lead firms. They should all do so at the shortest possible time as cocoa cannot be considered sustainable if the price for farmers is insufficient to cover a living income

Further, they explain that, although the extra moneys gained through the \$400 per metric tonne will assist farmers to increase their income and improve on household welfare, there must be transparency about what part of this windfall will go to the producer governments, and all parties, especially producer governments must equally ensure these prices benefit cocoa-farming households directly. Again, Fountain and Hütz-Adams state that COCOBOD should be financially transparent. For them, if stabilisation funds are to be set up, the governance of these funds will require significantly improved transparency and accountability compared with their predecessors. Moreover, the LID is doomed to fail if government bodies do not provide a high level of transparency. They point out that producer governments must disclose how much revenue they receive from cocoa, and for COCOBOD to ensure transparency and good governance (VOICE Network, 2019, p. 1). According to Imoro Seidu, who is a cocoa farmer in Tarkwa Breman in the Western region, “COCOBOD do not account to cocoa farmers in Ghana; they are only interested in the cocoa production and not the welfare of farmers”.

Aside from that, they make the point that higher prices will lead to oversupply if that cannot be accompanied by policies that aim at diversification of crops, agroforestry, reforestation, protection of forest, investment in infrastructure and other supportive measures that limit cocoa production. At the same time, farmers should be able to improve their existing trees. Not allowing farmers to rejuvenate and invest in their plantations is equivalent to making it impossible for them to improve their farming business and achieve a living income (VOICE Network, 2019, p. 2). They called on chocolate and companies in the cocoa GVC to support the initiative by the Ghanaian government as well as other points they have outlined. More importantly, they ask all industry players to commit to ensuring all cocoa farmers earn a living income worldwide. These efforts must not be limited to supporting the

initiative of a guaranteed minimum price, but must aim at ensuring many other interventions. Significantly, higher prices must be part of a holistic solution.

#### **4.5 CHOCOLATE LEAD FIRMS AND THEIR RESPONSE TO THE LID**

The introduction and implementation of the LID has received mixed reactions from cocoa and chocolate companies around the world. While some companies including Blommer Chocolate, Mondelēz, Barry Callebaut, Nestlé and Cémoi have publicly supported the initiative, stating that it represents a clear action to drive change at the farmgate level, others including the Hershey company, Mars Incorporated and Olam International have raised concerns over its implementation, claiming that it will lead to the surplus production of cocoa beans, and may eventually prompt them to seek other supply sources.

According to a statement issued by Blommer Chocolate Company, which is the largest cocoa processor and ingredient chocolate supplier in North America, they support the overall goal of the governments of Ghana and Cote D'Ivoire to increase farmer remuneration. They stated that developing new and innovative methods to achieve this should remain a priority while maintaining a continued focus on critical work being done under the industry's sustainability activities. They explained that they look forward to their continued partnership and collaboration with Ghana and Cote D'Ivoire to ensure a sustainable and thriving cocoa sector, where farmers can prosper, cocoa growing communities are empowered, human rights are respected, and the environment is protected. In addition, they stated that, through their Sustainable Origin platform, they are working closely with producing governments, farmer organisations and other development partners on many initiatives to catalyse the transformation of traditional farms into diversified, sustainable and profitable businesses. They argue that these efforts are also necessary to boost farmer income even though they may not be enough without increased remuneration to farmers for their crops (Mighty Earth, 2019, para. 7).

For their part, Mondelez International, which is an American multinational snacks and confectionery company, stated that cocoa farmers should earn sufficient income to provide a decent standard of living today, as well as to safeguard the sustainable future livelihoods for the cocoa farmers in Ghana and Côte D'Ivoire. According to them, they welcome both countries' efforts to address cocoa farmer income through the LID as an important building block to achieve a sustainable livelihood from cocoa. For them, this is a unique opportunity to create the necessary partnerships to ensure the long-term beneficial effect of the new pricing approach and look forward to collaborating with both governments to ensure no further deforestation will take place and human rights are protected. They concluded by stating that a sector-wide strategy with coordinated actions by all stakeholders of the cocoa value chain is needed to propel the transformation of cocoa farming into modern, sustainable, and profitable businesses that provide sustainable livelihoods for cocoa growing families and workers (Mighty Earth, 2019, para. 18).

Barry Callebaut, which is one of the largest cocoa processors and chocolate manufacturers in the world, stated that they welcome the initiative of the two governments to support cocoa farmer income, and they are already working with Ghana and Côte D'Ivoire and other chocolate companies to have a smooth implementation of the LID. They explain that they remain committed to continue to lead on sustainability as defined by their Forest Chocolate objectives and this will not change. On the other hand, they stated that, even though the LID presents opportunities for cocoa farmers, there are associated risks such as further deforestation. For them, "in the living income differential discussions there has been little space to embrace much needed discussions on some potential risks highlighted on sustainability" (Mighty Earth, 2019, para. 6).

Nonetheless, despite the commitments and general support of some chocolate companies to pay the LID, others have, in various ways, attempted to avoid paying the LID, and in essence, favouring profit over higher incomes for cocoa farmers. Therefore, it did not come as a surprise to many observers of the cocoa industry when “a global chocolate war” broke out between Ghana and Côte D’Ivoire and two American chocolate companies over the payment of the LID, with both countries accusing Hershey of squeezing the cocoa Futures market in an effort to avoid paying the LID of \$400 and Mars Incorporated of changing its cocoa butter procurement processes in order to avoid the LID (Almeida, Mieu and De Bassompierre, 2020). In response to this accusation, Hershey accused the two producing countries of putting out a misleading statement. According to them, “it is unfortunate that Côte D’Ivoire and Ghana have elected to distribute a misleading statement... and jeopardise such critical programmes that directly benefit cocoa farmers” (Oils and Fats International, 2020, para. 8).

Prior to this accusation by Ghana and Côte D’Ivoire, Hershey had released a statement in which they stated that the implementation of the LID is a complicated arrangement, and thus, together with the entire industry, will be working with the two governments to further understand the LID. According to them, any plans to increase the income of cocoa farmers would need to be implemented carefully to ensure that they do not create imbalances in the long-term supply of cocoa that could result in surpluses and destabilise the cocoa market, which for them will ultimately hurt the farmer. Moreover, these plans need to guard against new production on protected forestlands. They explained that they want to work together with both governments to see an increased share of the global cocoa price transferred to farmers through the LID and they look forward to joining the rest of the cocoa industry to continue these discussions with both governments and other partners

to improve livelihoods of farmers and the sustainability of cocoa farming long in the future (Mighty Earth, 2019, para. 15).

Not long after issuing this statement raising concerns about what, in their view, will be the potential fallouts of the LID, in November 2020, Hershey took an unusual step of directly sourcing over 30,000 tonnes of cocoa beans from the futures market. This move by Hershey drastically affected the cocoa market on ICE Futures market in the United States (New York), with the December 2020 futures climbing to more than 30 percent over that of March 2020. The decision by Hershey to purchase cocoa beans through the exchange allowed them to obtain cheaper supplies, and thus, saved them millions of dollars. This is because cocoa beans sourced from exchange stockpiles do not have the LID applied to them (Peña, 2020). When contacted about this decision, Hershey explained that it does not discuss details of its buying and hedging activities, and that it purchases cocoa from a variety of suppliers and sources to meet its raw material needs. Nonetheless, they added that it is important for the two countries to remember that there is still cocoa in the marketplace that was produced and sold before the implementation of the LID (Peña, 2020, para. 11). According to Derek Chambers, a former head of cocoa at Sucden and who retired in 2018 after trading cocoa for fifty years, this move by Hershey was smart and a perfectly legal use of the futures market. He argues that this decision by Hershey works for them on many levels because it gives them competitive advantage against other US Chocolate makers. For him, “it (Hershey) should ensure that they can buy the cocoa they need at cheap differentials in the months to come, through the futures or commercially” (Almeida, 2020, para. 6).

This move by Hershey infuriated Ghana and Côte D’Ivoire, leading to the cancelation of all sustainability programs, which Hershey was directly and indirectly involved in. Further, both countries stated that transnational companies running programs on behalf of Hershey would be barred from operating them. In a joint statement signed on 30<sup>th</sup> November 2020 by

the Chief Executive Officers of COCOBOD and the CCC titled “Abuse of the derivatives market to impoverish the West African farmer”, they accused Hershey of “conspiracy and machinations” stating that the use of the cocoa futures market was a clear indication of Hershey’s intention to avoid paying the LID. They explained that they “have observed with great concern the actions taken by your company on the New York terminal to take delivery of physical cocoa” and that “the manipulation of the futures market at the expense of farmers’ income should be denounced in the strongest terms” (Peña, 2020, para. 3 and 7). This accusation became a further dent on the reputation of Hershey, who have come under increasing pressure for their roles in child labour and deforestation in the cocoa sector in both countries. Moreover, Ghana and Côte D’Ivoire also reiterated the volatile relationship between poorer nations producing cocoa beans and companies selling finished products to wealthier customers over the years. According to both countries, “some chocolatiers and trade houses have adopted covert strategies to circumvent the farmer income improvement mechanism with the aim of collapsing it” (Almeida, Mieu and Bassompierre, 2020, para.5). They stated that they would do whatever is within their power to protect the over three million farmers from poverty (Almeida, Mieu and De Bassompierre, 2020, para. 5).

In a separate statement signed by the Director General of the CCC, Côte D’Ivoire also accused Mars Incorporated of migrating the bulk of its cocoa butter purchases to its traditional processors, buying from JB Cocoa and Guan Chong Berhad instead to circumvent paying the LID. Again, the two countries asserted that Olam International Incorporated, the third largest cocoa processor in the world, is pursuing a strategy of reducing the amount of Ghana and Cote D’Ivoire cocoa beans from its recipes. Based on what the two countries state is an attempt to derail and undermine the LID, they stated that they were reviewing their membership of the Federation of Cocoa Commerce (FCC) in London, which is a UK-based international organisation that aims to promote, protect and regulate cocoa trade, and that

they are “reconsidering the incentives and licenses granted to members of the FCC which are directly or subtly rejecting the LID” (Almeida, Mieu and De Bassompierre, 2020, para. 21). Similarly, Ghana and Cote D’Ivoire withdrew their membership of a United States industry association, which is the Cocoa Merchants Association of America (CMAA), accusing them of colluding and condoning with American chocolate companies against poor West African cocoa farmers, by avoiding payment of the LID (Almeida, Mieu and De Bassompierre, 2020, para. 13).

This altercation between the two major cocoa producing countries and the two lead firms in the United States over the payment of the LID is a clear manifestation of the power and political struggles within the cocoa GVC. As my analysis on cocoa GVC demonstrates, the main reason why lead firms merge or acquire other deals within the cocoa value chain is to increase their influence, so they can decide how value is distributed. The interest of lead firms in the cocoa GVC has never been whether the profits and cost saving deals that arise out of the deals they engage in pass onto the smallholder cocoa farmers. The main objective behind the market power and concentration is for lead firms to continue to expand their profit opportunities, while exploring new ones. I contend that major producing countries including Ghana and Côte D’Ivoire have important roles to play in cushioning their cocoa farmers from the politics and power of the cocoa GVC, whereby smallholder farmers are unable to hold any countervailing power against huge lead firms in the cocoa processing, manufacturing and retailing segments of the cocoa GVC. In effect, aside from the cocoa beans production segment of the cocoa GVC, the remaining four segments are controlled by cocoa and chocolate lead firms and their agents, who are stationed either outside or within major producing countries in West Africa.

In addition, the attempt by Hershey and Mars Incorporated to derail and undermine the LID, and the recent attempt by the European Union (EU) to boycott cocoa from Ghana, after the implementation of the LID, over so-called child labour and environmental concerns bring into sharp focus the historical context of Ghana in terms of power and sovereignty, and how cocoa prices in the past were used by some powerful countries in the Global North to disturb and distort national development in Ghana. For example, the United States government, working through the Central Intelligence Agency (CIA), was determined to overthrow the Nkrumah government before he could achieve his cherished hopes of African unity. Collaborating with their international allies such as Great Britain and Canada, the United States financed, masterminded and guided the coup d'état of 24<sup>th</sup> February, 1966. According to the U.S State Department, Kwame Nkrumah had an overpowering desire to replicate his brand of nationalism in other African states, making Ghana, in their view, one of the foremost practitioners of subversion in Africa. The United States was uncomfortable with the offensive the Nkrumah administration was waging against apartheid in South Africa, providing money and training to freedom fighters in the African National Congress (ANC), which was determined to overthrow the white supremacist regime. Therefore, in years leading up to the 1966 coup d'état in Ghana, the U.S State Department withheld several loans to Ghana and worked with their international allies in the Global North to arbitrarily lower the prices of cocoa on the international market through stockpiling in order to deprive the Nkrumah government and Ghanaian cocoa farmers of needed revenue and foreign exchange. This decline in prices was caused by the manipulations of big chocolate trusts in Britain and the United States (Quist-Adade, 2021, para. 2-5).

Consequently, the real conspiracy that brought Nkrumah down, and which continued after the coup d'état was the catastrophic decline in the prices of cocoa. From a peak of over \$1000 per metric tonne in the 1957-1958 crop season, the prices of cocoa dropped to \$504

per metric tonne in the 1963-1964 crop year, and further down to as low as \$210 per metric tonne in 1966 (Vallin, 1966, para. 11). This decline in prices of cocoa came after a period during which manufacturers were encouraged to expand their production, with the assurance from the government that they could count on prices between \$560 and \$700 per metric tonne at least up to 1970. As of July 1966, the price of Ghana's cocoa for shipment between August and September was being quoted at \$245 per metric tonne, and as a result, the many millions of pounds invested into improvement schemes and disease control earned nothing in return (Vallin, 1966, para. 12). This catastrophic decline was caused by the manipulation of the big chocolate companies in Britain and the United States through the artificial stockpiling of cocoa beans. It is important to state that, after the overthrow of Nkrumah, the prices of cocoa rose again from \$488 per metric tonne to \$499.66 per metric tonne, even though it did not reach the minimum of \$560 per metric tonne sought by the Ghanaian people. In any case, the damage to Ghana had already been done. The collapse of cocoa prices bankrupted the Ghanaian economy, reduced the quality of life of the Ghanaian people, especially farmers and workers, and ended in the collapse of the Nkrumah administration (Vallin, 1966, para. 15).

#### **4.6 THE LID AND THE POVERTY LINE IN GHANA**

I agree with Hutz-Adams that there is a huge gap between prices received by cocoa farmers and the cost they incur in production, which is a burden on them and the environment. Some NGOs like "True Price" even put the cost of production of cocoa farmers at nearly four times the prices cocoa farmers receive at the farmgate. It is true that, even though cocoa farmer's income depend on four core metrics: cost of production, quantity of produce, farmgate price and quality of produce, there are also other aspects to a living income like living needs, amount of dependents, amount of workers or income providers in the family, and household food production. Notwithstanding these important points of production costs and farmgate prices, I will also argue that the LID of \$400 per metric tonne is in line with Living Income

Benchmark estimates in rural cocoa growing communities of Ghana, which is pegged at about \$329 per month for a typical family of two adults and three children (Smith and Sarpong, 2018, p. 4). According to a report of cocoa producing areas in Ghana, presented by Sally Smith and Daniel Sarpong (2018), the Living Income benchmark of 1,464 cedis (\$329) is based on the actual cost of living in March 2018, at a basic standard of decency and indicates the amount of profit from all sources of household income that would be necessary to cover living expenses for the family. They used the Anker methodology for estimating costs of living, which includes putting together separate estimates of (i) low-cost nutritious diet, (ii) basic decent healthy housing and (iii) all other essential needs including education of children through secondary school, decent healthcare, transportation, clothing, re-creation and personal care. Additionally, a small margin above this total cost is added to provide unforeseen events such as illness and accidents or special occasions like funerals and marriages, to ensure families do not easily fall into poverty (Sally and Sarpong, 2018, p. 4). The table below gives a breakdown of Living Income benchmark for a family of 2 adults and 3 children in rural cocoa growing regions of Ghana (Ashanti, Central, Eastern, and Western regions). It demonstrates that 52 percent of the costs of living are food, 13 percent of the costs are housing, 30 percent of the costs are other essential needs and 5 percent for sustainability.

Figure 4: Breakdown of Living Income benchmark for rural cocoa growing regions of Ghana (Ashanti, Central, Eastern, and Western regions). Source: Sally and Sarpong (2018).

| Item   | GHS per month | USD per month |
|--|---------------|---------------|
| Food costs per month                             | 757           | 170           |
| Housing costs per month                          | 198           | 44            |
| Non-food, non-housing costs                      | 439           | 99            |
| Additional 5% for sustainability and emergencies | 70            | 16            |

|  |      |     |
|--|------|-----|
| Total costs per month of basic, but decent living standard for family of 2 adults and 3 children | 1464 | 329 |
|--|------|-----|

Therefore, considering the Living income estimate of \$329 per month for a family two adults and three children as stated by Smith and Sarpong in March 2018 or the Living Income estimate of \$312 per household per month as stated by the LICoP in March 2020, it can be concluded that the \$400 per metric tonne is in accordance with Living Income estimates in Ghana, and as such, sufficient enough to enable cocoa farmers in Ghana cater for the welfare needs of their families and workers. Although there is no debating the fact that cocoa farmers in Ghana should preferably earn more for their labour, considering their costs of production, I also contend that, in a global cocoa market, where the forces of demand and supply are always at play, Ghana should not be seen over-pricing its commodity in a way that makes buyers seek other sources of cocoa supply, as we are beginning to see chocolate lead firms like Hershey and Mars Incorporated do. Already, there are even reports of cocoa glut in Ghana and Cote D’Ivoire because these big agricultural trading houses and cocoa exporters in both countries are switching to cheaper contracts for later delivery and buying less to cut inventories, all in a bid to circumvent the payment of the LID.

#### **4.7 CONCLUSION**

The main argument of this thesis is that the cocoa GVC is largely concentrated and integrated in the hands of a few and giant lead firms in ways that reduce the market power and influence for smallholder farmers, who are assigned the role of remote and small price-takers. With the unfair and unethical nature of the cocoa GVC along with the constant power and political struggles, smallholder farmers in cocoa producing countries are unable to attain higher and fairer prices for their output. Although most interviewees held the view that the LID of \$400 per metric tonne is crucial to enable cocoa farmers cater for the welfare needs of their families and workers, major industry players like the Cocoa Barometer and the VOICE

Network maintain that the LID could have been much higher, taking into consideration the costs of production and other important factors that go into cocoa production in Ghana. This notwithstanding, I contend that, for a start, the LID is a realistic policy, as it is in line with most Living Income estimates in Ghana.

Firstly, the LID can serve as a value-based imperative to ensure the fundamental human rights to a decent livelihood. The preamble to the founding documents of the International Labour Organisation in 1919 declares the necessity for a “payment adequate to maintain a reasonable standard of living that is understood in their time and country”. Moreover, the Universal Declaration of Human Rights states that “just and favourable remuneration” is a primary right, not just to the labourer, but also for the labourer's family. The United Nations International Covenant on Economic, Social and Cultural rights is even more specific, pronouncing a “decent living for themselves and their family” a basic right. Furthermore, the United Nations Guiding Principles on Business and Human Rights state that it is the duty of governments to protect people from human rights violations, and that it is the responsibility of organisations to respect these human rights (Fountain and Hütz-Adam, 2014, p. 1).

Secondly, the LID will make known a definitive income level, which attracts farmers to continue to grow cocoa, and importantly attract young people into cocoa farming. Consequently, the LID is a business imperative if cocoa production is to be sustainable. The initiative offers a reliable base to develop projects, which guarantees a sustainable supply of cocoa. With a viable guaranteed minimum price, cocoa farmers will not, as the trend shows, change crops or abandon their farms as soon as they see other opportunities, and the youth will be interested in taking over the family farm. There is a common notion that in order to ensure future supply for cocoa, it is imperative to make cocoa farming an attractive business. Of the numerous sustainability programs in the cocoa sector, it is only a living income

guaranteed by price regulation that considers the basic needs or expected net income of farmers' calculations based on household size and real income needs. In other words, the initiative of a guaranteed minimum price largely makes farmers better business people, able to adequately cater for the welfare needs of their dependents and workers (Fountain and Hütz-Adam, 2014, p. 1).

In the final analysis, my argument is that the LID proposed by Ghana is in the social, economic and business interests of cocoa farmers. This is because for the first time in the history of cocoa production, the LID completely reforms the way global cocoa is priced, which beforehand was completely decided on the cocoa terminal market. The LID will serve as a buffer for cocoa farmers, which not only enhances the income they receive at the farmgate level, but also drives cocoa production by employing more workers, particularly the teeming youth in these cocoa growing communities. The point is that cocoa farmers in Ghana use two acres of land and produce half a ton of cocoa beans a season. Farmers will need workers to clear the land of weeds, with cocoa trees pruned and replanted, if necessary. In effect, the LID will ensure that they get enough money to pay workers to assist them on their cocoa farms. Notwithstanding the importance of the LID, as a major starting point on the conversation of how to raise prices for cocoa farmers, it is also my position that there are other aspects to a living income such as living needs, amount of dependence, amount of workers or income providers, and food production, which when considered by the Governments of Ghana and Côte D' Ivoire may prove that the \$400 per metric tonne is on the low side. Consequently, all these variables need to be incorporated in arriving at a decent living income for cocoa farmers, guaranteed by price regulation.

## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS, LESSONS AND RECOMMENDATIONS**

#### **5.0 SUMMARY OF FINDINGS**

This study examined the viability of the LID, and whether the implementation of this new policy, which provides an additional premium of \$400 per metric tonne to the terminal market price, will help cocoa farmers in Ghana fight the poverty that has plagued their cocoa business for years. All of the forty (40) interviewees were of the view that the \$400 per metric tonne amount is not only crucial and socially justifiable, but also central towards protecting farmers from the historical patterns of exploitation and dominance in the cocoa GVC. This is because the LID provides both fixed and enhanced income for cocoa farmers. In their estimation, the \$400 per metric tonne amount is a modest beginning in a sector that is driven by unfair market power and concentration. Most interviewees argued that, even though the LID of \$400 will not entirely resolve the financial challenges of cocoa farmers, moving forward, the LID will help them make enough savings through which they can adequately provide for the welfare needs of their households and workers.

#### **5.1 LESSONS**

The study presents the following important lessons that are worth considering to achieve sustainability in the cocoa sector in Ghana in both social and environmental respects.

1. Existing initiatives such as certification schemes and pledges by consumer-countries to end child labour and deforestation have not yielded effective results in combatting poverty in the cocoa sector in Ghana (Brack, 2019, p. 21).
2. The vicious cycle of poverty experienced by the millions of cocoa farmers and workers in Ghana can be explained by the imperfect and unethical nature of the cocoa GVC, in which farmers alone have little leverage compared to giant cocoa companies (Gayi and Tsowou, 2016, p. 1).

3. Market concentration and power imbalances are glaring and expansive within the cocoa GVC such that major cocoa producing countries in West Africa, including Ghana, are unable to influence prices through market mechanisms alone when confronted by a very few and giant lead firms in Europe and North America (Gayi and Tsowou, 2016, p. 1; Leissle, 2018, p. 19).
4. To comprehensively resolve the problem of excessive power and dominance within the cocoa GVC, every farmer in Ghana should preferably earn a living income guaranteed by price regulation, which creates a stable economic environment in which cocoa farmers can have the confidence to invest in their farms including the necessary and costly replanting of cocoa trees.
5. Fairness, social justice and other sustainability achievements in the cocoa sector in Ghana ultimately depend on the centrality of guaranteeing a viable minimum price for smallholder cocoa farmers and workers. The issue of a living income, which is a human right, is crucial to the survival of the cocoa and chocolate industry. The payment of fair and higher prices is essential and non-negotiable because of the impact of the global health pandemic, which has resulted in farmers losing income and seeing their cost of living rise (Voice Network, 2020, para. 3).
6. Lead firms who are trying to circumvent the LID, which is meant to increase farmgate prices, with the goal of achieving a living income for cocoa farmers, are not pursuing the sustainability of the cocoa industry. The sustainability of the cocoa sector depends on higher prices for cocoa farmers and workers.
7. The introduction and implementation of the LID brings to the fore the crucial role governments of cocoa producing countries have in securing higher prices for its farmers and workers. The LID challenges the assumption that the government has no role to play in determining prices on the global market and that everything should be

left to the forces of demand and supply. While it is often assumed that West African cocoa producing governments cannot withstand the power and influence of chocolate lead firms in the Global North, the implementation of the LID, shows that, to some extent, they can. It remains to be seen if they can resolve the disputes with major players such as Hershey and Mars Incorporated, but so far, the evidence shows that the two West African governments are unwavering about the LID project, and are prepared to push back against the dominance of huge chocolate companies in the cocoa GVC.

8. Although market power and concentration may lead to efficiency and better economies of scale on the part of some lead firms in Europe and North America, the fact is that these economic benefits, accruing from the cocoa value chain, have not been passed onto cocoa farmers in producing countries.

## **5.2 RECOMMENDATIONS**

Over the years, multiple stakeholders have introduced different initiatives as a way of confronting the problems of inadequate farmgate prices, hazardous child labour and deforestation in the cocoa sector. Irrespective of these existing initiatives and their clear limitations such as certification schemes and consumer-country pledges, there is still no visible and significant impact in the cocoa sector. Therefore, for cocoa in Ghana to be sustainable for farmers and workers, they must earn a living income. A living income guaranteed by price regulation is a comprehensive solution to the problem of market concentration and unfairness within the cocoa global value chain, in which smallholder cocoa farmers are not properly integrated because only a few lead firms control the distribution of wealth, and decide prices within the supply chain.

Altogether, the cocoa industry, producers and governments should maintain the human rights of farmers and wellbeing as a top priority in all issues of cocoa prices. The payment of higher and viable prices to cocoa farmers is essential to the sustainability and growth of the industry. Chocolate lead firms in Europe and North America should refrain from short-changing farmers and those in authority, and should not punish companies in a way that is detrimental to the livelihood of cocoa farmers. It is imperative for stakeholder in the industry, who indeed want to eradicate the incidence of child labour, deforestation and malnutrition among cocoa families, should be demonstrably involved in processes to enhance farmgate prices, with the objective to achieve better farm gate prices. The minimum the over-\$100 billion-chocolate-industry can do to alleviate the suffering and desperation of cocoa farmers is to pay the LID of \$400 per metric tonne.

The following recommendations are proposed to ensure that the cocoa business becomes sustainable for farmers in Ghana and globally:

1. There is the need for stakeholders in the cocoa, especially at the global level, not only to implement changes at the technical level, but they must also tackle issues of power and political economy within the cocoa GVC.
2. There is the need to facilitate debate and concrete action regarding the extensive market concentration and resulting power imbalances within the cocoa supply chain, especially with regard to the position of smallholder farmers and traders. Aside from the issue of market concentration at the international level, it is important to state that market concentration happens both at the regional and state levels.
3. The Government of Ghana should ensure transparency and accountability in the management of the Stabilisation Fund. Cocoa farmers should be adequately and involved in the management of the stabilisation fund. They should be updated on how proceeds from the fund are transferred to cocoa farmers. The involvement of farmers

in these discussions is important, as this assists in the smooth implementation of the policy.

4. Even though it is commendable that the Governments of Ghana and Côte D'Ivoire have set up a stabilisation fund into which extra proceeds from the LID will be paid, the application of those funds should be tailored specifically towards the welfare needs of cocoa farmers and their families and workers. For example, in Ghana, more needs to be done to improve cocoa roads and other key infrastructure in the country, especially in cocoa growing communities in the Western enclave of the country, where the bulk of the cocoa beans are produced.
5. The duty of paying farmers a living income guaranteed by price regulation should not be left to the two major producing countries alone, other cocoa producing countries in West Africa like Cameroun and Nigeria should equally support the principle of the LID and the practice of paying cocoa farmers more. It is only when all cocoa producing countries in West Africa come together as a single bloc, can they bargain for better prices for their farmers and workers.

### **5.3 CONCLUSION**

In summary, the LID challenges the assumptions in the cocoa sector about the ability of stakeholders, particularly, producing governments to change the way cocoa is priced and traded to the benefits of cocoa farmers. Ghana and Côte D'Ivoire have proven that cocoa prices cannot always be left to the forces of demand and supply, which does not guarantee stable and fair prices for cocoa farmers and workers. It is imperative to restate that, whereas it is widely argued that West African cocoa producing governments cannot withstand the power, influence and control of TNCs in the Global North, the implementation of the LID demonstrates that they can fight for the welfare needs of their farmers and workers, who remain scattered along the cocoa GVC, and cannot hold any countervailing power against these well-structured TNCs.

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**APPENDIX I: INTERVIEW GUIDE**  
**DEPARTMENT OF INTERNATIONAL DEVELOPMENT STUDIES**

**Broad Protocol of Interview Questions**

I will briefly describe the study, my position, and the purpose of the interview. Both the participants and I will sign the informed consent form.

**Questions for State Officials and Cocoa Farmers**

**Closed Questions**

1. Have you heard about the decision by the Government of Ghana to introduce a Living Income Differential of \$400?
2. Is the Living Income Differential of \$400 a good policy for cocoa farmers?
3. Is the Living Income Differential of \$400 enough to support cocoa farmers and their families and workers?
4. Will the Living Income Differential of \$400 make cocoa farming more sustainable for farmers and workers?

**Open Questions**

5. How different is the Living Income Differential policy from other policies initiated by the Government of Ghana over the years in the cocoa sub-sector?
6. How will the Living Income Differential policy change or impact farmgate prices for cocoa farmers since they are not directly involved?
7. In what way, do you think the Living Income Differential of \$400 will improve your living condition as a cocoa farmer?
8. How will the Living Income Differential help the cocoa farming business become more sustainable?
9. How will the Living Income Differential of \$400 support cocoa farmers achieve a living income?

### **Likert Scale Questions**

10. The Living Income Differential of \$400 set by the Government of Ghana is enough to help farmers achieve a living income.

Strongly Disagree    Disagree    Neutral    Agree    Strongly Agree

11. The Living Income Differential of \$400 will support cocoa farmers to cater for themselves and their families and workers.

Strongly Disagree    Disagree    Neutral    Agree    Strongly Agree

12. The Living Income Differential of \$400 will make cocoa farming more sustainable for farmers and workers.

Strongly Disagree    Disagree    Neutral    Agree    Strongly Agree

## **APPENDIX II: INFORMED CONSENT FORM**

“Politics, power and unfair market concentration in the cocoa Global Value Chain (GVC):  
Analysing the prospects of the Living Income Differential (LID) for achieving a just and  
sustainable livelihood for cocoa farmers in Ghana”

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SMU REB#20-068

### **INTRODUCTION**

As a graduate student at Saint Mary's University, I would like to invite you to participate in this research project in fulfilment of my Master's Thesis research requirement under the supervision of Dr. Gavin Fridell, Canada Research Chair in International Development and Associate Professor. The research project seeks to explore the political and social reasons why Ghana has taken the initiative to regulate a higher floor price for cocoa on the global commodity market. I will analyze and use the data solely for the purpose of this study.

### **PURPOSE OF THE RESEARCH**

Ghana has been producing Cocoa for decades now. The country is the second largest producer of cocoa in the world, behind the Ivory Coast. According to the World Bank, the cocoa sector in Ghana employs over one million Ghanaian farmers and workers. The two West African countries put together contribute about 60-65 percent of global cocoa supply, the main ingredient used in producing chocolate and other confectionery products. Early last year, the two countries undertook an initiative to regulate a higher floor price for cocoa, which is pegged at \$2600 per tonne, below which they are not going to sell. The decision by the two countries takes effect in October 2020 for the approaching 2020/21 crop season. Importantly, the plan by the two countries is set to be among the biggest changes to the global cocoa market in decades. The purpose of the study is to examine the social and political factors that influenced Ghana into taking such a major decision. Besides that, I will seek to investigate whether the mechanism of a floor price is sufficient to raise the incomes of cocoa farmers and workers to something akin to a living wage. The research will seek to ascertain from state officials, non-governmental stakeholders, and major players in the cocoa industry as to the rationale and social and political motivations behind such a historic decision, after years of cocoa production. As a result, for my Master of Arts research it is important to explore two main questions. First, what are the main political and social reasons behind the decision to initiate a floor price in Ghana for 2020? Second, what are the possible benefits and challenges that the floor price offers for promoting living wages and human development in the cocoa sector?

## **RESEARCH METHODOLOGY**

In this research methodology, interviews and focus group discussions will be used. The researcher will make sense of the data by using content analysis to analyze and verify results. The avoidance of asking very sensitive questions, and being open and honest about the purpose of the research will be adhered to at all stages. The empirical basis of this study is primary and secondary data. Primary data will come from interviews and focus group discussions; specifically the research will seek to interview thirty (30) participants, irrespective of gender or ethnicity. The secondary sources of data will include government publications, journals, periodicals, research papers, papers presented by scholars. The secondary information will be used to complement the primary data in order to enhance the validity and reliability of the findings. The results from the interviews will be transcribed and analyzed using content analysis.

**LOCATION:** Accra and Kyebi Amanfrom, both in the Greater Accra Region and the Eastern Region of Ghana respectively.

### **WHO IS BEING INVITED TO PARTICIPATE?**

A sampling of state officials, non-governmental stakeholders, industry representatives in the cocoa sub-sector, and cocoa farmers in Ghana will be invited to participate. You may participate in this study if you are at least 18 years old, and regardless of gender or ethnicity.

### **EXPECTED DURATION OF THE RESEARCH AND OF PARTICIPANTS**

The fieldwork is expected to take place between 1<sup>st</sup> June, 2020 and 31<sup>st</sup> July 2020. Participants' involvement will end with the interview, unless they request a summary of the final results by email by consenting to be re-contacted and providing an electronic address.

### **WHAT DOES PARTICIPATING MEAN?**

If you consent to participate, you will be asked to take part in a single interview, which you can expect to last for thirty minutes. For the interview:

- While full anonymity cannot be guaranteed, only the researcher will know your name, which will not be included in any public material unless the person interviewed requests otherwise.
  - you may choose to answer or not answer any questions
  - you may choose to end the interview at any time
  - you may have your interview withdrawn from the study at any time
  - after the initial interview, you can determine any future involvement with the study and may withdraw at any time.

### **WHAT ARE THE POTENTIAL BENEFITS OF THIS RESEARCH?**

Participant involvement is done on a strictly voluntary basis. The research will provide an important basis for advancing knowledge on price regulation and the developmental state. The study will explore the reasons why Ghana, after decades of cocoa production, has decided to set a floor price for the commodity on the international market. Besides that, the study will highlight the political and social factors influencing such a decision by the state, and will finally ascertain whether the instrument of price regulation alone is sufficient to

reduce poverty and inequality amongst farmers and workers in the cocoa sector. The research is intended to contribute to knowledge on the topic and to be of use to a range of policy advisors, advocacy groups, and stakeholders at the national and international level.

### **WHAT ARE THE POTENTIAL RISKS FOR PARTICIPANTS?**

There are no anticipated risks for participation in this study, and participants will not be asked to participate in any activity that may result in harm or will put them in a vulnerable position legally or otherwise. This research is not being done for purposes of commercialization, and there are no known conflicts of interest on the part of the student principal investigator and the university. Again, this research for the MA thesis is being done by a student principal researcher who is independent and without any connections whatsoever to the cocoa industry. If you feel that there are additional risks, or that potential concerns or conflicts of interest might exist, please discuss them with the student principal investigator either at the interview or after it is over (at [boakyerichard1114@gmail.com](mailto:boakyerichard1114@gmail.com)/[Boakye.Richard@smu.ca](mailto:Boakye.Richard@smu.ca)).

### **HOW CAN I WITHDRAW FROM THIS STUDY?**

You may withdraw at any time, by informing the student principal investigator either in person or after the interview is over (at [boakyerichard1114@gmail.com](mailto:boakyerichard1114@gmail.com)/[Boakye.Richard@smu.ca](mailto:Boakye.Richard@smu.ca)). Your interview will be removed from the study. Should you request to be removed at a time after publications have come out, your information will not be included in any future publications or work of any kind.

### **WHAT WILL BE DONE WITH MY INFORMATION?**

Direct quotes and summaries of the interview will be used to write this MA thesis and any other academic work such as papers for publication in academic journals, newspapers, magazines, blogs, conference presentations, reports, research grant applications, and books. However, I must state that it is not possible for participants to have the chance to review the transcript after the interview. The raw data will be available to both the faculty supervisor and the student principal investigator in the course of the MA thesis. The raw data will be stored safely in the possession of the student principal investigator on his Personal Computer, which has a secured password and will not be shared with anyone else. Again, there are other options for the storage of the data like SMU's OneDrive, Google Drive and Apple iCloud. The interview will be anonymized (only the researcher will know your name, which will not be included in any public material) unless the person being interviewed requests otherwise. After five years of the initial interview, the data will be destroyed in a manner ensuring privacy.

### **HOW CAN I GET MORE INFORMATION?**

If you would like to be informed on new publications as they emerge from the research, please let the student principal investigator know. For any further information or queries, please contact:

Boakye Richard

Department of International Development Studies

Saint Mary's University, 923 Robie Street, Halifax, NS B3H 3C3

Phone: +1 (782) 234 6578

Email: boakyerichard1114@gmail.com/Boakye.Richard@smu.ca

**CERTIFICATION:**

This research has been reviewed and approved by the Saint Mary's University Research Ethics Board. If you have any questions or concerns about ethical matters, you may contact the Chair of the Saint Mary's University Research Ethics Board at ethics@smu.ca or 011 (902) 420-5728.

**AUDIO-RECORDED INTERVIEW**

Would you be willing to allow the interview to be recorded? (Please check preference):

Yes, you can record the interview \_\_\_\_\_

No, you cannot record the interview \_\_\_\_\_

**SIGNATURE OF AGREEMENT:**

I understand what this study is about and appreciate the risks and benefits. I have had adequate time to think about this and have had the opportunity to ask questions. I understand that my participation is voluntary and that I can end my participation at any time.

**Participant Name:** \_\_\_\_\_

**Participant Signature:** \_\_\_\_\_

**Date:**

### **APPENDIX III: VERBAL CONSENT SCRIPT**

“Politics, power and unfair market concentration in the cocoa Global Value Chain (GVC):  
Analysing the prospects of the Living Income Differential (LID) for achieving a just and  
sustainable livelihood for cocoa farmers in Ghana”

Name of Principal Investigator: Boakye Richard

Department: International Development Studies

Email: boakyerichard1114@gmail.com/Boakye.Richard@smu.ca

Phone number: +1 (782) 234 6758

SMU REB#20-068

Good Day Sir/Madam,

My name is Richard Boakye of Saint Mary’s University, Halifax NS, Canada. I am carrying out research as part of the requirements before I graduate from a Master’s program. My supervisor is Dr. Gavin Fridell. The research is to explore the reasons why Ghana, after decades of cocoa production, would decide to set a floor price for the commodity on the international market, and I want to kindly request you join as one of the participants for the interview/focus group discussions. Whatever answers you give will be important for the study and remain confidential as your names and positions will not be revealed upon request. Again, the information you give will be solely used for the purpose of this study. The interview/ focus group discussions will take place at your weekly meeting place between the 17<sup>th</sup> and 30<sup>th</sup> of July, 2020 for about thirty minutes. If you are participating in the focus group discussion, it will take close to two hours because there will be a maximum of eight people involved in the discussions. Additionally, anyone can withdraw if you do not want to continue or you can skip any question that makes you uncomfortable. However, after publications the information cannot be withdrawn and will be submitted to Saint Mary’s University. If you want the results of the study, let me know how I can send it to you. In case you want to reach me, my phone number is +1 (782) 234 6758. You can send me a text with details on how I will send it to you. Thank you for your time and agreeing to take part in this study.

**LIST OF INTERVIEWEES, DATES AND LOCATIONS**

|                                 |                  |                                  |
|---------------------------------|------------------|----------------------------------|
| 1. JOSEPH OPOKU GAKPO           | 25TH JUNE, 2020  | ACCRA, GHANA                     |
| 2. TOMA IMIHERE                 | 8TH JULY, 2020   | ACCRA, GHANA                     |
| 3. STEPHENSON ANNANE<br>BOATENG | 26TH APRIL, 2021 | KUMASI, GHANA                    |
| 4. KWAME ASAFO ADJEI            | 16TH JULY, 2020  | NSUTA, KWAMANG,<br>BEPOSO, GHANA |
| 5. SAMPSON AHI                  | 30TH JUNE, 2020  | BODI, GHANA                      |
| 6. FIIFI BOAFO                  | 29TH JUNE, 2020  | ACCRA, GHANA                     |
| 7. SAMUEL KWAKYE<br>ANEFI       | 26TH APRIL, 2021 | KUMASI, GHANA                    |
| 8. IMORO SEIDU                  | 26TH APRIL, 2021 | TARKWA BREMAN,<br>GHANA          |
| 9. JOYCE ADWOA AKOH<br>DEI      | 26TH APRIL, 2021 | BOSOME-FREHO,<br>GHANA           |
| 10. BISMARCK ATINBIRI           | 26TH APRIL, 2021 | ACCRA, GHANA                     |
| 11. FRANK OKYERE                | 26TH APRIL, 2021 | KUMASI, GHANA                    |
| 12. RICHARD ASARE               | 26TH APRIL, 2021 | KUMASI, GHANA                    |
| 13. RICHMOND FRIMPONG           | 27TH APRIL, 2021 | KUMASI, GHANA                    |
| 14. GNACOFA<br>CONSULTANT       | 26TH APRIL, 2021 | ACCRA, GHANA                     |
| 15. BRIGHT ASARE                | 26TH APRIL, 2021 | NKAWKAW, GHANA                   |
| 16. MICHAEL OKWAMPA             | 26TH APRIL, 2021 | NKAWKAW, GHANA                   |
| 17. JONATHAN OFORI              | 26TH APRIL, 2021 | KUMASI, GHANA                    |
| 18. ASENSO MENSAH               | 26TH APRIL, 2021 | NKAWKAW, GHANA                   |
| 19. SAMUEL APPAIH KUBI          | 26TH APRIL, 2021 | ASANTE AGONA,<br>GHANA           |
| 20. HOLIYATA AKUA<br>BOAKYEWAA  | 27TH APRIL, 2021 | ADANKWAME,<br>GHANA              |

|                               |                  |                            |
|-------------------------------|------------------|----------------------------|
| 21. NANA OSEI                 | 27TH APRIL, 2021 | AHAFO, GHANA               |
| 22. KWAME ASARE BOADU         | 27TH APRIL, 2021 | KUMASI, GHANA              |
| 23. NII LAMPTEY               | 27TH APRIL, 2021 | SOMANYA, GHANA             |
| 24. WILLIAM AMANKWAH          | 27TH APRIL, 2021 | BIA WEST, GHANA            |
| 25. BAAFO AWUAH               | 27TH APRIL, 2021 | KUMASI, GHANA              |
| 26. MICHAEL AMU               | 28TH APRIL, 2021 | SEFWI AKONTOMBRA,<br>GHANA |
| 27. PETER BOADI               | 28TH APRIL, 2021 | KUMASI, GHANA              |
| 28. NANA APEDWAHENE<br>ANIM   | 28TH APRIL, 2021 | KUMASI, GHANA              |
| 29. ADU KWESI                 | 28TH APRIL, 2021 | AKUEASI, GHANA             |
| 30. STEPHEN KWEKU<br>YEBOAH   | 28TH APRIL, 2021 | ABIRIM, GHANA              |
| 31. JOSEPH BOATENG            | 28TH APRIL, 2021 | KADEWESO, GHANA            |
| 32. ASANA SULEIMANA           | 29TH APRIL, 2021 | ADANKWAME, GHANA           |
| 33. NYARKO AMOAH              | 29TH APRIL, 2021 | AJUMAKO, GHANA             |
| 34. MICHAEL YEBOAH<br>BOATENG | 29TH APRIL, 2021 | ADUMASA, GHANA             |
| 35. NOAH FOSU MANU            | 29TH APRIL, 2021 | KUMASI, GHANA              |
| 36. ERNESTINA ODUM            | 29TH APRIL, 2021 | ADUMASA, GHANA             |
| 37. AUNTE MARY                | 29TH APRIL, 2021 | ADUMASA, GHANA             |
| 38. OSMANU DAUDA              | 29TH APRIL, 2021 | KUMASI, GHANA              |
| 39. WILLIAM ANTWI<br>NUAMAH   | 29TH APRIL, 2021 | KROFROM, GHANA             |
| 40. MICHAEL ADOMAKO           | 29TH APRIL, 2021 | KUMASI, GHANA              |