

## Value Chain Analysis for Development: providing evidence for better policies and operations in agricultural value chains

Brussels 18-19 January 2023

### CAN CERTIFIED COCOA WIN ON ALL FRONTS?

A COMPARATIVE ANALYSIS OF THE TRADE-OFFS BETWEEN REDUCING DEFORESTATION, DEFEATING CHILD LABOUR AND INCREASING PRODUCERS' INCOME IN FOUR COUNTRIES (CAMEROON, NICARAGUA, PAPUA NEW GUINEA, SAO TOME E PRINCIPE)



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# Is private certification a silver bullet for cocoa sustainability ?



- **A South / North double trend for cocoa markets**
  - South : increase in cocoa production to combat rural poverty and maximise value added at the national scale
  - North (OECD countries): private and public demands of cocoa products are becoming more sensitive to environmental and social issues
- **New global governance context**
  - Many private commitment to promote sustainable and deforestation-free cocoa
  - National platforms (the ISCOs) to coordinate stakeholders' initiatives
  - EU regulation on imported deforestation (EUDR)
- **Certification is always considered as an option**
  - Internal firm certification procedure vs international standards (RA-UTZ, FairTrade, organic)
  - Varying systems of traceability of cocoa beans
  - In combination or not with public regulation of the commodity chains
  - Large and controversial literature on the global impacts of certification

# Assessment of the performances of the main cocoa certification schemes



- **3 criteria for sustainability**

- Increasing the income of small cocoa producers to reach decent revenues
- Fighting against deforestation
- Defeating child labour

- **3 types of interactions between private and public governance**



(RESOLVE, 2012)



# VCA4D material

- Brito A.G., Saldarriaga G., Dardel S., Nascimento B. 2019. *Análise da cadeia de valor do cacau de São Tomé e Príncipe*. Rapport pour l'Union Européenne, DG-DEVCO. Value Chain Analysis for Development Project (VCA4D CTR 2016/375-804), 173p.
- Fréguin-Gresh S., Feschet P., Gomez M., Orozco Aguilar L. 2022. *Análisis de la cadena de valor de cacao en Nicaragua*. Informe por la Unión Europea, DG-INTPA. Value Chain Analysis for Development Project (VCA4D CTR 2017/392-416), 189p.
- Lescuyer G., Boutinot L., Goglio P., Bassanaga S. 2019. *Analyse de la chaîne de valeur du cacao au Cameroun*. Rapport pour l'Union Européenne, DG-DEVCO. Value Chain Analysis for Development Project (VCA4D CTR 2016/375-804), 123p.
- Lescuyer G., Helmes R., Kerua W., Syndicus I. 2018. *Cocoa Value Chain Analysis in Papua New Guinea*. Report for the European Union, DG-DEVCO. Value Chain Analysis for Development Project (VCA4D CTR 2016/375-804), 144p.

# Glimpse of the cocoa sector in the four countries



	Cameroon	Papua New Guinea	Sao Tome e Principe	Nicaragua
Annual production (tons of dry beans)	240 000	38 000	3 500	7 500
% of certified cocoa	22%	7%	30%	54%
% of high quality cocoa	13%	11%	10%	63%
% of exports (raw material)	98%	75%	90%	79%

# Comparative analysis in Cameroon



	Certified producers	Non-certified producers
Decent revenues	Net profit rate of 24% for certified small producers in forest area and of 15% for certified small producers in savannah	Net profit rate of 4% for non-certified small cocoa growers (mainly in forest area)
Child labour	Rainforest Alliance and Fairtrade standards tackle this issue in their criteria.	Children may work with their parents but it does not jeopardize their school attendance.
Deforestation	23% of the national production is certified Rainforest Alliance which partly tackles this issue in its requirements.	Without external support, there is a risk that producers will extend their lands to forest to increase their production.

# Comparative analysis in Nicaragua



	Certified producers	Non-certified producers
Decent revenues	Daily income of around 18.5 USD	Daily income of around 16.5 USD for independent producers  Daily income of around 20.5 USD for independent producers under medium-term contract
Child labour	Rainforest Alliance (RA) and Fairtrade certifications tackle this issue in their criteria.  13% of certified cocoa is organic (child labour not being one of the criteria for organic certification)	The school attendance rate are low indicating that child may work with their parents in the field instead of going to school.
Deforestation	RA standard (82% of certified producers) partly tackles this issue.	Cocoa-related deforestation does not seem to be a concerning issue.

# Comparative analysis in Papua New Guinea



	Certified producers	Non-certified producers
Decent revenues	Net profit for certified wet beans producers is about 52%	Net profit for non-certified wet bean producers and for (intensive) business-oriented dry bean producers is around 42%  Net profit is only 8% for non-intensive dry bean producers
Child labour	RA and Fairtrade certifications tackle this issue in their criteria	Little risk of child labour
Deforestation	7% of the national production is RA-certified which partly tackles this issue in its requirements.	Cocoa is not considered as a major driver of deforestation but contributes to indirect shifts in cultivation patterns

# Comparative analysis in Sao Tome e Principe



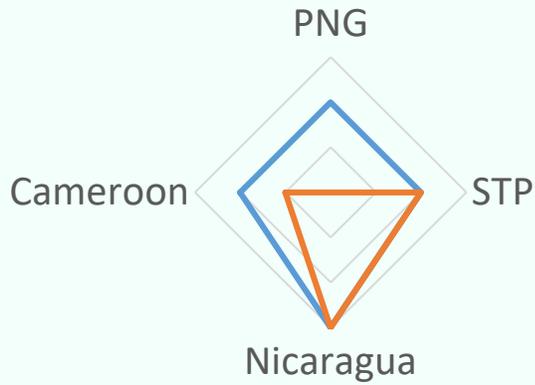
	Certified producers	Non-certified producers
Decent revenues	Certified producers are more resilient to price drop.	Similar profit rate but un-certified cocoa producers are much more sensitive to price variations
Child labour	Half of the national production is Fairtrade certified which bans child labour.	Children work with their parents but it does not jeopardize their schooling.
Deforestation	30% of the national production is RA-certified which partly tackles this issue in its requirements.	Cocoa-related deforestation is not considered as an issue

# Overall performance of certification in the four countries



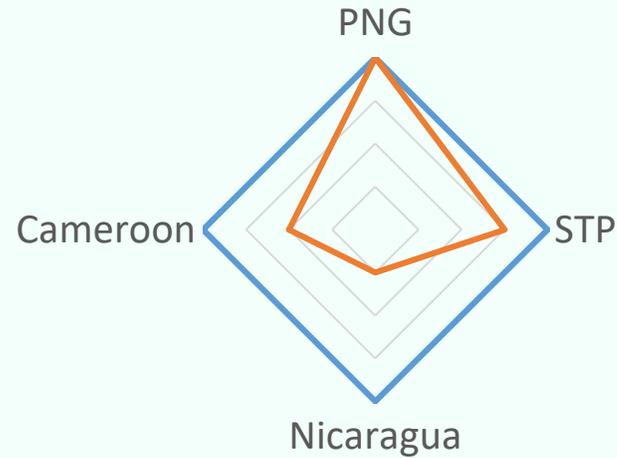
## Decent Revenue

— Certified cocoa — Non-certified cocoa



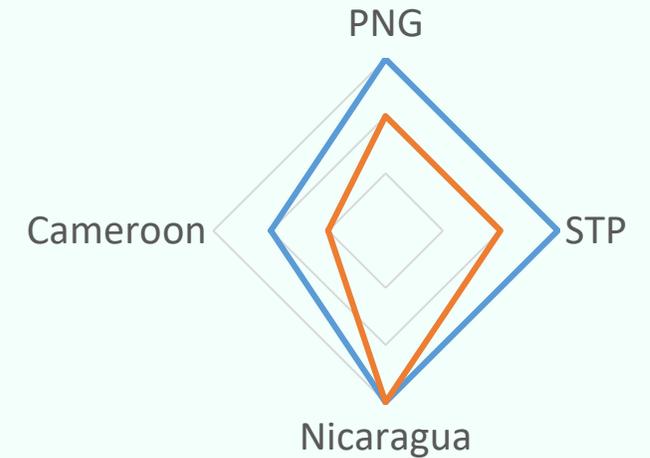
## Child Labour

— Certified cocoa — Non-certified cocoa



## Deforestation

— Certified — Non-certified cocoa



# Governance interactions



		Decent revenue	Child labour	Deforestation
<i>Interactions between certification and public regulation</i>	Cameroon	Superseding	Indifference	Partial symbiosis
	Nicaragua	Indifference		
	PNG	Symbiosis	Indifference	Symbiosis
	STP	Indifference		

# Sustainability certification - the reasons for a limited success



- **Certification standards are relatively applied in the four producing countries, with significant growth in recent years**
- **Current overproduction of certified cocoa, but implementation of the EUDR may re-boost European demand for such cocoa**
- **Performances of sustainability certification is limited when**
  - The country relies on the quality of the produce and exports small volumes of cocoa
  - There are few or no natural forests left
- **Private certification plays a complementary role to public regulations in high deforestation-risk countries, in accordance to the prescriptions of the EUDR**
- **Certification standards still present conceptual and operational gaps, due to their historical roots in West Africa:**
  - Too much importance given to child labour
  - Not enough concern on defining forest and forest degradation



  
[VCA4D]  
VALUE CHAIN ANALYSIS FOR DEVELOPMENT

**Value Chain Analysis for Development:  
providing evidence for better policies and  
operations in agricultural value chains**

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**18 and 19 January 2023**  
**Brussels & Online**



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