Smallholder cocoa farmers in Côte d’Ivoire, already struggling with poverty, have seen their income from cocoa (by far their most important income source) decline by as much as 37% from one year to the next. Although prices seem to be recovering at present, the point remains; farmers are vulnerable to price drops.

Low prices (as well as price fluctuations) are a major threat to all efforts to achieve sustainable cocoa sector. As such, price declines are one of the most urgent issues the sector should address. Farmers bear the risks of a volatile price, while other market actors have means to adapt and even make windfall profits. Some reports from farmers indicate that not only are they not earning a living income, but that some of them are now growing cocoa at a loss. Still, there is no concerted effort by industry or governments to alleviate even a part of the burden of this income shock for the already impoverished smallholder farmers.
**Living income**  
Since our focus on living income in the 2015 Cocoa Barometer, living income and farmer livelihoods have become keystones in the cocoa conversation, with some promising steps being taken. This start of an alignment should lead in the short term to coordinated activities to increase farmer’s income levels, specifically in West Africa. For this to progress, companies need to commit to to pay living income and living wages in their supply chains, and make data on this available. Productivity and available labours hours are important elements within this calculation.

A recent report by Fairtrade International submits a first attempt to calculate a living income for cocoa farmers in Côte d’Ivoire of $2.51 per day, and compares this to actual farmers’ income of $0.78 per day. On average, cocoa farmer households earn only 37% of a living income in rural Côte d’Ivoire.

**Child labour**  
The release of the 2015 Tulane Report on the worst forms of child labour in cocoa production demonstrated that despite more than a decade of efforts, child labour is widespread. Although there was a slight relative decline of child labour, an increase in cocoa production had led to an absolute increase of child labourers to 2.1 million children in West Africa alone. Not a single company or government is anywhere near reaching the sector-wide objective of the elimination of child labour, and not even near their commitments of a 70% reduction of child labour by 2020. Since child labour is a symptom of deeper problems, it will not be eradicated without tackling systemic poverty and a lack of local infrastructures. The recent price decline will most likely also negatively affect child labour. Child Labour Monitoring and Remediation Systems are useful project-based approaches, and should be scaled up. At the same time, with the collected data and evidence, more comprehensive national interventions will be necessary to achieve the necessary scale. It is a matter of urgency for efforts to be increased - in funding as well as in ambition and political will - as current levels of engagement will not succeed in eliminating child labour.

**Deforestation and land use**  
Global cocoa production has increased fourfold since 1960, at the expense of native forests, specifically in West Africa. This can be equally attributed to corporate disinterest in the environmental effects of the supply of cheap cocoa, and to an almost completely absent government enforcement of environmentally protected areas. As a result, more than ninety per cent of West Africa’s original forests are gone, and any remaining forest must be protected. In dealing with deforestation, governments and industry must address several important elements. National deforestation plans are not enough; a global moratorium on deforestation is needed to ensure cocoa transitions from a slash-and-burn crop to a sedentary commodity. This must be coupled with land tenure reform, and policies to stimulate agroforestry. It is essential that human rights are upheld when protecting forests; forced evictions coupled with violence have no place in a sustainable cocoa sector.

**Infrastructure, Public Spending and Corruption**  
The past years have seen governments claiming to roll out infrastructure to rural areas. However, there is a gap between the claims and actual delivered services. For example, the Ghana COCOBOD has been shaken by corruption scandals in the last years, where millions of dollars of public funds have been diverted. Transparency and accountability are needed around public spending and support measures for cocoa farmers. It is a matter of importance for the sector to come up with a comprehensive strategy to foster transparency and accountability.

**Legislative Frameworks**  
Voluntary corporate social responsibility initiatives by companies alone cannot prevent human rights violations and environmental degradation. Some of the core challenges will require legislation in the countries that are either the home of - or important operating bases for - the largest companies. Such legislation should be based on the United Nations Guiding Principles on Business and Human Rights. There should be coordination for a common process, preferably at EU level, or even at UN level. Governments and companies from the cocoa and chocolate industry should support such an effort.

**Sector-wide efforts**  
The global cocoa sector is engaging in an ever more inclusive dialogue and recognition of the challenges. National platforms, international platforms, and subject specific platforms all exist beside each other. Such platforms need to lead to actual change, not just more dialogue. There should be much more alignment at a transnational level to achieve proper impact. Moreover, retailers must be much more engaged in the global cocoa dialogue.
Additionally, almost all of the efforts in the cocoa sector are based on technical solutions, e.g. increased productivity, crop diversification, use of agrochemicals and new planting material, or the provision of trainings to improve farming techniques. However, the challenges facing the cocoa sector are often not technical, but deal with power and political economy, such as price formation, the asymmetrical bargaining power of farmers, unbridled market concentration of multinationals, and a lack of transparency and accountability. Tackling political problems with technical solutions will not foster a sustainable cocoa sector, but simply install another form of a business-as-usual scenario.

**National developments**

Producing nations have set a few careful first steps in aligning cocoa policies. This should be further developed to include supply management and holistic agricultural policies, to ensure significant improvements for cocoa farmers. Transparency and accountability are key principles within this alignment.

Western Europe, the United States, and Australasia are not only the largest bloc of consuming nations; they are also the home states for almost all of the large cocoa and chocolate multinationals. As such, they have a doubly important role to play in making the cocoa sector respect human rights and protect the environment.

**Certification**

Several companies have committed to reaching 100 percent certification of their cocoa. However, even if they reach this goal, certification alone, using existing standards, is not a sufficient solution. None of the major standards (Rainforest Alliance, UTZ or Fairtrade) have been able to significantly contribute to ensuring farmers achieving a living income, reducing child labour, or halting environmental degradation. Though average income of certified farmers might be slightly higher, the overall impact is relatively low. Premiums make only a slight difference to a farmer’s income, although they are an important source of revenue for cooperatives. Standard-setting organisations are aware of these problems, but the competition between certification schemes has put them under pressure, and chocolate companies and retailers looking for the cheapest label have not led to the bar being raised. Companies are either moving away from buying certified cocoa or combining the work of the standard setting organisations with own projects.

All standards should include living income as a key requirement. This should include a minimum farm gate price based on living income calculations, which could be coupled with a flexible premium.

**Focus: Ensuring a Living Income**

Cocoa farming will not be sustainable until it can provide a living income to farmers. There is a clear role for companies to fundamentally change their...
approach, promoting not just a one-sided productivity drive, but using net income, not beans per hectare, as a key metric. Net farmer income must become a Key Performance Indicator for the sector, and data on this must be publicly shared. Farmers should be supported and encouraged to increase yield in a sustainable manner, including through diversification, proper use of agrochemicals, and rejuvenation. In the short term, companies should pay a higher farm gate price, potentially through flexible premiums or unilateral price hikes. In the medium term, government supported supply management solutions should be put in place to control the amount of cocoa available. This should be coupled with holistic national agricultural policies that also look at reforestation, crop diversification, land reforms, and pension schemes.

Focus: Transparency & Accountability

Transparency and Accountability are essential steps for both companies and governments towards safeguarding human rights and implementing sustainability. HRDD should be implemented at national and EU or even global level. Grievance mechanisms for victims of human rights should also be developed and put in place at a mandatory level. While recognising that governments have sovereignty on expenditure, there is a real need for financial transparency on revenues from various forms of cocoa taxes and export tariffs, as well as transparency on expenditures on infrastructure, social, educational and health services, the development of local communities, and the protection of the environment.

In the absence of mandatory HRDD, companies should seek to develop such processes for their global value chains and support efforts towards the introduction of such regulation. Additionally, a more balanced perspective and transparent approach on corporate reporting should be adopted by companies; not just communicating successes and intentions, but also being open about errors and failures so that sector-wide lessons can be learned.

Conclusion

Many stakeholders in the sector are well aware that the present approach – with a multitude of different strategies and hundreds of projects that are not necessarily focused on the underlying issues - will not be successful. Additionally, stakeholders know that the ongoing investments in measures to make cocoa production more sustainable are by far too low to improve the situation significantly. There is not enough political will, neither is there enough alignment, sense of urgency, or ambition to tackle the sector’s challenges.