

A photograph of a cocoa tree canopy with green leaves and brown branches, serving as the background for the text.

UTZ' Response

To the impact study

“Impact of UTZ certification on cocoa producers in Ghana, 2011 to 2014”

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Background

UTZ adheres to the ISEAL Code of Good Practice for Assessing the Impacts of Social and Environmental Standards ([Impacts Code](#)), and is committed to systematically monitor, research and report on the outcomes and impact of the UTZ program.

This particular impact evaluation analyses the changes in economic performance, working conditions and living conditions of Ghanaian cocoa farmers enrolled in 6 cocoa sustainability projects over a four year period (2011–2014). These 6 projects were part of the UTZ-Solidaridad program in Ghana, and were implemented by 4 different partners: one international trader (2 projects), two NGOs and 2 producer organisations. These represent the first wave of UTZ certified producers in Ghana. The study was commissioned jointly by Solidaridad and UTZ Certified, and carried out independently by LEI Wageningen UR. This response conveys the view of UTZ on the evaluation findings.

The evaluation started with a baseline study in 2012, and revisited the same farmers in 2015 (3 years later) to assess to what extent certification and related interventions had brought about the changes aimed for by the UTZ program. The expected changes in the economic, social and environmental domains are laid out in the UTZ Theory of Change, which is an important point of reference for this study. The evaluation compares the situation of certified cocoa farmers over time, and also compares their situation over time with non-certified farmers (control group). This enabled researchers to make a difference-in-difference analysis, which was complemented with qualitative research methods.

Since the start of this evaluation in 2011, the UTZ program in Ghana has undergone a remarkable growth. The number of UTZ certified farmers in Ghana has grown from 16.269 in 2011 to 75.189 in 2014. New partnerships with traders, cooperatives and NGO's have been established to scale up the program to where we stand now.

The cocoa sector in Ghana has also seen changes in the period analysed, which directly and indirectly also influenced the performance of the cocoa farmers analysed in this study. These changes include a remarkable growth of the number of initiatives by companies to train, provide services to and to certify cocoa farmers. Individual initiatives of companies are increasingly being coordinated in sector wide initiatives such as CocoaAction. This adds to the services and regulation provided by the Ghanaian government, which include price setting, licensing for traders, and the provision of seedlings, fertilizers and spraying services.

The expansion of sustainability initiatives in the cocoa sector means that a growing number of Ghanaian cocoa farmers is receiving support in the form of training on good agricultural practices, certification, inputs, or financial services, provided by private, public or non-government actors. This poses methodological challenges to the attribution of effects to discrete projects or interventions. As this study has experienced, non-certified farmers may become certified over time, or receive trainings and services from other programs that are not related to certification. Spill over effects from certified to non-certified farmers do occur, which is of course positive, but make it difficult attribute changes to specific causes.

Main findings



Improved agricultural practices

Certified farmers have improved their knowledge and use of the good agricultural practices required for (or recommended by) UTZ certification. Their knowledge score improved with 29% and their implementation score with 27%. This shows that training and certification were effective in promoting good practices. Certified farmers are also sharing their knowledge with non-certified producers, producing a positive ripple effect.

"The results are supportive of the assumption that training programmes are important instruments to improve yields, which forms the main rationale behind the UTZ-Solidaridad programme in Ghana".

Yield increased, despite bad climatic conditions in 2014

Certified farmers estimate that their cocoa production per hectare improved since joining the UTZ program. Farmers report yield increases between 22% and 87%. Survey data, on the other hand, show a more modest yield increase of 10% (from 282 kg/ha in 2011 to 311 kg/ha in 2014). Cocoa yields in Ghana suffered from bad weather conditions and pest outbreaks in 2014, which caused national cocoa production to fall with 22% in that year¹. In the light of the overall production decline the 10% yield increase of certified farmers can be considered a positive result.

Production costs increased

The cost to produce a kilogram of cocoa increased significantly between 2011 and 2014. On average, certified farmers spent GHS 1.32 per kilogram of cocoa in 2014, against GHS 0.53 in 2011, excluding their own (family) labor costs. Their production costs *per hectare* have increased from GHS 127 in 2011 to 385 GHS in 2014. This cost increase is mainly due to rising costs of hired labor. Rural wages have gone up from GHS 4 per day to GHS 7 per day (adjusted for inflation), a 75% real increase. The ageing of farmers also increases their production costs, as older farmers need to hire more labor for tasks they used to do themselves.

Higher cocoa prices, higher income

The cocoa price in Ghana, set by the government, increased by almost 48% between 2011 and 2014. This price increase helped farmers to offset the higher production costs. The profitability of cocoa (per hectare and per kilogram) for certified and uncertified farmers increased between 2011 and 2014. Profit per kilogram increased with 24% for certified farmers and 18% for uncertified farmers. Certified cocoa received a premium of 3 to 6%, which added an estimated additional 2% to the income of certified farmers.

On average, farmers in 2014 earned a net income from cocoa in 2014 of about GHS 5,300 (USD 1,936 per year or USD 5.30 per day). Income from cocoa per household member increased from GHS 737 in 2011 to GHS 1,187 in 2014 (USD 434 per year and USD 1.19 per day). This is an income increase of about 30% (corrected for inflation).

"Farmers who have improved the implementation of GAPs are more likely to also have improved productivity than farmers who have not, which is primarily due to improved production practices. Improvements in efficiency are associated with higher profitability per hectare and per kilogram. And increasing productivity per hectare is associated with more profitability per hectare and per kilogram, which is mainly due to the 2014 cocoa price increase."(p. 36)

¹ <http://www.reuters.com/article/cocoa-ghana-idUSL3N1213RE20151001>



Farmers remain highly dependent on cocoa production for income

In 2014 fewer farmers had other sources of income, compared to 2011 (no difference between certified and non-certified farmers). 45% of all farmers depend entirely on cocoa. The share of income from cocoa in total household income increased from 86% to 88% on average (all farmers considered).

Increased work safety

There has been a 20% drop in labor related accidents on certified farms, which shows that occupational safety has improved. Most certified farmers attribute positive health effects to improved health and safety practices, particularly chemical use, waste management and use of protective personal equipment (PPE). The use of PPE however still is sub optimal. Many farmers don't own a complete set of personal protective gear. Certified farmers more often use protective equipment than uncertified farmers, as do their hired workers.

Child labor

Children of certified farmers under 18 years of age work less than 1.5 days per year on cocoa production activities. Incidentally they perform hazardous work. On 8% of the certified farms, children are incidentally performing hazardous tasks, such as pruning, applying fertilizer or transporting cocoa bags.

Almost all children of certified farmers attend school: 98% of children aged 6-11 and 92% of children aged 12-17 (in 2014).

Hired labor

80 percent of the certified cocoa farmers hires occasional labor. Half of the hired workers also have a cocoa farm of their own. Farmer and hired worker usually make a verbal agreement on the working days, hours and payment. The wages paid are the current wages in the regional labor market, which may differ regionally. The average rural daily wage paid in 2014 was GHS 14, which is well above the national legal minimum wage of GHS 6. Certified farmers more often provide protective equipment to their workers.

Expanded services, satisfaction with IMS and audit feed-back

Certified farmers are receiving more and better services from their producer organisation or trader than in 2011. The percentage of farmers who receive services other than the purchasing of cocoa has gone up from 61% in 2011 to 67% in 2014. The overall satisfaction score with services increased slightly (59% to 60%), but the satisfaction with some specific services improved significantly. Such positive changes are noticed with regard to "feedback information from the internal management system" and "feedback information from audit".

Little differences between certified and uncertified farmers

Whereas certified farmers experienced improvements on many indicators over time, the study found hardly any statistically significant differences between certified farmers and the farmers of the control group. The farmers of the control group also improved their conditions in the same period. Further analysis showed that the majority of the communities from which control farmers were sampled also received farmer training and services from cocoa programs implemented by government and/or companies programs over the past 4 years.

Results vary across 6 certification projects

The study has looked mainly at the average performance over time of certified farmers enlisted in 6 different certification projects, compared to non-certified farmers. Comparing the results of the certification projects amongst themselves also reveals



certain differences. Explaining such differences however would demand surveying a larger sample of farmers, and was not part of the assignment.

Recommendations by the researchers

1. Revise the UTZ Theory of Change and take into account external factors (e.g. cocoa prices, rising wage costs) that influence the results of the program;
2. Find out why not all farmers are fully adopting the recommended practices;
3. Investigate how to offer different types of services to different types of farmers;
4. Support farmers to decrease production costs and increase labor efficiency;
5. Increase (farm) incomes by increasing farm sizes and diversifying sources of income;
6. Improve data quality and learning. Collect real-time information from farmers on production details.

UTZ' response

UTZ welcomes the positive findings of this study and acknowledges that these are the result of the efforts of many partners who train and provide certification to farmers, set up internal management systems, provide services and who collaborate with other supply chain actors to create sector wide changes.

We are happy to see that the effectiveness of training farmers in good agricultural practices on productivity is being confirmed. We understand that the effectiveness of trainings can be further improved by enhancing the quality of training and trainers, and by developing more tailored training modules, which are better tuned to the needs and capacities of different types of farmers. Learning and improving should be a permanent process and UTZ has planned a two-step approach: the first steps is that the UTZ Academy provides a platform to further the quality of training and trainers to strengthen the management of farmer groups. UTZ also will enhance its collaboration with governmental extension services, local buying companies and their technical staff with the aim to support farm groups. By strengthening the management capacities of farm groups, they will be able to respond better to the different and evolving training needs of their members (second step).

We are also happy to notice that producer organizations and supply chain actors are providing more services to farmers, in addition to certification, and that more farmers are accessing those services. These services should contribute to raise the productivity of farmers which is still low and needs to be further improved.

The rising rural wages is a positive trend for hired workers on cocoa farms, but poses a concern for farmers who rely on hired labor. UTZ thinks that developing labor saving technologies and a more professional service sector can contribute to raise labor productivity of the cocoa sector. Examples are: specialized grafting, pruning or spraying services.

The unchanged high economic dependence of farmers on revenues from cocoa can be seen through different lenses. On the bright side, cocoa provides a secure income for many families. But the lack of other sources of income should be a concern to the sector, since cocoa farmers have no influence on the cocoa price and are vulnerable to fluctuations on the world market. The UTZ code of conduct encourages farmers to diversify their production, but the effects of our program in this respect are still not noticeable. UTZ will do a further analysis to get a better understanding of which type of



farmers are most likely to benefit from diversification of their production. Small farm sizes, and fragmentation of properties is a cause of concern. Farm consolidation and specialisation may be a better strategy for some farmers, creating better conditions for further professionalization, enhanced efficiency and productivity.

Improved work safety is positive effect of the UTZ program. But we are not there yet. Farmers and their workers need to always have access to full PPE when these are required. Farmer groups need to provide PPE to their workers, or else recur to specialized service providers like spraying gangs.

The findings on child labor are encouraging and show that awareness has improved and that children only work very occasionally on cocoa farms. Farm work of minors that does not interfere with school attendance and is not hazardous, is not regarded child labor. The fact that on 8% of certified farms children were incidentally performing hazardous tasks, such as pruning, is a violation of the UTZ code. Under the new UTZ code (June 2015) provisions have been put in place to detect and remedy child labor, linking producer groups with the local community. The approach of UTZ is aligned with the sector wide International Cocoa Initiative - ICI. Additionally, UTZ performs regular shadow audits to monitor and improve the quality of third party audits.

The fact that the study did not find statistically significant differences between certified and uncertified farmers was sobering. On hindsight, we were overly optimistic about the level of expected changes (> 30%). It would have been advisable to take a larger sample of certified farmers to be able to measure significant but more modest changes. We need to recognize that evolving realities on the ground defy a quasi-experimental evaluation design. As a market driven program, UTZ is not the position to select farmers for certification. From a methodological viewpoint the spill-over effects and the fact that many non-certified farmers also benefitted from cocoa trainings and services, are a concern. From a farmer perspective this is of course of no concern. We are glad that trainings and services are reaching an increasing number of cocoa farmers, regardless of their being certified. Sector wide programs like CocoaAction represent industry commitment and investments in cocoa communities.

We agree with the researchers that monitoring farmers on a more permanent basis is likely to yield more reliable and actionable data about the effectiveness of the program. UTZ is taking part in a number of pilots to jointly collect and analyse farmer data. Impact studies still are needed, but these need to be designed more flexibly to respond to evolving realities on the ground.

On the recommendations

UTZ has commissioned follow up studies to get a better understanding of differences between (certified) farmers, and which practices, services and trainings are the best response to their needs and aspirations. This should help us to developed more differentiated approaches.

In our view the group management (be they producer organizations, trader-led groups, etc) is key for the provision of better services to members, including training for certification. It is encouraging that certified farmers report on improved communication from the group management and feed back from external auditors. UTZ will step up its efforts to strengthen the group management level, as well as the quality of audit services provided by certification bodies.



UTZ agrees that farmers need support to decrease their production costs and increase their labor efficiency. The UTZ code in several ways supports farmers to take informed decisions. We are open to partnerships, initiatives and technologies that help to make farm work more efficient and less costly, and help farmers to take informed decisions about their farming business.

Increasing the average size of farms is not within the scope of influence of UTZ, but we do agree that size matters for the profitability of cocoa farmers. This study indicates that larger farms tend to be managed more efficiently and tend to be more productive. But productivity depends on more factors than size alone, such as investment capacity, and the skills, resources and aspirations of a particular farmer. This question links to the question about diversification. Diversification might be a sensible strategy for some farmers, but not necessarily for everyone.