

The FAIRTRADE

Chocolate Rip-off

FAIR TRANSNATIONAL INVESTIGATION
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The Team

Chief Bisong Etahoben

Chief Bisong Etahoben (60) is a Cameroonian investigative journalist. As publisher of the WEEKLY POST newspaper, he has written extensively for the media in his country and internationally. He was a contributor to FAIR's first Arizona Project (Killing soccer in Africa) that was published worldwide in 2010. Chief Etahoben, a traditional ruler, was born into a family of cocoa farmers and inherited cocoa farms from his late father which are today being maintained by his younger brother.

Bjinse Dankert

Bjinse Dankert (35) is a Dutch journalist with a background in earth sciences. He is employed by the Netherlands Press Association (GPD), a news service which provides daily news and background articles to 17 newspapers across the country. As a trained scientist, Dankert focuses on environmental and scientific topics, (local) government affairs and water management. He worked as a researcher at the University of the Witwatersrand in Johannesburg, South Africa from 2007 – 2009.

Janneke Donkerlo

Educated as an agriculturalist, Janneke Donkerlo (53) has worked as a freelance journalist since 2002. She publishes in mainstream media (NRC, Vrij Nederland), but also in the Homeless Paper in the Netherlands. Before she became a writer, she worked for NGO's. She lived for five years in Tanzania and a year in Cambodia.

Selay Kouassi

Selay Marius Kouassi (34) works for the Abidjan-based multimedia group Abidjan Live News and is a regular contributor to RNW (Radio Netherlands Worldwide), The Guardian (UK), and the German press agency DPA. He contributes as a free-lancer to the BBC bureau

in Abidjan. As a Pulitzer Center on Crisis Reporting grantee, Kouassi explored the role of water in bridging the divide between different communities in the western region of war-torn Ivory Coast. A grandson of cocoa farmers, he used to help his grandparents whenever he visited them during school holidays, especially with the breaking of the cocoa pods. "I enjoyed it because I did not see this as work, I was having a good time with the workers", he says.

Benjamin Tetteh

Benjamin Piorgah Tetteh (34) reports for Joy FM, the leading private radio station in Ghana. He started in journalism 11 years ago with Radio Ada, the first community radio station in Ghana, where he rose to the post of news editor before moving on to Joy FM. He has covered a number of international assignments such as the African Union Summit in 2007, the German-African Partnership Summit, the African Preparatory Conference on the Information Society and UNCTAD 12. Separate from his training as a journalist, Tetteh also holds a BA in psychology and a diploma in business studies.

Aniefiok Udonquak

Aniefiok Udonquak (54) is a Nigerian journalist who began his career with the News Agency of Nigeria and later worked for the now rested South South Express, a daily newspaper with a special focus on the Niger Delta region of the country as a political editor. He has covered the Nigerian oil industry, the health sector and the environment. He is currently based in Uyo, in the Niger Delta region of Nigeria where is serving as a correspondent of Businessday, Nigeria's foremost business daily. He has recently completed his dissertation for a masters degree in Mass Communication from the University of Uyo where he had also earned a Bachelor's degree in 1998. In 2007, he received a grant from FAIR to investigate fake Malaria drugs in Nigeria.

Charles Rukuni (FAIR investigations manager)

Charles Rukuni (60) is a Zimbabwean journalist and FAIR's peer mentor and investigations manager. This is his third Transnational Investigation. The first was Killing Soccer in Africa (2010), which is now a case study in the UNESCO handbook 'The Global Investigative Journalism Casebook'. The second was Pirates, smugglers and corrupt tycoons which was one of the finalists in the Daniel Pearl awards in 2011. Rukuni also publishes an online publication, The Insider @ www.insiderzim.com

Evelyn Groenink (editor)

Evelyn Groenink (52) is a Dutch journalist who migrates between South Africa and the Netherlands. She has investigated arms trade, political murders and the truth and reconciliation process in South Africa, and has written four books on these topics. She initiated FAIR's foundation and was the director of FAIR between 2007 and 2011. She sits on the editorial board of ZAM Magazine, an international publication specializing in African matters.



[FROM LEFT TO RIGHT: KONAFSCOOP MANAGER ASEK ZACHEE, SUPERVISORY COMMITTEE CHAIRMAN BWESE PAUL, AND BOARD CHAIRMAN EYABU ELANGWE. CREDIT BISONG ETAHOBEN, CAMEROON]

Partners

- Forum for African Investigative Reporters (FAIR)
- Programme for African Investigative Reporting (PAIR)
- Doha Centre for Media Freedom

Cover image

THE KONAFSCOOP BUILDING IN KONYE, CAMEROON WHICH HOSTS OFFICES, STORES AND DRY HOUSE FACILITIES. CREDIT: BISONG ETAHOBEN.

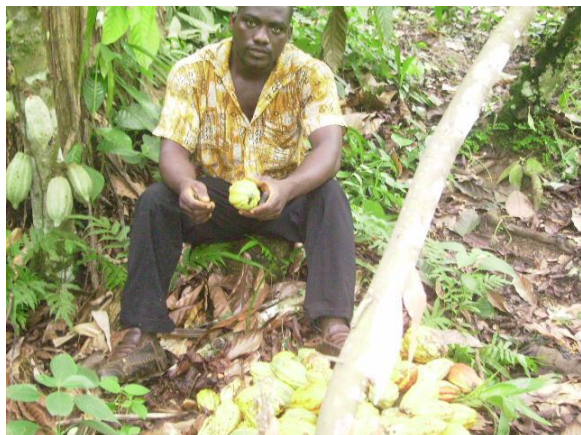


[ABOVE: COCOA SEEDLINGS MULTIPLICATION CENTRE, CAMEROON]

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The FAIRTRADE chocolate rip-off



[ABOVE: YOUNG GRADUATE FARMER AYUK OROCK, CAMEROON. CREDIT: BISONG ETAHOBEN]

The pictures of happy African farmers on the FAIRTRADE chocolate bought by consumers in the West are designed to make the consumer believe that the broad smiles are a result of actual *fair trade*: support and a better income. But this impression is false. Exploitation in the West African cocoa industry continues, only with a new player on the block: FAIRTRADE itself, which benefits from the extra mark-up paid by supportive consumers.

The **FAIRTRADE** label (issued by FAIRTRADE's own certifying sister company Flo-Cert), hailed 20 years ago as an innovative institution which would improve the lives of farmers in the cocoa industry in West Africa, has not lived up to its promises.

Farmers selling through the FAIRTRADE circuit:

- Do not receive more income for their harvests than 'ordinary' farmers;

- Are kept uninformed about world market cocoa prices by FAIRTRADE cooperatives that are meant to empower them;
- Receive little or no benefits from bonuses and premiums that are paid to the FAIRTRADE cooperatives from extra FAIRTRADE moneys paid by consumers;
- Have often not been told how, or even that, FAIRTRADE is supposed to benefit them;
- Are sometimes squeezed out of farming in areas where FAIRTRADE cooperatives have become dominant.

Additionally, in Ivory Coast, individuals in the notorious 'cocoa mafia' have become kingpins as partners in the FAIRTRADE cooperatives. In Ghana, where FAIRTRADE has established tight links with the state Cocoa Board (COCOBOD), agricultural experts complain that the FAIRTRADE model perpetuates the traditional 'unfair' trading system whereby the farmer remains at the bottom end.

Most poignantly, annual reports of FAIRTRADE's brand holder in the Netherlands, Max Havelaar, show that, after paying the normal market price for cocoa, the party making the most extra money out of FAIRTRADE cocoa sold is FAIRTRADE itself. **Max Havelaar** makes around 6 US cents from every FAIRTRADE chocolate bar of US\$ 2.50. In contrast, the FAIRTRADE premium paid to the West African cooperatives from the same bar of chocolate only amounts to 2.5 US cents ([see Annexure 1 below](#)). For example, the Dutch FAIRTRADE certifying institution made Eur 417,681 (around US\$ 520,000) from licence fees (paid to them by chocolate companies for the right to use the FAIRTRADE logo) in 2009, whilst less than half of that amount (Eur 175,000 or US\$ 218,750) was paid to cocoa-producing FAIRTRADE cooperatives in that year.

These are the findings from a six-month Transnational Investigation carried out by journalists from the Forum for African Investigative Reporters (FAIR) in Ivory Coast, Cameroon, Ghana and Nigeria, together with colleagues in the Netherlands and supported by the Programme for African Investigative Reporting (PAIR).

This comprehensive journalistic investigation into FAIRTRADE promises and practices covers the entire West African cocoa-producing region. It was undertaken after Ivory Coast team member Selay Kouassi first investigated FAIRTRADE and other general certification activities in the cocoa sector in Ivory Coast. After his first story on this topic, Kouassi received a number of threatening phone calls and had to go into hiding. Several of his sources were also threatened.

The threats were the reason for FAIR to embark on a region-wide investigation into the same subject, in line with the 'Arizona principle'¹ that says that an investigation needs to be extended and deepened as soon as 'the journalist investigating the story finds that he or she is under threat. The Arizona message is: you can silence a journalist, but you cannot kill a story. This investigation into FAIRTRADE promises and practices is therefore an Arizona project. For a reference on the origin of the name 'Arizona project', click here: <http://legacy.ire.org/history/arizonaproject.html>

It is, however, important to note that it is not clear from which cooperative in the lucrative cocoa sector in Ivory Coast the threats against Kouassi and his sources originated². This investigation focuses exclusively on the FAIRTRADE label, because this is the only label that promises a better income for the cocoa-producing farmer. It was this promise that was

tested, and that was shown to be, largely, false. It was also the core argument in Kouassi's earlier work.

For the investigation, the team:

1. Visited dozens of cocoa farms and cooperatives, and interviewed over 70 farmers in Ivory Coast, Ghana, Cameroon and Nigeria (associated and non-associated with FAIRTRADE)
2. Interviewed representatives, and perused documents, of FAIRTRADE Cooperatives in Ivory Coast, Ghana and Cameroon
3. Accessed government documents and statistics in Ivory Coast, Ghana, Cameroon and Nigeria
4. Interviewed farmer union representatives in Nigeria, Ivory Coast and Ghana (there are no farmer unions in Cameroon)
5. Interviewed FAIRTRADE representatives in the Netherlands
6. Perused FAIRTRADE annual reports
7. Built a price-line per bar of chocolate from consumer to farmer
8. Built on previous research and publications on the topic.



[ABOVE LEFT: FARMER DAT WILLIAMS BEING INTERVIEWED BY BISONG ETAHOBEN AT HIS FARM HOUSE IN KUMBA, CAMEROON]

Stuck in a FAIRTRADE labyrinth

Frédéric Doua (39), owner of a 4-hectare cocoa farm in Assoumoukro in the north of the world's largest cocoa producing country Ivory Coast, regrets having joined the local FAIRTRADE cooperative UIREVI four years ago. Ever since, his harvest often sits in warehouses, waiting for the occasional FAIRTRADE buyer to come along.

"This is not what I was promised", he says. "I was told that if I concentrated on cocoa, exclusively, and produced a lot of it, I would get higher prices and welfare premiums. But what happened is that I became overly dependent on cocoa prices and FAIRTRADE buyers. Whereas I used to grow food crops for my family's consumption together with my cocoa trees, now I have to use my harvest income to buy food. Paying my childrens' school fees is becoming difficult."

Doua's neighbour in Amoussoukro, Arnaud Kassi, explains that, as a member of a FAIRTRADE-certified cooperative, one 'cannot sell beans outside the FAIRTRADE circuit'. His harvest now often forcibly waits in the warehouses. Kassi, owner of a 3.5-hectares cocoa plantation, feels he has been "trapped" in what he describes as a 'FAIRTRADE labyrinth', adding that it angers him that he has to wait for months before he can collect his harvest money at the cooperative that is FAIRTRADE's formal partner.

Though Kassi feels that he does benefit from the occasionally paid 'FAIRTRADE Premium' bonus, he says the amount is so small and takes so long to be paid, that this benefit becomes

negligible. "The bonus money is paid to us in one go, during a year-end ceremony organised by the co-op", says Kassi. "But it takes long before it reaches us. We have family to look after and kids to send to school. We borrow cash from people we know, but we have to pay them interest. By the time the bonus falls in our hands, our personal debts have risen so much that the final payment hardly lessens the pain." Doua adds: "Two-thirds of the premium goes to the cooperative's leadership anyway."

From cocoa bean to chocolate: African countries moving to produce their own

FAIRTRADE aims to create a 'fairer' link between cocoa producer and chocolate consumer. The fairest link however, would be the shortest link: where cocoa can be made into chocolate in the country of origin. Like all manufactured products, chocolate that is ready to eat can be sold for far more money than a raw cocoa bean. In all countries investigated, government support programmes and budgets for the cocoa sectors include plans for cocoa processing facilities.

Cameroon, for example, has in recent years set up two companies to provide crushing facilities: SIC Cacao and Chococam. SIC Cacao's capital is 50 percent state-owned while the world's largest chocolate processing company, the Barry-Caillebaut conglomerate, owns the other 50 percent. Both SIC Cacao and Chococam are operating. Early last year, the Cameroonian enterprise Noha Nyamedjo announced it would build and operate a high-tech processing plant that will turn about 5,000 tonnes of cocoa beans into high-quality powder and liquid. Loan plans for agricultural investments have so far not developed as they should, with some experts complaining that the loan facilities that exist only benefit big farmers. However, if only some of the announced projects materialize, improvements in the sector could be imminent. According to government figures, production will increase by 14 percent to about 300,000 tonnes by 2016. That is, if measures to increase production such as better crop management techniques as well as increased private sector investment are effectively carried out.

Crucial will also be the announced development of roads in the country. Over the next 10 years, US\$ 379 million is to be spent on such improvement: amounting to around 350 km of roads each year. New roads in particular will enable farmers to move their produce more effectively to the market, thereby reducing waste and ensuring that a greater proportion of their crop can be sold domestically or internationally. The level of cocoa production and the predicted growth expected to occur within the coming years could see Cameroon overtake Nigeria as Africa's third largest producer.

In Ivory Coast, after an all-time low for cocoa farmers during the previous Gbagbo government, that led virtually all cocoa income to benefit the political elite in the capital, things seem to be changing. The government is now working with big cocoa companies like Mars to increase farm sizes and conduct training programmes. In Ghana, the government is already providing chemicals, training programmes and agricultural implements to farmers on a fairly large scale.

Kwesi Agyei, a peasant cocoa farmer in Atwima Mponua in Ghana's Ashanti region, is a member of the local FAIRTRADE cooperative Kuapa Kokoo, but says he has never heard of a phenomenon called FAIRTRADE. He believes that the extra one dollar (US\$ 1.00) which he receives from Kuapa Kokoo every now and then is a gift from the Kuapa Kokoo leadership. He is not aware that FAIRTRADE advertises worldwide with impressive-sounding benefits such as minimum prices, bonuses and community projects. Eleven other farmers,

randomly picked among the Ashanti region's sellers to the FAIRTRADE channel of the Kuapa Kokoo cooperative, professed, when interviewed, to be equally in the dark, even though they all paid a dollar in FAIRTRADE membership fees to the cooperative.

The FAIRTRADE-partnered cooperatives promise farmers the much-vaunted FAIRTRADE bonus as a reward for joining. In this way the cooperative obtains more and more cocoa, which it can sell both to FAIRTRADE and non-FAIRTRADE buyers. The higher the percentage of FAIRTRADE cocoa it can sell, the better, since the cooperative then obtains more premium. Nevertheless it is beneficial for the cooperative leadership to sell large amounts of beans to buyers in general, simply because the bigger it is, the more bargaining power it has.

In Ghana too, the advantages that the farmers are said to obtain from the cooperatives, are disputed. In a documentary broadcast by Dutch chocolate importer and journalist Teun van der Keuken in 2007, a Kuapa Kokoo cooperative administrator frankly admits that many farmers refuse to become members of Kuapa Kokoo because 'the membership fee is higher than the premium they get', <http://www.youtube.com/watch?v=Z202CnEvaA8>

Meanwhile, it is fast becoming more and more difficult for small farmers to stay independent. Kuapa Kokoo and the other co-ops are becoming bigger and bigger; the demand for certified cocoa from cooperatives increases daily. The eight Kuapa Kokoo farmers interviewed for this investigation had all paid membership fees (of US\$ 1.00) because it made sense to them to pool their resources as a cooperative, even if this meant having to adhere to FAIRTRADE rules. (Once you are a Fair Trade producing farmer, your farming has to be up to FAIRTRADE standards: no children in your family are allowed to help in the fields, even if this diminishes the family's harvest and income; if you employ outside help you have to pay a minimum wage; there are also rules regarding the use of pesticides, fertilizers and farming methods.³ See also: *"Is it child labour or family labour?"*)

The dominance of the cooperatives is starting to become apparent in Ivory

Nigeria: "I was able to buy a bicycle once".

Though the Nigerian government has proclaimed its commitment to reviving the cocoa industry, farmers in this country –much like elsewhere in West Africa- don't yet experience many practical incentives. Edet Akpan Jumbo, 59, in Akwa Ibom, tried to set up a cocoa plantation behind his house ten years ago, and was given new hybrid seedlings, but so far he has produced below cost. "I was able to buy a bicycle once", he says. "But that is it." He blames extortion by buying agents and government 'levies' which, he claims do not really exist, but which he has to pay nevertheless. (In Nigeria, government officials who demand bribes speak of 'levies'. Hence the use of the phrase 'non-existent levies' in national parlance).

"Very soon, many farmers are likely to withdraw from cocoa farming and you can imagine what the implication will be, as even more youths would become unemployed", says Godwin Ukwu (35), a licensed buying agent and a key stakeholder in the cocoa value chain. Ukwu owns a warehouse where cocoa beans are stockpiled for export. He is also the national publicity secretary of Cocoa Association of Nigeria. Ukwu agrees with the prevalent worldwide view that it is either 'go big or sink' for the cocoa farmer, but believes that it is the governments who should be assisting the industry. "Nigeria has the capacity to become the leading cocoa producer if incentives are given to farmers. This will create jobs and help in reducing the high level of poverty in the country."

FAIRTRADE is largely unknown in Nigeria. According to the president of the national Cocoa Association, Sayina Riman, 'less than one percent of cocoa farmers in Nigeria know anything about FAIRTRADE arrangements.' National cocoa structures have emphasized not so much a need for FAIRTRADE, but a need for government assistance in accessing international buyers; systematic training and a revamping programme to equip plantations for modern cocoa farming. "Farmers need the right kind of cocoa seedlings, assistance with their plantations and better fertilizers," produce buyer Gordon Ukwu states. And, it goes without saying, the practice of imposing 'non-existent' levies should be abolished.

Coast, where village-based family businesses have no option but to join them, sell to them, or turn to shady peddlers to sell their crops at even lower prices. "I would like to sell to big buyers like the cooperatives do", says Albert Yao, who owns a two –hectare cocoa plantation in Daloa, close to the KAVOKIVA cooperative in Ivory Coast. "But they only buy products that come from certified cocoa plantations. I am not certified. Where will I get money to survive and take care of my family if I don't sell my crops?" Rather than become a subject of the cooperatives, Yao would like to keep his independence and become certified in his own right. But that is not possible, since FAIRTRADE does not certify individual farmers, only cooperatives. Yao: "The FAIRTRADE system strengthens the power of cooperatives to the detriment of the small cocoa producers".

The chairman does not travel for pleasure

The cocoa sale price in the region differs, but this is mainly dependent on middlemen and infrastructure. At the time of publication of this dossier, the world market price for cocoa fluctuated around US\$ 2.40 per kilogramme. Local costs like transport and middlemen take up around US\$1.00 per kilogramme, sometimes more: it depends on how long it takes to get the beans to the harbour or the processing plant.

If you farm at the end of a bad road in Cameroon or Ivory Coast, you may get as little as US\$ 1.00 per kilogramme; if you are lucky enough to live close to the harbour, with a decent transport arrangement at hand, you could make US\$ 1.60 per kilogramme or even a bit more. There is no difference between FAIRTRADE and 'normal' cocoa buyers in this respect. FAIRTRADE does guarantee a 'minimum price' of US\$ 2.00 per kilogramme, but this price has been below the world market price for years now⁴.

Therefore, the only advantage in selling to FAIRTRADE is the so-called premium or bonus, which is US\$200 per tonne, or 20 US cents per kilogramme. This money is paid by the companies that buy FAIRTRADE certified cocoa, and does not go to individual farmers, but to the FAIRTRADE cooperative. FAIRTRADE stipulates that members of the cooperative should democratically decide how the premium is spent, but in practice, our interviews with farmers show, the leaders simply occasionally disburse a marginal amount to the individual farmers, who think the small hand-outs are gifts. In the case of Kuapa Kokoo, between 75

Ghana: cooperatives in the spotlight

Noah Kwesi Amenyah, the head of the Public Relations Unit of the Ghanaian governments' cocoa agency, COCOBOD, says he is aware that premiums paid to cooperatives may sometimes not reach farmers. Though COCOBOD itself had so far had not consistently 'tracked the utilization of premiums received by FAIRTRADE organisations working in the cocoa sector', it seemed like 'certain people made claims about things they are doing, one social project or another, and monies they are paying, which does not really happen', Amenyah said.

He also said that COCOBOD had noticed that some of the cooperatives were 'exaggerating the numbers of members with the motive of attracting investors and foreign aid': "This has come to our attention and the COCOBOD is looking into it".

An extra problem for COCOBOD was that 'some organisations (also) wrongly created the impression that they were supporting farmers when in fact the support or interventions were from COCOBOD'. One of these, he said, was Kuapa Kokoo, which is licensed to buy cocoa beans on behalf of COCOBOD, but also runs its FAIRTRADE project. There were also organisations and Licensed Buying Agents that, he said, had been sanctioned for 'diverting benefits given them by the state'. He added that it was difficult to publicly identify such perpetrators, because 'farmers don't report' these incidents.

Another fear expressed by the COCOBOD is the likelihood that incentives from premiums given to FAIRTRADE farmers will result in unfair competition whereby non-FAIRTRADE farmers will not receive benefits. The COCOBOD wants to assist all farmers. "We do not want somebody to put in competition that will derail (our efforts)", said Mr. Amenyah.

Lastly, he said there was no excuse for any cocoa buyer in Ghana to pay farmers late. "Each farming season, COCOBOD pre-finances the buyers. Buyers are given enough money to cater for payments. It is a big concern that farmers complain about delay in payment". Amenyah blamed some buyers for inefficiency and for taking undue advantage of farmers.

COCOBOD pays farmers 78 percent of the prevailing world market price. The remaining 22 percent is used by the state agency to pay for local transport costs, bonuses, implements and training programmes for farmers.

and 100 percent of the premium that a farmer earns on his harvest, flows back to the cooperative. The cooperative pays for the yearly audit, which can cost up to US\$ 8,000. The cooperative then pays for its own travel expenditure, meetings and other management costs. Only after that does the cooperative provide for 'welfare projects' for the community.'

Christiana Ohene-Agyare, president of Kuapa Kokoo in Ghana, says that the cooperative is proud of the 'many benefits to our farming communities' that have been provided. She mentions a structure for a school building -that is not actually a school, since there are no teachers or teaching material- , several boreholes and warehouses for storing cocoa beans on the cooperative. Most of the money has, however, been invested in a multi-complex building in Ghana's second largest city Kumasi. "We will rent this out and that will bring more revenue to the organisation", Ohene-Agyare says. She also refers to apprenticeship programmes and a micro-credit scheme.

Kuapa Kokoo member farmers like Kwesi Agyei, however, have no knowledge of either a school project, training opportunities or credit facilities. "I would like access to small loans", says Kwesi Agyei. "But there is no such opportunity at Kuapa Kokoo. On the contrary, they sometimes don't even pay me on time. Then I get into debt." The late payments worry him and other farmers a lot, since they don't have the cash flow to allow for debts, let alone interest payments.

At the **FAIRTRADE** certified cooperative KAVOKIVA, about 250 km from Yakassé Attobrou, in Gonaté, Ivory Coast, the situation is similar. The Cooperative Agricole KAVOKIVA de Daloa unites more than 5,000 cocoa farmers,

leads the cocoa sector in the area and is FAIRTRADE certified since 2004, with a potential production capacity of about 17,000 tonnes of cocoa beans.

Here, not one farmer openly challenges chairman Fulgence N'Guessans' claims that through FAIRTRADE, his cooperative leadership has brought many benefits. N'Guessan, a speaker at FAIRTRADE conferences around the world, likes to mention them a lot: a primary school, a clinic, hand pumps for water, a literacy programme for women. However, privately and anonymously, farmers dispute what he says. The pumps are broken, they say, and no one is coming to repair them, just like no one came to maintain them when they were new. The same goes for two out of three wells. The ambulance bought with FAIRTRADE money has been out of service almost from the start, they add. Yet, with a production capacity of 17,000 tonnes, KAVOKIVA, -using a low estimate of 20 percent FAIRTRADE sales-, could have sold around 3,400 tonnes of FAIRTRADE cocoa in 2010, netting US\$ 680, 000 in premiums.

The farmers privately say they would prefer that the cooperative use the money for improvements in infrastructure, like roads, so more buyers can be reached. They also have ideas about irrigation. "Handpumps don't help. We need a watertower. The Chairman should rather invest our money in such a project", said Kouassi Soro* (28). But Soro and others hardly get to talk to Fulgence N'Guessan. Fellow farmer Issa Kalou(36)*: "Chairman N'Guessan travels to attend international conferences on agriculture and the economy. But we don't see results from those conferences. For all we know, he could be going shopping." And a colleague adds: "Ever since the cooperative

opened an office in Abidjan, he has been living there.”

When asked for comment, N’Guessan retorted that he did not ‘travel for pleasure’, and claimed that, in the region, many more children were going to school than ‘in the past’, adding that ‘people who criticise me should remember that’. He could, however, not say how access to education had improved in the region, or whether such improvement, if any, had taken place thanks to KAVOKIVA.

The same picture of doubtful ‘community benefits’ emerges at the UIREVI cooperative in Ivory Coast. UIREVI’s FAIRTRADE premium for 2010 amounted to US \$ 108,539. According to UIREVI’s books 60 percent of this money went to ‘economic consolidation’, conferences and managers’ meetings (*see graph 2*). Another 17 percent of UIREVI premium income was spent on ‘health care’ and ‘school kits’ for farmers’ children. But interviews with farming families revealed that the ‘school kits’ consisted of little more than a bit of paper and a pencil. Regarding the health care budget item, farmers said they did not know what this referred to.

The UIREVI Board refused to comment on the use of the FAIRTRADE premium and stated that “all farmers approved meetings and other projects at the annual general meeting”, and that “everything was done in a democratic way”.

This is also the stock response of FAIRTRADE itself, when asked about the use of premium moneys in the cooperatives it works with. “The cooperative holds an annual general meeting of all members each year, and the use of the premium money is democratically decided by the people themselves”, says Jochum Veerman of the Max Havelaar Foundation, the institution

that allocates the FAIRTRADE label to companies in the Netherlands, echoing the response that Dutch filmmaker Teun van der Keuken received.

The inference of the FAIRTRADE stock response is that if ‘people themselves’ in those far-away regions don’t know how to manage their own democratic decision making, that is their problem, and not FAIRTRADE’s. However, by insisting that small farmers join cooperatives, FAIRTRADE inadvertently aggravates existing problems of exploitation and abuse by traditional big cocoa bosses, especially in Ivory Coast, where traditional big cocoa bosses are kingpins in a network commonly referred to as the ‘cocoa mafia’.⁵ Farmers interviewed in Ivory Coast all without exception confirmed that the ‘most powerful big farmers’ in a region, often somehow end up as the ‘democratically elected’ management in the cooperative. After all, it is they who produce the most cocoa, command the networks, have the best mobile phone connections, the properly equipped offices, speak the necessary western languages, and -very important for the yearly audits-, employ bookkeepers and accountants.

The small farmer may formally have a democratic right to question the cooperative’s chairman at the annual general meeting, but if you know what is good for you in Ivory Coast, you will definitely not make him angry. Ousmane Attai, an Abidjan-based commodities specialist and expert in the cocoa sector explains that many farmers in Ivory Coast are both illiterate and used to exploitation. “They don’t understand the FAIRTRADE agreements. They are used to a situation where the officials are rich, and that these can choose who to share their wealth with. They are grateful for whatever crumbs they get, since they don’t

know the concept of bonuses or premiums, let alone that they have a right to those.” In the words of another expert, Ivorian sociologist Oumar Silue: “How do you expect people to contest a representative who is at the same time a traditional authority and an elder in their context,” especially if that traditional authority and elder is also the flagship face of the growing, increasingly important FAIRTRADE channel, the partner of all the big buyers?

“We all get a percentage, but we don’t know of what”

On paper, the case for FAIRTRADE, and a partnership between FAIRTRADE and membership-based cooperatives, seems like a good one. After all, the West African countries where the raw cocoa resource is grown, all suffer from state mismanagement and corruption, and exploitation of individual farmers by multinational buyers as well as local middlemen. FAIRTRADE was originally intended as a response to these problems. But, as seen above, a partner cooperative is not a fair, transparent, democratic institution simply because an outside partner wants it to be. Power relations, hierarchies and (functioning or faulty) management structures are features of the entire country, and to think one can, from the outside, encourage differently functioning ‘islands’ within a society hardly seems realistic.

Two years ago in Konye, South-West Cameroon, 305 small farmers who were sick of exploitation by corrupt government officials and middlemen jointly indebted themselves to an extent of US\$ 6,000 to pay for the FAIRTRADE certificate and formed the KONAFSCOOP cooperative. Since then, according to KONAFSCOOP manager Asek Zachee, the cooperative has received US\$

12,000 in premiums. But Zachee falls quiet when asked how much of that money has gone to individual farmers. “They receive 25 percent”, he says, but doesn’t explain how the percentage is calculated: over what amount, what period, and whether this is per individual farmer or for the collective? “I’ll look it up in the papers and get back to you” he says.

Reverend Okie Ewang Joseph, both an elder in the community, a friend of Zachee and a member of KONAFSCOOP, professes to be happy with a training of village elders that was given by the cooperative. Standing together, both men explain that the training was useful. “Knowing the techniques of maintaining and building your farm makes you spend less money on inputs and enables you to generate more. We have also started seeing other benefits through integrated cooperative management.” But Zachee adds that money in general is still very slow: “We have only sold 100 tonnes of our beans abroad since we became affiliated to FAIRTRADE two years ago.”

The amount sold by KONAFSCOOP does not seem to tally with the total received premium, according to Zachee, of US\$ 12,000. A sale of 100 tonnes, at a premium (over normal harvest payment) of US\$ 200 per tonne, would add up to US\$ 20,000. Quizzed about the exact premium income, the part of the premium income that went to individual farmers, the part that was used to pay off the debt to FAIRTRADE for the initial audit and certification and the part that was invested in the training project, Zachee repeats: “I will check my papers and get back to you”. But in the next days, weeks and months, the KONAFSCOOP manager does not answer his phone.

To survive, KONAFSCOOP needs to produce more and find more buyers, and that’s not easy.

FAIRTRADE disclaims any responsibility for finding buyers for those who join their cooperatives, even if they pay the substantial certification fee⁶.

“Cooperatives become middlemen just like the officials and the buying agents”

As explained earlier, FAIRTRADE did not come out of nowhere. It was an intervention, thought up 20 years ago by international trade and political structures, as a (partial) solution to a very real problem: low prices for natural resources, poverty in the countries that grow most of such resources, exploitation and corruption in these (mostly developing) countries. Saying that FAIRTRADE has not helped much, does not mean that the original problem has ceased to exist. It is still there.

Take Cameroon. Instead of receiving government help, the cocoa farmer in this country is faced with extortion both from officials and middlemen. Firstly, the government officials tasked with conducting agricultural programmes, which include free distribution of seedlings, implements and tractors, do not extend these for free, but demand payment. Ayuk Orock, a Barombi-based young graduate, who has been more or less forced into cocoa farming because of lack of employment even for certified academics in Cameroon, has paid 50 US cents each for ‘free’ seedlings. “Sometimes even after paying for them, you don’t get them. The officials don’t issue receipts, so you can’t prove your case,” he says.

‘Free’ farming tools, when they are given, can disappear as soon as they materialise. “It is not uncommon here to see a huge truck bring in

machetes, shovels, digging tools, wheelbarrows and chemicals one day from Yaounde, and see the same truck carrying them back to the other side of the Mungo (Francophone Cameroon) the following day, where they disappear into individual farms”, Nnoko Clement, a farmer from Kwa-Kwa, reports.

At harvest time, the farmers’ bags of cocoa beans are bought up, often for a pittance, by ‘Licensed Buying Agents’ with faulty weighing machines and take-it-or-leave-it offers. The Licensed Buying Agents, or LBA’s for short, travel around buying cocoa directly from the farm, then sell to processing factories –or directly to Europe- at a big mark-up. Veteran farmer Dat Williams, who owns large family cocoa farms in Meme, the ‘cocoa centre’ of Cameroon: “They end up indebting the farmer. They sometimes pay in advance for yet to be harvested crop, not in money, but by way of chemicals and other farm inputs. These items are, however, sold very expensively, at times at more than three to five times the equivalent of local market prices”. Williams believes that ‘there is now practically no farmer who is not indebted to the LBA’s.”

“When you have nowhere else to go to get money with which to pay for the education of your children, you have no option but to accept the Shylock terms of LBA’s”, confirms Essambe Joseph, a farmer in Kumba. “The harvesting season begins in October but schools reopen in September so when school is reopening and you have no money with which to send your children to school, the LBA’s come in handy and propose cash advances, repayment of which is eventually done in kind with cocoa beans, the value of which can be several times above the amount you received from the LBA.”

Many LBA's are companies headed by individuals who landed in these positions overnight, with no visible income or collateral, but who are friends or relatives of government officials. Consequently farmers view the interruption, a few years ago, of a government information service in Cameroon that kept farmers up to date on the current world market price of cocoa, with suspicion: farmers' ignorance of world market prices now plays straight into the hands of the LBA's. "If we were to have information on current prices, we would be able to bargain for better prices for our produce", says Ayuk Orook. "How do you insist on selling a kilogramme for US\$2.00 when the LBA tells you the prevailing market price is US\$1.50 and you have no way of knowing the truth in order to stand your ground?"

When asked for comment, the National Prices Marketing Board (NPMB) of Cameroon reacts with indignation. "What do people want the government to do? When it regulated trade in the produce sector, it was accused of heavy-handedness and centralised control unhealthy in a market economy. Now it has removed government control and you people still complain. What is it that people really want in the end?" a senior official at the NPMB headquarters in Douala asks. The 'people' would probably want the state machinery to work as it should, with acceptable salaries for officials doing acceptable jobs. But in Cameroon, as in Nigeria and most other West African countries, the system doesn't work that way.

Officials at the Department of Agriculture routinely deny any corruption. A civil servant of the seed multiplication centre (CCSP) in Kumba, on the allegations regarding the sale by officials of seedlings and implements, demanded to

know if the source had 'anything by way of proof to substantiate his allegations'. Asked how the farmers can prove this if the officials did not issue receipts, the official insisted that the accusations were 'in bad taste.' Another official tried to dismiss farmers complaints about theft of 'free' implements, saying that there were 'public ceremonies whereby farm implements are handed over for free for everybody to see'. But such ceremonies are few and far between, and only involve a small number of tools and villagers.

Mengballa

To augment their income from cocoa farms, farmers in the South and Centre Regions of Cameroon use the juice squeezed from fresh cocoa to brew a local gin popularly called 'mengballa'. A 65-kilogramme bag of fresh cocoa seeds can produce about five litres of juice that, when locally brewed, can produce about one and a half litres of mengballa gin that can fetch the equivalent of about US\$ 4.00. According to locals, the mengballa-drinker can be recognized easily because his tongue, lips and teeth are stained black by the dark liquor. Because of lack of standardization, health regulation and different ways of brewing aimed at achieving the highest possible alcohol percentage, the inexperienced visitor is not advised to try it. For the same reasons, it is not at present fit for exportation.

It is because of these experiences that FAIRTRADE came into being. They are also the reason that the farmers in Konye village have pinned their hopes on forming a cooperative and dealing directly with FAIRTRADE and a German buyer. But the cooperative, to date, has not given them any implements, or even information about market prices, either. Dat Williams is not hopeful. "Cooperatives generally do not have a good reputation. People's harvests were in the past collected by cooperatives who promised to come and pay

later. Some farmers are still being owed by cooperatives which have since gone into liquidation,” he explains his reasons for wanting to continue alone. In his view, cooperatives and their leadership always become ‘just another middleman’ and don’t provide a long term solution to the problems of infrastructure and exploitation.

“The entire system is not fair, and an institution that perpetuates it can hardly call itself fair”

If FAIRTRADE does not really change the lives of small farmers in West Africa; if all that the small farmer gets is a little handout and a not-too-long-lasting water pump every once in a while, is this really enough benefit to justify the large amounts of money paid by Western consumers to the FAIRTRADE institution? Alternatively, is there no other, better way to improve the lives of small cocoa farmers in West Africa?

Ousmane Attai, the commodities specialist in Abidjan, believes there is a way to do this. “The only solution is to pay better prices for harvests. The buyers, whether FAIRTRADE certified or not, and the export companies should do better. They say they follow open market prices. But what they pay is derisory.” Attai

suspects certified beans buyers of “working underground in cahoots with crooked businessmen to keep the average price low”. (An executive at the Cargill office in Abidjan, who refused to be named, rejected such suspicions, saying: “We have to support many costs”.)

Earlier in 2012, Germain Banny, Chairman of the *Union Nationale des Producteurs Agricoles de Côte d'Ivoire* (UNAPACI), Ivory Coasts' farmers union, exasperated by what he described as ‘cheating on price’, called on cocoa farmers to stop selling their beans for a ‘ridiculous price’. The strike was short-lived; farmers restarted selling their beans when they ran out of cash. Would the ending have been different if the union and striking farmers had received international support?

Collective bargaining by farmers has already brought some improvements in Ghana, though not in the relatively little unionised cocoa sector. On the banana plantations, the Ghanaian Agricultural Workers’ Union (GAWU) has achieved improvements ever since it started monitoring the practices of the multinational corporations. Wherever FAIRTRADE applies, they also monitor the use of premium moneys. These have now financed mutual funds and health insurance on some plantations.

However, the Secretary-General of GAWU, Kinsley Ofei-Nkansah, expressed serious doubts about the FAIRTRADE system itself. “It perpetuates a system whereby Africa is only a primary producer and only receives a small amount for its raw materials. FAIRTRADE allows a small group of people to aggregate the produce of small-holder farmers without much benefit to the producers and then only gives the poor producers something that is called a ‘premium’. The entire system is not fair, and any institution that perpetuates it can hardly be considered ‘fair’”, he said, adding that the FAIRTRADE premium “really does not compare to the value that is appropriated to the exporter and the chain of retail stores”.

For Dat Williams in Cameroon, it is crucial that farmers should be empowered to know what is going on, -what prices apply, what subsidies or programmes are available-, so that they can increase their bargaining power. “Government or the relevant stakeholders in the cocoa sector should set up local radio stations to disseminate information to farmers on market prices, appropriate chemicals to be used during farming seasons and the necessary inputs.” “If”, he says, “this information is broadcast to farmers in their local languages, it will help empower them to squarely face predatory middlemen”. All cocoa veterans and experts interviewed concurred that only more ‘power’ to the farmers themselves, be it through income or information, or preferably both, would help them to grow their businesses and confidently school all their children.

[END]

**Where a name is indicated with an asterisk, this name has been changed at the request of the interviewee.*

Is it child labour or family labour?

FAIRTRADE applies many standards and criteria to farmers who would like to sell to big buyers through the FAIRTRADE channel. A farmer must farm in an environmentally friendly way, must use certain methods and chemicals rather than others, and is not allowed to use child labour, seasonal labour, or labour for lower than minimum wages. This seems nice, until one realizes that this pretty much rules out any small West African farmer, who depends on cheap materials and his extended family for help.

In Cameroon, Ghana and Ivory Coast, all farmers interviewed wanted their children to go to school, but added that, in order to pay school fees, they could not do without the children’s help on weekends and at harvest time. In Cameroon, all 30 cocoa farms visited by the investigative team in the Southwest, South and Centre regions, were owned by families. Children in these families worked after school and on weekends, contributing to the survival of the family. Farm owner Dat Williams explained: “When it is time to break the cocoa pods, I collect my children and any family children around at the time and take them to the farm to help. This is considered as part of the household chores children do to help their parents. I do not consider this child abuse because we are making money that is used to pay their school fees”.

All farmers interviewed wanted their children to attend school. The only obstacles mentioned, in order of importance, were not having enough money to pay school fees, and not having a school nearby. Many small farmers mentioned that child labour prohibition enforcement carried a risk of reducing the families’ income and consequently the chances of the families’ children of going to school. Said Chief Bisong Etahoben of the investigative team in Cameroon “It was an exciting experience when we, as kids, were taken to the farms to break the cocoa, suck the seeds and drink the juice from the pods. We considered it part of becoming a responsible family member. Today, my junior brother who works in our family cocoa farms still uses his nine children to help him work the farms. We all went to school and so do my nephews and nieces.”

In Ghana, schooling has been identified as one of the biggest needs at the Kuapa Kokoo cooperative and throughout Ivory Coast, roadside billboards across the main cities display adverts against child labour. Big companies in the cocoa sector have joined a government campaign to help stamp it out; the giant Mars agreed to allocate US \$2.7 million to address anti-child labour efforts, of which schooling is an important part.

Notes

(1): The Arizona principle originates from the initiative taken by the journalists' association Investigative Reporters and Editors (IRE) in the United States, in 1976, when reporter Don Bolles was murdered during an investigation into criminal activity in Arizona (US). IRE called its members to come to Arizona to work on the same story Bolles had been working on and publish country-wide. As a result, 38 journalists from 28 media houses in the US descended on Arizona to investigate the crime- and corruption networks that Don Bolles had investigated: in other words, to continue his work. As a result, Don Bolles' story increased 100-fold in impact.

(2) FAIRTRADE is not the only certificate that has cooperative partners in this region. There are also cooperatives that work with labels that focus on sustainable farming, such as UTZ and Rainforest Alliance. These were also investigated by Kouassi.

(3) Sources in the certifying industry in Ivory Coast (names known to team and editor) have stated that child labour often still takes place even on certified farms and that the 'monitoring shows gaps': something that some battling farmers are probably grateful for.

(4) The minimum price is based on an estimate of 'cost of production' by FAIRTRADE itself. Max Havelaar spokespersons, in an interview, said that the minimum is at least also based on the price FAIRTRADE estimates is still acceptable for the consumer to pay in the shop.

(5) In the past ten years, two foreign journalists, Jean Helene and Guy Andre Kieffer, have disappeared and have probably been killed during their investigations into the 'cocoa mafia' in Ivory Coast. Many local journalists have fled the country or abandoned investigations because of the ever-persistent threats. See also <http://fairwhistleblower.ca/content/cocoa-plays-key-role-ivory-coast-stalemate>

(6) Report: THE INTERNATIONAL FAIRTRADE MOVEMENT AND PROSPECTS FOR CAMEROONIAN PRODUCER ORGANISATIONS, Dr Michael Njume Ebong, International Development Consultant, Project Professionnalisation Agricole et Renforcement Institutionnel (PARI), AFD/Minader (French agriculture ministry), 2010

Max Havelaar stats (Annex 1)

Average price structure chocolate bar of 200 grams (Ghana cocoa)									
	Regular market milk - 2005		Max Havelaar milk - 2005		Regular market milk - 2001		Max Havelaar milk - 2001		
	€	%%	€	%%	€	%%	€	%%	
CONSUMER PRICE	1,79	100	1,99	100	1,79	100	1,99	100	
VAT (6%)	0,10	6	0,11	6	0,10	6	0,11	6	
Distribution and trade (+ margin), incl. licencee fee MH /	1,47	82	1,58	79	1,51	84	1,58	79	
Import- and transport costs coco	0,03	2	0,07	4	0,03	2	0,07	4	
FOB-PRICE SUGAR	0,02	1	0,04	2	0,02	1	0,04	2	
FOB-PRICE COCOA	0,17	10	0,17	9	0,13	7	0,13	6	
<i>Fairtrade premium</i>			0,02	1			0,06	3	
<i>Price structure cocoa (FOB):</i>									
Export costs / Cocoa Board	0,02	1	0,02	1	0,02	1	0,02	1	
GROSS INCOME COOPERATIV	0,15	9	0,17	8	0,11	6	0,17	8	
Costs co-operative	0,03	2	0,03	2	0,03	2	0,03	2	
(GROSS) INCOME FARMER	0,12	7	0,12	6	0,08	4	0,08	4	
<i>Projects and premium farmers</i>			0,02	1			0,06	3	
<i>Increase Fairtrade compared to regular market</i>			+17%					+75%	
Notes:									
* The price structure is a general estimate. Deviations are possible because of quality, recepture, value dollar, price on worldmarket, etc.									
* Average market price Ghana 2005: US\$ 1649/mT; 2001: US\$ 1193/mT. The Ghana prices are US\$ 150 above the average worldmarket prices.									
* Average Max Havelaar price cocoa (port of origin Ghana) in 2005: US\$ 1649/mT plus premium of US\$ 150/mT; in 2001: US\$ 1193/mT plus premium of US\$ 557/mT.									
* Average dollar rate: € 0,805. For comparison, the same exchange rate was taken in 2001.									
* Farmer members of the co-operative decide among themselves which part will be spent for all kind of purposes. Normally a small portion is paid to farmers based on delivered volumes. The biggest amounts go into community projects, as proposed by the members.									
SMH/aug06									

Interpretation Excel	2001				2005			
	Regular market		Max Havelaar		Regular market		Max Havelaar	
	milk		milk		milk		milk	
	€	%	€	%	€	%	€	%
CONSUMER PRICE	1,79	100%	1,99	100%	1,79	100%	1,99	100%
Taxes 6%	0,10	6%	0,11	6%	0,1	6%	0,11	6%
Lump sum – incl MH percentage	1,51	84%	1,58	79%	1,47	82%	1,58	79%
Importation & transport	0,03	2%	0,07	4%	0,03	2%	0,07	4%
FOB sugar	0,02	1%	0,04	2%	0,02	1%	0,04	2%
FOB cocoa	0,13	7%	0,13	7%	0,17	9%	0,17	9%
Fairtrade premium			0,06	3%			0,02	1%
Subdivision FOB cocoa								
Export and Cocoa Board	0,02	1%	0,02	1%	0,02	1%	0,02	1%
Gross income coop	0,11	6%	0,17	9%	0,15	8%	0,17	9%
Subdivision income coop								
Costs cooperative	0,03	2%	0,03	2%	0,03	2%	0,03	2%
Gross income farmer	0,08	4%	0,08	4%	0,12	7%	0,12	6%
Premium FAIRTRADE			0,06	3%			0,02	1%
Increase FAIRTRADE compared to regional market:				75%				17%

Price of a 200 gramme bar of chocolate (in Euro)

The 2005 Max Havelaar figures show the breakdown of a 200 gramme bar of chocolate.

	Max Havelaar milk		
	€	€	%
Cocoa price	0,17	0,17	9%
Fairtrade premium	0,02	0,19	1%
Sugar price	0,04	0,23	2%
Importation & transport	0,07	0,30	4%
Processing, distribution, marketing, MH licence fee	1,58	1,88	79%
Taxes 6%	0,11	1,99	6%
Consumer price		1,99	

Licence Fee Max Havelaar: around US\$ 0.06 cents per bar

The problematic figure in this breakdown of the 2005 figures is the Eur 1.58 'Processing, distribution, marketing and Max Havelaar Licence Fee'. This figure contains all the processing costs and profit margin of all companies involved in the chain (after the cocoa leaves the harbour). The question is therefore: what is the Max Havelaar share of this Eur 1.58?

According to its own annual reports, this is 2.5 percent (<http://www.maxhavelaar.nl/files/faq/Appendix+4+20120101.pdf>). The reports define the Licence Fee as 'exclusive of VAT and payable for the quantity of product purchased in kilos (excluding the weight of the packaging) or purchase value'.

In order to distinguish between what Max Havelaar gets and what others get, the sum should therefore be as follows: if the original amount plus + 2.5 percent Licence Fee = Eur 1.58, then the original amount (the amount that goes to others in the chocolate chain) must be $Eur\ 1.58 / 1.025 = 1.54146$. Therefore Max Havelaar's share per bar is Eur 0.0385 per 200 grammes of chocolate, i. e. slightly less than 4 Eurocents.

However, if we note that the Licence Fee percentage of 2.5 is also charged over other costs (the only amount separate from this percentage is the tax), the Licence Fee percentage becomes bigger. From the chocolate bar price of Eur 1.99 a fixed 6 percent goes to tax = 0.11 cent. The rest = Eur 1.88. The sum is then: $2.5\ \% \text{ of } \text{€ } 1.88 = 0.047$ cent. This brings the Max Havelaar Licence Fee up to almost 5 Eurocent per bar, which is US\$ 0.0625.

This could still be a few decimal points too high, because some (not all) retailers' profit margin also need to be deducted. In the end, a fair estimate of Max Havelaars' share of the 200 grammes chocolate bar would be around US\$ 0.06.

And now for the cocoa cooperative. What does the coop get from the same chocolate bar? The payment received for the cocoa (again using the 2005 figures) is Eur 0.17. From this money, the coop deducts Eur 0.02 costs for exportation and Eur 0.03 other costs. The farmer receives then Eur 0.12, roughly the same payment he would have received from other buyers. As a FAIRTRADE extra, the coop also receives Eur 0.02 in premium. This Eur 0.02 cents is the only benefit received on the cooperative's side from dealing with FAIRTRADE. This is one percent of the total price of the chocolate bar. Max Havelaar's Eur 0.05, or US\$ 0.06, is more than double that amount.

UIREVI premium expenditure (Annex 2)

