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## *The Fairness Gap*

# Executive Summary

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The governments of Ghana and Cote D'Ivoire have made substantial progress in building schools and creating a culture that increasingly prioritizes education. Yet child labor and poverty persist. This report analyzes the root causes of why farmers are not receiving fair, sustainable prices for their cocoa, and what factors disempower them in an industry that sees growing profits for multi-national chocolate companies.

Our analysis finds that in Ghana and Côte d'Ivoire many cocoa farming families survive on real incomes of about 40 cents per dependent per day. Such meager earnings leave farmers vulnerable to even minor economic or climate shocks. Many farmers must borrow money to purchase inputs for their crop or to pre-sell their cocoa in order to finance the harvest and transport their cocoa, thus forcing many into cyclical patterns of indebtedness. The low wages these farmers receive lock them, their families and their communities into poverty that passes from generation to generation of cocoa farmers.

Such low earnings also make it difficult for farmers to pay hired laborers to harvest the crop at the legally required minimum wage, fueling the need for child labor and, especially in Côte d'Ivoire, the trafficking of casual workers (including children) from neighboring Mali and Burkina Faso. Estimates indicate that 500,000 to 1.5 million children are engaged in agricultural labor on cocoa farms<sup>1</sup> – much of which is considered hazardous child labor. Half of children surveyed reported some kind of injury.<sup>2</sup> Even more concerning, recent research indicates that child trafficking may be on the rise.<sup>3</sup>

We find several factors that inhibit farmer empowerment and perpetuate low wages. Most notably, the majority of cocoa farmers have neither

sufficient information about nor access to the complex systems that set prices in the international cocoa market. Farmers, who often work small plots of land in isolated cocoa communities, lack the organization required to take an active role in the decision-making processes that affect them at the industry, government or certification levels. National cocoa price-setting mechanisms that determine cocoa prices each year are challenged in their ability to ensure sufficient farmer input into the process, because the lack of organization and communication among farmers compared to corporate and government actors further exacerbates the imbalance of power.

To address farmer incomes, several chocolate companies have focused on helping farmers improve the quantity and quality of their cocoa. Unfortunately, these programs have not yet demonstrated a net income gain to farmers and in many regions farmers report facing both a shortage of day laborers and financial constraints limiting their ability to hire help during the harvest. At a workshop co-facilitated by ILRF at the University of Cocody in Côte d'Ivoire, one farmer stated, "This is the first time anyone has ever spoken to us about our income."

Chocolate companies have also turned to cocoa certification as a way to ensure that their cocoa is ethically produced and to prevent child labor. The results of certification efforts have been mixed, however, and many companies have preferred programs that prioritize increasing yield and quality as a means to better incomes rather than certifications that guarantee premium pricing for farmers. Although certification has helped establish some level of traceability in the cocoa supply chain, significant problems persist with the reliability and feasibility of those systems. Meanwhile, many farmers

## THE ROOT CAUSE OF THE PROBLEM IS THE VERY LOW PRICES PAID TO COCOA FARMERS.

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report a lack of transparency under certification schemes.

Although encouraging that companies and governments have recognized a great need for investment in the cocoa sector, the interventions must be measured against their ability to empower farmers and improve livelihoods – indicators that represent a sustainable and ethical way of doing business.

Full recommendations from the research can be found on page 43, but some of the most important immediate steps include:

*For Certification Programs:* Provide more transparency on fee structures and the impact of their programs on farmers' *net* income; improve child labor risk identification procedures and remediation policies; include farmer groups at the highest levels of standards setting and implementation bodies; and reduce the financial burden on cooperatives that have double and triple certifications by establishing mutual recognition and working together, rather than competitively, to inform and orient farmers.

*For Chocolate Companies:* Monitor labor conditions at the farm and cooperative level; respond quickly to abuses of decent work standards and ensure remediation procedures are effective; provide a public impact analysis for social projects; and collaborate with West African governments to strengthen farmer support infrastructure in cocoa-growing communities.

*For Cocoa Traders:* Facilitate supply chain transparency to the farm or cooperative level and use your influence with price-setting boards to ensure farmers receive at least the guaranteed percentage of

the international commodity price; and fund social programs on the ground to improve conditions for cocoa farmers and their communities.

*For Governments:* Enable greater participation of farmers in price setting mechanisms; improve the distribution of support programs for farmers; work with chocolate companies to improve farmer access to basic infrastructure; coordinate with other cocoa-producing countries to ensure stable prices globally and pursue best practices for ensuring farmers receive a higher portion of the international price; and provide public reporting on the impact of trafficking remediation centers, including the number of children reunited with their families.

*For Multi-Stakeholder Initiatives and International Development Community:* Invest in programs that empower civil society and support the growth of farmers' associations and unions; ensure adequate farmer involvement in multi-stakeholder spaces; provide scholarship and travel funds with a transparent mechanism for farmer access; and engage with West African governments to better identify where and why child trafficking is occurring in the cocoa sector.

*For Consumers:* Pressure global companies to ensure the highest standards of transparency in their supply chain and to ensure farmers receive a higher price for their cocoa and buy from chocolate companies that source directly from cocoa farmers, ensure supply chain traceability and guarantee farmers receive a living wage.

*For Farmers and Farmer Support Organizations:* Strengthen your own networks and capacity to advocate for farmers' needs and the needs of cocoa growing communities.