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„The "cocoa cooperation" between Ghana and Côte d'Ivoire and socio-economic impacts on farmers: The case of Côte d'Ivoire"

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Abstract

The global cocoa industry is a highly profitable USD billion industry and is dominated by a few Commodity Trading Houses (CTHs) and chocolate manufacturers. Yet cocoa farmers see very little value for their labour. In the past, there have been repeated attempts by producing countries to shift the value along the Global Value Chain (GVC) of cocoa. However, after strong liberalisation processes in the 1980s/90s, this has not really succeeded.

In 2018, the two largest cocoa producing countries, Ghana and Côte d'Ivoire, joined forces trying to negotiate the power and income imbalance among value chain actors. The Living Income Differential policy (LID) should enable farmers to lead a decent life with an additional financial income. The hope is that the LID can counteract poverty of cocoa farmers and subsequently minimise child labour and deforestation.

My research questions deal with the objectives of the bilateral cooperation and look into whether the cooperation can be categorised as a "cartel", how the bilateral efforts are perceived on the international trade market and in Côte d'Ivoire by different actors. Furthermore, the thesis deals with the impact of the intensified cooperation on price formation in Côte d'Ivoire and the socio-economic effects of the LID on Ivorian cocoa smallholders as well as to what extent asymmetric power relations along the cocoa production chain can be reduced with the help of the bilateral agreement.

The GVC framework serves me as a theoretical foundation as it studies the dynamics of different actors in a value chain and allows insight on how global industries are organized. The GVC framework also puts different actors and stakeholders in relation to each other and analyses state roles and effects of policies.

To look into my research aim, I used methods such as literature research, document analysis and conducted interviews with experts.

It is known how cocoa prices have developed at the global and farmer level and it can be analysed in the context of the LID. Most of the experts I spoke to were cautious about the implementation of the LID, as they assumed that it could lead to an overproduction of cocoa, causing in long-term a downward economic pressure on the sector.

Overall, the socio-economic impacts of the intensified cooperation between the two largest cocoa producers on the living conditions of Ivorian smallholder farmers cannot yet be assessed,

as there is a lack of data and due to the short period of time for the cooperation to unfold properly.

As findings, I concluded that in order to sustainably reduce poverty among smallholder cocoa farmers in Côte d'Ivoire, multiple approaches are needed in addition to the bilateral cooperation, such as capacity building, education on agricultural diversification methods and food security, while the national economy needs to improve rural infrastructure and tie higher value-added processes at a national level.

Abstract (Deutsch)

Die globale Kakaoindustrie ist ein hochprofitabler Milliarden-Dollar-Sektor, der von einigen wenigen Commodity Trading Houses (CTHs) und Schokoladenherstellern dominiert wird. Dennoch sehen die Kakaobäuer:innen nur einen sehr geringen Ertrag für ihre Arbeit. In der Vergangenheit haben die Erzeugerländer wiederholt versucht, den Wertschöpfungsanteil des Kakaos entlang der globalen Wertschöpfungskette (GVC) zu steigern. Nach starken Liberalisierungsprozessen in den 1980er/90er Jahren im Kakaosektor ist dies jedoch nicht wirklich gelungen.

Im Jahr 2018 haben sich die beiden größten Kakaoproduzenten Ghana und Côte d'Ivoire zusammengeschlossen, um das Macht- und Einkommensgefälle zwischen den Akteuren der Wertschöpfungskette neu zu verhandeln. Die „Living Income Differential"-Politik (LID) soll den Bäuer:innen ein menschenwürdiges Leben mit einem zusätzlichen finanziellen Einkommen ermöglichen. Die Hoffnung ist, dass das LID der Armut der Kakaobäuer:innen entgegenwirken und in der Folge Kinderarbeit und Abholzung minimieren kann.

Meine Forschungsfragen befassen sich mit den Zielen der bilateralen Kooperation und gehen der Frage nach, ob die intensivierte Kooperation als "Kartell" bezeichnet werden kann, wie die bilateralen Bemühungen auf dem internationalen Handelsmarkt und in Côte d'Ivoire von verschiedenen Akteuren wahrgenommen werden. Darüber hinaus befasst sich die Arbeit mit den Auswirkungen der verstärkten Kooperation auf die Preisbildung in der Côte d'Ivoire und den sozioökonomischen Auswirkungen des LID auf ivorische Kakaokleinbäuer:innen sowie mit der Frage, inwieweit asymmetrische Machtverhältnisse entlang der Kakaoproduktionskette mit Hilfe des bilateralen Abkommens abgebaut werden können.

Der GVC-Rahmen dient mir als theoretische Grundlage in meiner Arbeit, da er die Dynamik der verschiedenen Akteure in einer Wertschöpfungskette untersucht und Einblicke in die Organisation globaler Industrien ermöglicht. Der GVC-Rahmen setzt auch die verschiedenen Akteure und Interessengruppen in Beziehung zueinander und analysiert die Rolle des Staates und die Auswirkungen der Politik.

Um mein Forschungsziel zu untersuchen, habe ich Methoden wie Literaturrecherche, Dokumentenanalyse und Interviews mit Expert:innen angewandt.

Die Entwicklung der Kakaopreise auf globaler Ebene und auf Ebene der Kakaobäuer:innen ist bekannt und kann im Zusammenhang mit dem LID analysiert werden. Die meisten

Expert:innen, mit denen ich gesprochen habe, äußerten sich zurückhaltend zur Umsetzung des LID, da sie davon ausgehen, dass dies zu einer Überproduktion von Kakao führen könnte, was langfristig einen wirtschaftlichen Druck auf den Sektor zur Folge hätte.

Insgesamt lassen sich die sozioökonomischen Auswirkungen der verstärkten Zusammenarbeit zwischen den beiden größten Kakaoproduzenten auf die Lebensbedingungen der ivorischen Kleinbäuer:innen noch nicht abschätzen, da es an Daten mangelt und sich die Zusammenarbeit aufgrund der kurzen Dauer bisher noch nicht richtig entfalten konnte.

Ich kam zu der Schlussfolgerung, dass zur nachhaltigen Verringerung der Armut unter den ivorischen Kakao-Kleinbäuer:innen neben der bilateralen Zusammenarbeit mehrere Ansätze erforderlich sind, z. B. der Aufbau von Kapazitäten, die Aufklärung über landwirtschaftliche Diversifizierungsmethoden und die Ernährungssicherheit, während die nationale Wirtschaft die ländliche Infrastruktur verbessern und höhere Wertschöpfungsprozesse auf nationaler Ebene einbinden muss.

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List of Abbreviations

AAA	American Anthropological Association
ADM	Archer Daniels Midland Company
AfDB	African Development Bank
AU	African Union
BBC	British Broadcasting Corporation
BRI	Belt and Road Initiative
CAGR	Compound Annual Growth Rate
CAISTAB	Caisse de stabilisation et de soutien des prix des productions agricoles
CC	Commodity Chain
CCC	Conseil du Café-Cacao
CDI	Côte d’Ivoire
CFA	Franc de la Communauté Financière d'Afrique
CIGCI	Côte d’Ivoire-Ghana Cocoa Initiative
COCOBOD	Ghana Cocoa Board
COPAL	Cocoa Producers' Alliance
CRPA	Centre de Recherche Politique d'Abidjan
CSDD	Corporate Sustainability Due Diligence Directive
CTHs	Commodity Trading Houses
DRD	Différentiel de revenu décent (in English LID)
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FCC	Federation of Cocoa Commerce
FOB	Free on Board
GBP	Great British Pound

GCC	Global Commodity Chain
GPN	Global Production Network
GPS	Global Positioning System
GVC	Global Value Chain
ICCA	International Cocoa Commodity Agreement
ICCO	International Cocoa Organization
ICE	Intercontinental Exchange
ID	Identity Document
ILO	International Labour Organization
IMF	International Monetary Fund
KPMG	Klynveld, Peat, Marwick und Goerdeler
LDCs	Least Developed Countries
LID	Living Income Differential (in French DRD)
MNC	Multinational Corporation
NGO	Non-Governmental Organization
OAU	Organisation of African Unity
OECD	Organization for Economic Co-operation and Development
OPEC	Organization of Petroleum Exporting Countries
PTBF	price-to-be-fixed
R&D	Research and Development
SAPs	Structural Adjustment Programmes
SLA	Sustainable Livelihoods Approach
SSA	Sub-Saharan Africa
TNC	Transnational Corporation
UK	United Kingdom of Great Britain and Northern Ireland

UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNIDO	United Nations Industrial Development Organization
USA	United States of America
USD	United States Dollar
WB	World Bank
WCF	World Cocoa Foundation

Introduction

1.1 Context and relevance of the research topic

Arguably, global value chains (GVCs) represent the central mechanism for trade and investment in today's world economy. Production of goods and services is unprecedentedly fragmented within GVCs, so they make up an increasing percentage of total global trade according to the Organization for Economic Co-operation and Development (OECD) (*Global value chains and trade - OECD*, 2023). Given the fact that much of international trade within today's global economy operates within chains, it is relevant to address chain approaches – such as global value chains (GVCs). These approaches serve to understand and study fragmented production processes of firm-networks and workers across multiple locations around the world and shed light on economic power relations (Neilson, Pritchard and Yeung, 2014, p. 1).

The elaboration of chain approaches proves to be essential in demonstrating how many countries are still dependent on North-South structures today and how patterns of inequality between the Global North and South are reproduced. Most of everyday life products we consume, 'be it a pair of blue jeans sewn in China from Indian-made denim, a cocoa bean grown in Ghana and processed into a chocolate bar in the Netherlands, or the assembly of a laptop computer in Mexico from components produced in East Asia', give us clear examples to study and operationalize the global-local mutuality (Bair, 2005, p. 158f.). Hence, dependency structures can be identified across the world in various commodity sectors.

Looking more closely at the commodity GVC of cocoa, Grumiller et al. indicate that Ghana and Côte d'Ivoire depend economically above all on the exportation of cocoa, which makes over 40% of the export share of total merchandise exports of Côte d'Ivoire and about 20% in Ghana. And this share even increases, e.g. Côte d'Ivoire exported more than 2 million tonnes of cocoa in the year of 2022/23 (Grumiller *et al.*, 2018, p. 1; *Cocoa bean production Ivory Coast 2022/2023*, 2023).

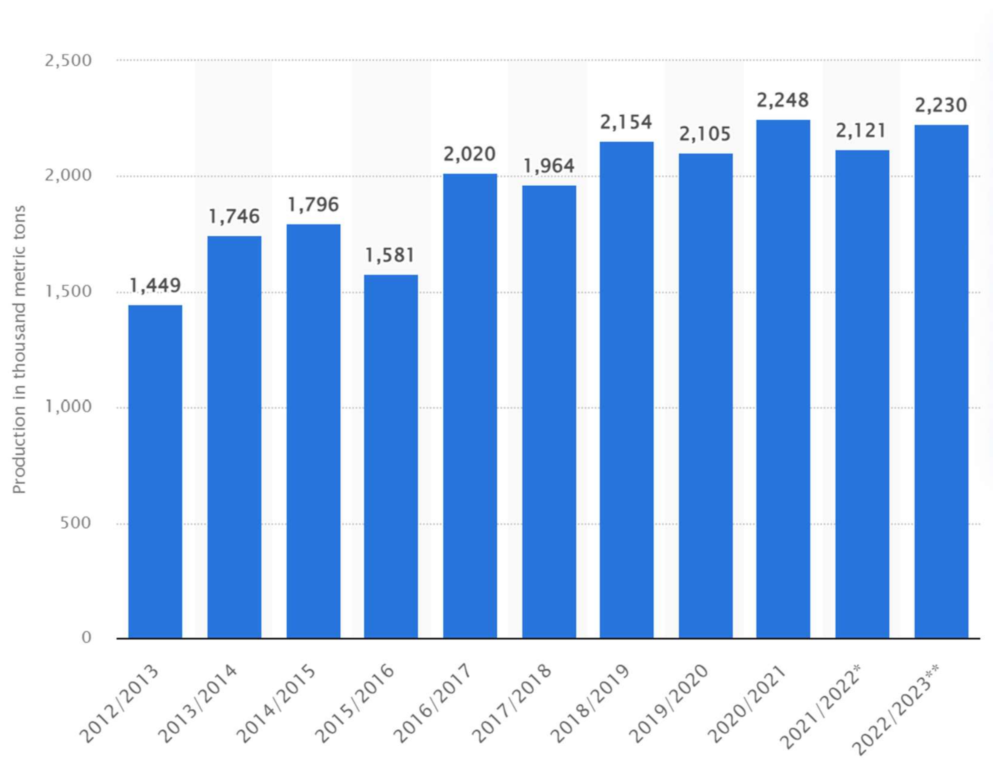

Figure 1- Production of cocoa beans in Côte d'Ivoire from 2012/2013 to 2022/2023 (in 1,000 metric tonnes). Source: Statista, 2023

Staritz et al. state that West Africa is the dominant region for cocoa production worldwide, with a 76% share of global production in 2020, about four times as much as Latin America, with only 18%, and nearly 13-times as much as Asia, with only 6% (Staritz *et al.*, 2022, p. 846).

According to data provided by the International Cocoa Organization (ICCO), Côte d'Ivoire produced two billion kilograms of cocoa before the year of 2018, the year of starting the Abidjan Declaration, widely referred to as COPEC in the reference to the oil cartel OPEC. At the same time, Europe consumed about 2,460 thousand tonnes of chocolate between the years of 2020/21 (Fountain and Huetz-Adams, 2022, p. 76).

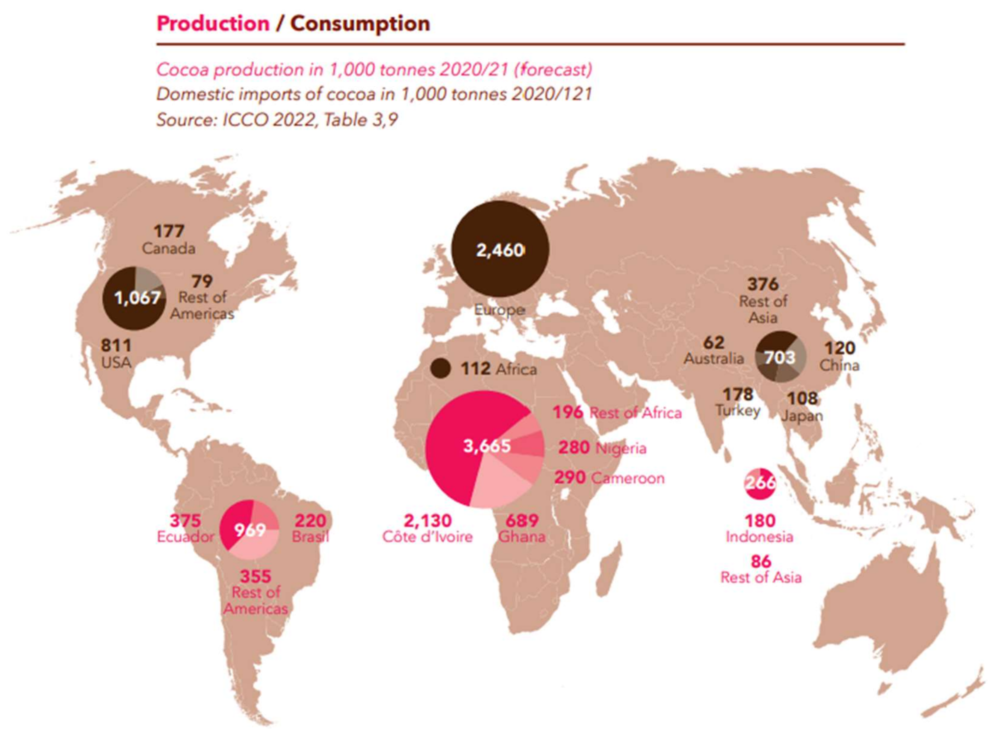

Figure 2 - Cocoa production and consumption in 1,000 tonnes 2020/21. Source: Cocoa Barometer, 2022

Thus it is quite remarkable to read that the World Bank (WB) estimates that value added in the cocoa sector of countries in the Global South declined from around 60% in 1970s to about 28% in the noughties (Barrientos and Asenso-Okyere, 2009, p. 94). This underlines the existence of current dependency structures as well as power imbalances in the cocoa sector between producer countries of the Global South – like Côte d'Ivoire and Ghana – and key manufacturing and consumer countries of the Global North – e.g., the United States of America (USA) and countries of the European Union (EU).

The year before the worldwide finance crisis, cocoa prices on the international market were marked by a sharp fall of around 40% in 2017 (Konandi, 2018). Consequently, the worlds' two largest cocoa producers Ghana and Côte d'Ivoire decided to embark on an intensified cooperation in March 2018, known as the Strategic Partnership Agreement with a focus on pricing, production and marketing of cocoa. The Strategic Partnership Agreement aims to coordinate both countries' efforts in the cocoa sector by harmonizing their cocoa marketing policy in the future.

According to Fairtrade the income of Fairtrade farmers of Côte d'Ivoire have increased by 85% over the past several years to reach an annual income of nearly 4.940 USD in 2021 (*New Study*

Shows Higher Incomes for Fairtrade Cocoa Farmers, 2021). But the majority of the cocoa farmers still suffer from the volatility of cocoa prices on world markets, which makes it hard for them to predict their income, to plan their production and to make long-term investment decisions. A common cocoa farmer in Côte d'Ivoire earns about 1 USD per day, which is too less to make a good living as suggested by the World Economic Forum (*Cocoa's bittersweet supply chain in one visualization*, 2020).

'The low price paid for cocoa leaves many basic rights, such as access to healthcare, schooling, safe and secure housing and even clean water out of reach to many.' (*CAYAT*, 2023) The global extreme poverty line is currently set by the World Bank at $2.15 per day (*Fact Sheet: An Adjustment to Global Poverty Lines*, 2023). Within this context, the task of the Ivorian Conseil du Café-Cacao (CCC) is to point out that the cocoa sector needs a price compensation for the workers' efforts (*Cocoa futures surge as ICoast, Ghana seek higher prices*, 2019).

Côte d'Ivoire (43%) and Ghana (20%) combined accounted in 2021/22 for more than 60% of the world's cocoa production and both countries have agreed not to sell cocoa for less than $2.600 a tonne for the harvest in October 2020 (*Kakao-Statistik - Kakaoplattform*, 2023).

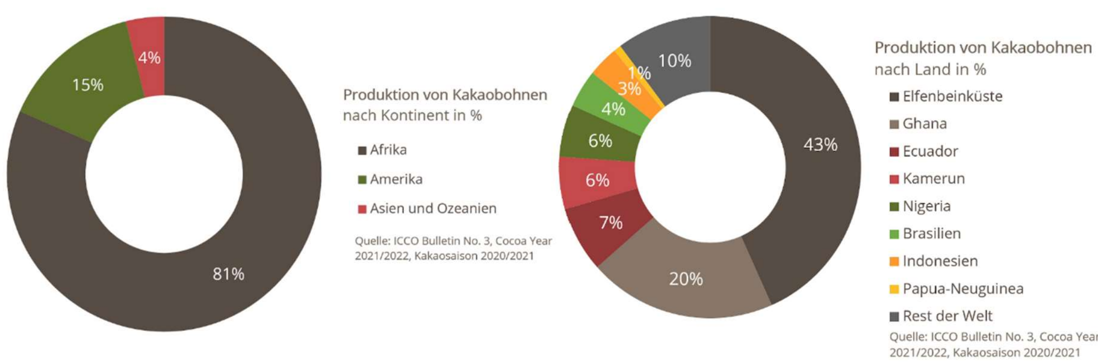

Figure 3 - Production of cocoa beans by continent and by country. Source: Kakaoplattform, 2023

My aim is specifically to shed light on socio-economic impacts on smallholder cocoa farmers by analysing these cross-national "cartel proceedings" with Côte d'Ivoire being my geographical focal point. Since Côte d'Ivoire itself accounts for more than 40% of the global supply of cocoa and since there are about 800.000 cocoa farmers employed in Côte d'Ivoire and more than eight million people dependent on the countries' cocoa sector, my research aim should appear all the more relevant (N'guessan, 2021, p. back cover). Thus, for my thesis I look to analyse price-setting developments of the intensified cooperation in context of the cocoa sector and potentially improved working conditions and livelihoods of smallholder cocoa farmers.

1.2 Research objective and research questions

With the section above, I hope to have given the reader an overview on the relevance of my research topic and would like to outline my research questions as follows. For my theory I will be working with the Global Value Chain approach and for my methodology I will use my interviews as a base.

Research questions

Main research question:

What impacts does the intensified cooperation between Ghana and Côte d'Ivoire have on price-setting in the cocoa sector and income of Ivorian smallholder cocoa farmers?

Sub research questions:

1) What does the intensified cooperation on price-setting in the cocoa sector between Ghana and Côte d'Ivoire aim at? What activities and programs are involved in it? *(Please see chapter 6.2)*
    a. Can this intensified cooperation be classified as a "cartel"? *(Please see chapters 2.4 and 6.2)*
2) How are these efforts being perceived on the international trade market? What kind of reactions and actions are being provoked from international traders? *(Please see chapters 2.4.2, 6.2.1 – last paragraphs and 6.4.1)*
3) How are these efforts being perceived in Côte d'Ivoire by different actors, specifically by small-scale farmers? What reactions do small-scale farmers have? *(Please see chapters 6.4 and 7)*
4) What are the effects of the intensified cooperation on price-setting in Côte d'Ivoire and consequently on smallholder Ivorian cocoa farmers? What are limits? *(Please see chapter 7)*
5) To what extent can asymmetrical power relations along the cocoa production chain be reduced, especially with regards to smallholder cocoa farmers in Côte d'Ivoire? *(Please see chapter 6.4.1)*

1.3 Structure of the thesis

For this section of my paper, I will present the structure of my master thesis. My master thesis proceeds in eight chapters, which amount to be the key elements of my research.

After having discussed the context and relevance of my topic as well as the objective of my research and the central question along with its subquestions in **chapter one**, I will conclude the introduction by displaying the structure of my thesis. In the **second chapter**, I will be giving an overview on the theoretical conceptualization of GVCs and introduce the reader to the four dimensions of the GVC structure. This chapter of my master thesis will in addition entail a review on upgrading opportunities for countries of the Global South along GVCs and pose the question on where the power lies in price-setting. Since part of my research focus lies on the intensified cooperation between Ghana and Côte d'Ivoire, I will include approaches on producer cartels in international commodity markets into the second chapter. Hereby, I will go into detail about the characteristics of a cartel, especially commodity cartels.

In the **third chapter** I will discuss my research methods, which include literature research, document analysis as well as the conduct of various types of qualitative interviews. Moreover, I will reflect on my individual position, limitations and ethics during field research. All data collected will be gathered to conduct qualitative content analysis to answer my research questions.

In **chapter four** I will give an overview of the global cocoa sector and tackle its vital actors, before specifying my case study of the world's largest cocoa producer Côte d'Ivoire. **Chapter five** will discuss the geographical conditions for cocoa in Côte d'Ivoire as well as the changes of the Ivorian export sector after liberalisation and regulation processes. Additionally, I will analyse the production chain within the Ivorian cocoa sector. Hereby I will go into depth about the key players along the production chain and analyse the asymmetrical power relations among them. For my **sixth chapter,** I will have a closer look at the Abidjan Declaration and previous cartel ambitions, I will discuss the establishment of the Ivorian "cocoa cartel" by putting it in context with the respective state policies of Côte d'Ivoire as well as its price-setting effects on smallholder farmers, traders, manufacturers, retailers and consumers of the cocoa sector. Furthermore, I will be dealing with the socio-economic impacts of the intensified cooperation on smallholder cocoa farmers.

In the **seventh chapter**, I will sum up all my findings on upgrading opportunities for Ivorian cocoa farmers and point out the remaining challenges. In the final and last **chapter eight**, I will discuss my conclusion and give a future outlook.

2 Theoretical Framework

2.1 The Global Value Chain framework

According to Bair GVCs derived from the original world-systems inspired tradition of **Commodity Chain Concept CCC** research by Wallerstein and Hopkins, which lead to two subsequent chain approaches, namely the **Global Commodity Chain GCC** and the **Global Value Chain GVC** (Bair, 2005, p. 153f.). Bair explains these approaches in more detail and represents a model of all three *generations* of chain research. Each generation succeeds the other in a temporal order, starting with the original CCC dating from the 1980s, the GCC dating from the 1990s, and the GVC variant becoming more popular nowadays (Bair, 2005, p. 163f.).

The following table created by Bair demonstrates all three contending chain frameworks:

Contending chain frameworks

	Commodity chains	Global commodity chains	Global value chains
Theoretical foundation	World-systems theory	World-systems theory Organizational sociology	International business literature Global commodity chains
Object of inquiry	World-capitalist economy	Inter-firm networks in global industries	Sectoral logics of global industries
Orienting concepts	1. International division of labor 2. Core-periphery-semi-periphery 3. Unequal exchange 4. Kondratieff cycles	1. Industry structure 2. Governance (PDCC/ (BDCC distinction) 3. Organizational learning/ Industrial upgrading	1. Value-added chains 2. Governance models (modular, relational, captive) 3. Transaction costs 4. Industrial upgrading and rents
Intellectual influences	1. Dependency theory 2. Structuralist development economics	1. MNC literature 2. Comparative development lit.	1. International business/ Industrial organization 2. Trade economics 3. Global/international production networks/ systems
Key texts	Hopkins & Wallerstein (1977; 1986) Arrighi & Drangel (1986), Arrighi (1990) *Review*, 23(1), 2000	Gereffi & Korzeniewicz (1994) Appelbaum & Gereffi (1994) Gereffi (1999), Bair & Gereffi (2001)	Humphrey & Schmitz (2000) *IDS Bulletin*, 29(1), 2000 Sturgeon (2002), Gereffi *et al.* (2005)

Table 1 - Contending chain frameworks. Source: Bair, 2005, p. 160

Since international production, trade and investments are increasingly fragmented along different stages of the production process and located across national borders and various firms, so-called global value chains have emerged in the scientific research context of global economy and modern manufacturing (Gereffi and Fernandez-Stark, 2011, p. 2).

These developments were evoked due to the gradual liberalisation and deregulation processes of international trade and investment during the last decades as well as due to lower transport costs, advances in information and communication technology and innovations in logistics (Gereffi and Fernandez-Stark, 2016, p. 10). Summarizing one can say that these developments took place under the phenomenon of globalisation which leads to restructure of companies through outsourcing and offshoring of activities (*Global value chains and trade - OECD*, 2023).

These outsourcing and offshoring activities are – as mentioned above – mostly directed from countries of the Global North to peripheral and low-cost countries of the Global South, while lead firms maintain control of core nodes of value creation in their home countries (Neilson, Pritchard and Yeung, 2014, p. 1f.). These procedures aggravate the challenges for countries of the Global South in being integrated equally into GVC structures of the global economy. Therefore, it is more difficult for countries of the Global South to increase their income, create employment and benefit from other positive impacts of the GVC structures (Gereffi and Fernandez-Stark, 2010, p. 10).

Consequently, the importance of strong local or national institutions and policies for countries of the Global South are being stressed to maximize the capture of gains and to ensure a positive integration in development practices (Gereffi and Fernandez-Stark, 2011, p. 2). I will be discussing possible upgrading opportunities in more detail in section 2.2 of my theoretical framework.

As the GVC framework involves the analysis of the structure and dynamics of different actors involved in a value chain as well as the analysis of value adding activities of different types of stakeholders in the context of the global economy, it can allow insight on how global industries are organized. In this context the value chain describes all necessary activities to bring a product from its conceptional start to its end use (Gereffi and Fernandez-Stark, 2016, p. 7).

Barrientos and Asenso-Okyere add that GVC analysis shows the importance of value creation and value capture. The definition of "value" is affected by production costs as well as by social norms and the behaviour of the consumers. At the end the consumer will accept a higher price, if they receive higher quality, e.g. better social and environmental standards (Barrientos and Asenso-Okyere, 2009, p. 91).

Moreover, the GVC framework puts the different actors and stakeholders in relation to each other and has in recent years been increasingly analysing state roles and effects of policies. Basically, Gereffi and Fernandez-Stark note that GVC methodology is a useful tool to trace the shifting patterns of global production and to link actors of a specified industry in order to understand and control the role they play in countries of the Global North and South alike. Furthermore, the GVC approach allows to analyse dynamics and power relations in global production process as well as the different dimensions of a value chain to help identify governance structures (Gereffi and Fernandez-Stark, 2016, pp. 6–14).

Thus, I will use the GVC variant to support me in analysing governance structures and upgrading opportunities for Ivorian smallholder cocoa farmers in the cocoa GVC - enabling me to answer and interpret my research questions in part.

Global value chain of commodities

According to Gibbon development for upgrading opportunities in Least Developed Countries (LDCs) is most crucial for traditional primary commodities as they are often seen as the main current link to global economy. Global value chains give a clear picture on how vertically-integrated Multinational corporation (MNCs) tend to drive such chains and the role they play for least developed countries. Nonetheless, there are some chains for primary commodities which appear to be ‘coordinated or controlled by a small number of direct producers (e.g., diamonds), other coordinated by industrial end-users (e.g., rubber), and others again by vertically-integrated MNCs who are both producers and global branders (e.g., bananas and, probably to a lesser degree, tea and sugar)’ (Gibbon, 2001, p. 350).

Against the background of a very high concentration of companies controlling the lion’s share of international commodity traders, companies aim for higher profits making their trading concepts dependent on so-called futures. Futures are financial contracts that obligate the partners to buy/sell a commodity at a pre-determined future date and price.

By the end of the 20th century, international trader-driven chains for primary commodities were often characterized by ‘relatively low value-to-weight ratios, with labor-intensive direct raw material productions’. Another characterization of international trader-driven chains for primary commodities is the ‘globally dispersed and locally discontinuous (including seasonal) supply pattern’. Primary commodities would often loose the importance on international markets due to a combination of partial substitution by other agricultural or manufactural products. Another chain characteristic listed by Gibbon is the final (or also the intermediate) demand side which can be dispersed (e.g., cotton), or – and this is what interests me for my thesis – concentrated in various segmented farming with respect to commodity variety (e.g., coffee, cocoa) (Gibbon, 2001, p. 351).

2.1.1 The four dimensions of a commodity chain

'Trans-state, geographically extensive commodity chains are not a recent phenomenon, dating from say the 1970s or even 1945, […] they have been an integral part of […] the functioning of the capitalist world-economy since it came into existence in the long sixteenth century.'

(Bair, 2005, p. 156)

Gary Gereffi, an Emeritus Professor at Duke University for economic sociology, introduced in the 1990s the concept of Global Commodity Chains. The theoretical approach was based on Wallerstein's idea of the Commodity Chain (CC), like mentioned in chapter 2.1. before. In contrast to Commodity Chains, Global Commodity Chains are inter-firm networks connecting all players of production globally. Producers, suppliers and subcontractors of diverse industries are connected with each other as well as to international markets.

Both approaches, the CC as well as the GCC allow switching between different levels of analysis.

According to Bair GCCs can be defined as 'structures that connect actors across space- not only to each other, but also to world markets'. GCCs are like the infrastructure of international trade, measuring cross-border flows of trade in final productions and exchange (Bair, 2009, p. 9). In addition, the GCC approach analyses power relations along the commodity chains to describe economic, social and environmental issues (Blowfield, 2003, p. 17). A commodity chain shows all activities involved in the design, production, and marketing of a product.

Overall Gereffi created a scheme to describe the structure, dynamics, and relationships among actors of a chain according to these **four building blocks**:

- input-output structure
- geographical territorial scope
- governance structure
- institutional context

Subsequently, I would like to elaborate the four dimensions after Bair and Gibbon – and identified by Gary Gereffi – in more detail in my next chapters.

2.1.1.1 Overview of the input-output structure

The input–output theory goes back to Professor Wassily Leontief in the late 1930s and was adapted during the decades to a key factor in economic analysis and became according to Miller and Blair 'one of the most widely applied methods in economics'.

The basic Leontief input–output model represents interindustry exchanges of goods and is generally constructed from observed economic data for a specific geographic region (nation, state, county, etc.). The developed utilization of the original input-output model makes the measurement of the activity of production lines possible, where goods are at the same time outputs (production) as well as inputs (consumption) in the process of each industry's production (Miller and Blair, 2021, pp. 1–9).

Not only Miller and Blair have researched on the input-output theory, but also Önder Nomaler and Bart Verspagen. According to them the input-output analysis in general tries to break down the added value, which was created by the consumer's demand into country-sector combinations. Nomaler and Verspagen argue e.g. that 'the input-output analysis is supposed to give an adequate picture of the entire range of electronics products (or any different industrial sector) produced in a specific location'.

Though we can point out that the input-output model analyses essential issues as a whole unit by putting together individual parts in order to assemble a complete picture of economic reality, trying not to deform the facts, Nomaler and Verspagen criticise that the input-output analysis will most probably over-estimate the contribution of value added by the sector that produces the final product, 'the one closest to final demand'.

Thus, in their point of view, they think that the input-output model will rather misrepresent the global distribution of average value added, instead of providing a correct representation.

Nomaler and Verspagen continue arguing that this deformation applies to all sectors that are involved in production. But why is that? Because of the increasing global fragmentation, they think that most probably a single sector will contribute differently in various production stages of the products. However according to them, the input-output model ignores this diversity and assumes a fixed ration for all activities that the sector is involved in (Nomaler and Verspagen, 2014, pp. 1–2).

2.1.1.2 Overview of the geographical territorial scope

The production and distribution of any commodity, whether a manufactured product or a service, involves activities and transactions across trans-national borders and therefore across space and time. That means that production of goods needs networks, becoming organisationally as well as geographically more and more complex.

The commodity chain framework consists of the dualism of core nodes and peripheral nodes and reflects the argument of core and peripheral states within the world-system theory as developed by Wallerstein. According to Wallerstein's theory, the relationship between core and periphery leads to a complex hierarchy defined by the value added within the global system, whereby core activities are those where most of the profit is produced.

Therefore, firms in **core nodes** try to create barriers of entry for competitors to protect their sustainable capability of production in the long-term. These barriers involve e.g., innovative technologies, high-quality products or trademark reputation. It follows that a higher value added within a node leads to a higher competitiveness of the firm.

On the contrary, cheap labour and simply fabricated goods in the **peripheral nodes** lead to low-value profit and in addition the firms suffer of high competition. It also means that lower complexity goods produced with cost advantage in low-value peripheral nodes can more easily be replaced from a geographical point of view by any other substitutional area around the globe.

Semi-peripheral nodes are the organizational linkages between core and peripheral processes with organisational capacity and industrial capabilities of relatively advanced manufacturing as well as high-quality low-end services.

All these three levels of processing nodes define the territoriality of the commodity chain (Bair, 2005, pp. 157–170).

2.1.1.3 Overview of the governance structure

The commodity chain concept has placed a strong analytical emphasis on the governance of economic action to identify the form of integration in the global economy and the power relations between each economic actor, e.g., firms. The distribution of the added value created through the commodity chain gives a hint to the economic and political power of the involved actors. Bair says: 'to describe a chain's governance structure is to illuminate the nature of power relations that exist along a chain' (Bair, 2005, p. 159).

Gehl Sampath and Vallejo show us with their **five-key-concept** that the dimension of governance structure affects market access and production capabilities. They suggest various policies to change global value chain related power asymmetry (Gehl Sampath and Vallejo, 2018, pp. 481–486).

According to them, GVC governance consists of these five key factors:

- Market
- Modular
- Captive
- Relational
- Hierarchy

Gereffi argues that ‘industrial and commercial capital have promoted globalization by establishing two distinct types of international economic networks, which can be called “**producer-driven**” and “**buyer-driven**” global commodity chains, respectively’ (Gereffi, 1999, p. 1). This dual distinction reflects the mutual relationship between producer-driven commodity chains and buyer-driven commodity chains and how they form the global manufacturing reality.

Zoll describes Gereffi’s theory of producer-driven commodity chains being ‘**vertical networks** of large TNCs predominantly operating in capital and technology intensive industry sectors, such as heavy machinery, automobiles, aircrafts, and computers’. The vertical networks are able to control their backward linkages to raw material and their forward linkages to distribution (Zoll, 2011, p. 3; *Commodity Chains*, 2023).

On the contrary, Gereffi defines buyer-driven global commodity chains as typically located in countries of the Global South, depending on decentralized production networks in different exporting countries. Therefore, buyer-driven commodity chains can be found in labour-intensive industries, such as garments, footwear, toys, houseware, electronics, and a variety of handicrafts, depending on the large retailers or marketers that order the goods (Gereffi, 1999, p. 1). In other words, firms coordinating buyer-driven chains deal predominantly with labour intensive, manufactured consumer goods.

Buyer-driven commodity chains are therefore described as ‘trade-based **horizontal networks** coordinated by retailers, trading houses, and brand name companies’. According to Gereffi the production of buyer-driven chains is geographically separated from the process of design, research, development and marketing.

Therefore, Gereffi differentiates between merchandisers in buyer-driven commodity chains and manufacturers in producer-driven commodity chains. As a logical consequence, the highest barriers to entry in buyer-driven commodity chains exist in marketing, design and product innovations, as these are the stimulating factors for competition and can allow companies to expand.

The accumulation of knowledge and high-value design, sales, marketing and financial services create uniquely branded products with property rights of brand markets and trademarks, even if manufactured and produced in areas of the Global South.

Although, the duality of producer-driven and buyer-driven commodity chains allow to understand the inter- and intrasectoral independencies of global capitalism, yet it is too simple to explain the complexity of our global economic realities. This is why the sole duality, either buyer-driven or producer-driven chain, has been replaced by a more realistic conceptualization. Value chain debates have additionally considered the institutional framework as a far more relevant factor in defining globalisation than the initial commodity chain literature did. Therefore, I will give an overview about the institutional context of commodity chains in the next chapter.

In case of cocoa, the commodity chains have predominantly an international trader-driven governance structure up to the point where cocoa beans enter the consuming countries. Transnational Corporation traders buy cocoa beans from producing countries and sell them to chocolate manufacturers. But as it is the case with coffee and according to Talbot, during the final stage of the commodity chain, a mixture of Gereffi's producer-driven and buyer-driven types is created (Talbot, 2002, p. 718).

In this context Blowfield defines the cocoa sector partially as a buyer-driven global commodity chain with an increasingly large number of small producers. But while consumption at the buyer-driven side gets less, we can see that on the producer-driven side more and more farmers offer their goods at the international markets instead of reducing their supply (Blowfield, 2003, p. 17).

2.1.1.4 Overview of the institutional context

The institutional dimension evaluates the ‘current economic organization of the chain, in terms of actors, places and processes, and how it might evolve in the future’ (Marcato and Baltar, 2020, p. 2). This dimension identifies how local, national and international conditions and policies shape the globalization process at each stage of the chain. Thereby the dimension analyses 'how subordinate participation in a GCC may provide indirect access for small producers to markets, technologies and knowledge at lower costs than they would otherwise face' (Gibbon, 2001, p. 347). According to Gibbon, the institutional frame poses for Gereffi the main condition for a successful market access globally.

Mohan points out the essential importance of the institutional context, as a set of political, social and legal policies – establishing the basis for commodity chains. Mohan criticizes that the interplay between theoretical and empirical work on institutions have been neglected in value chain theory and therefore there are relatively few statistics or studies about the value chain upgrading.

Nonetheless, analysis of the institutional context is necessary for understanding upgrading opportunities in GVCs. It can allow researchers to examine the effect of institutional context on value chain upgrading and in further consequence to understand the effect on the livelihoods of the workers involved in the process of commodity chains. Institutional theories therefore study local conditions as an element of global economic interactions (Mohan, 2016, p. 52f.).

2.2 Upgrading opportunities through the GVC approach

Literature on upgrading reflects on how to improve the situation of the Global South. The idea is to improve the incomes and the standard of living through value added in production. Upgrading efforts do not only focus on welfare and income to combat poverty. In fact, upgrading efforts do also embrace topics like gender and livelihoods by improving social and environmental standards.

According to Mohan, smaller firms find themselves in tightly coordinated chains under the control of strong lead firms, who use governance mechanisms as explained in 2.1.1.3 such as production standards, transmission of knowledge, financing and transmitting the products to and from suppliers (Mohan, 2016, p. 52f.).

The concept of upgrading is based on a bottom-up approach, a concept to make up in the commodity value chain by improving the competitiveness in the global economy (Marcato and Baltar, 2020, p. 2).

According to Sampath and Vallejo, these lead firms control the production process and create new firms of interfirm relationships, controlling the access to technology and international markets along the commodity value chain. This affects countries of the Global South in particular as the central role goes to core countries, as described in the territorial scope in 2.1.1.2, excluding the peripheries from technological transformation, structural catch-up and economic development. Nevertheless, Sampath and Callejo assure that lead firms have positive effects on smaller firms participating in global value chains, enabling them for economic and social upgrading.

More recent GV literature argues that value chains not only help small firms to access the global market, but also to receive new technologies for improving the firms' fitness globally. Sampath and Vallejo reason that it brings small firms in countries of the Global South and the workers participating in the commodity chain even more advantages, if they specialize in niche products instead of trying to build the infrastructure for entire production systems (Gehl Sampath and Vallejo, 2018, pp. 481–486).

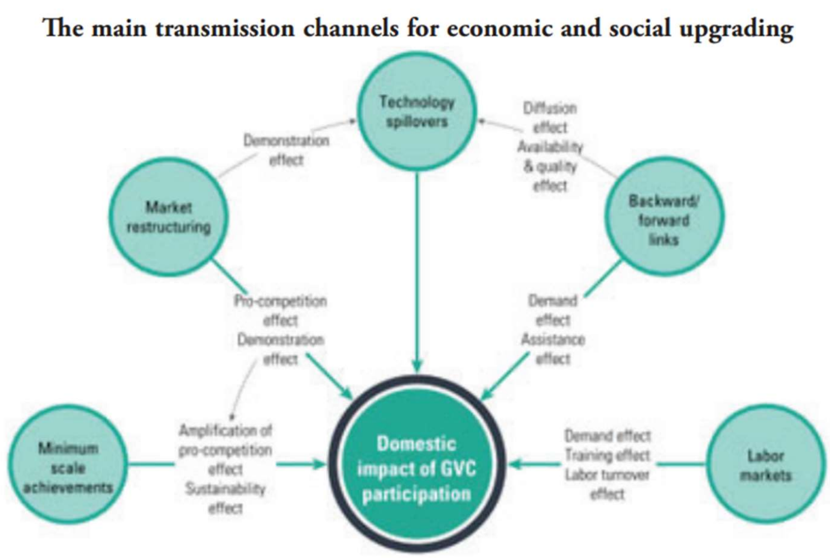

Figure 4 - Transmission channels for economic and social upgrading. Source: Marcato and Baltar, 2020, p. 10

Upgrading basically demonstrates how serious firms and countries engage with their value creation policies to improve the economic and social standards of people. These two aspects I am going to discuss now closer in 2.2.1 and 2.2.2.

2.2.1 Economic upgrading

Economic upgrading, also known as industrial upgrading, is defined as 'the process by which economic actors – nations, firms, and workers – move from low-value to relatively high-value activities in global production networks'. In other words, the goal of economic upgrading is the improvement of a firm's productivity and competitiveness and that presumes according to the United Nations Industrial Development Organization (UNIDO) technological and managerial measurements.

Marcato and Baltar therefore suggest that countries and firms should seek a long-term strategy to be integrated into global value chains in order to upgrade their position in commodity value chains. As the economic perspective of upgrading is almost understood as a move into a higher value-added stage inside the commodity chain, it is assumed that this move will automatically lead to higher productivity and increase benefits for the participants within the value chain.

Economic upgrading means the ability of an actor of the value chain to learn in all stages of the production procedure through gaining skills and know-how and to achieve a better production by capital investment and technology improvement. It does not mean though, that economic upgrading is only possible if a society leaves the agricultural system behind and moves toward a service-oriented economy as suggested by the global value chain literature of the old paradigm.

Marcato and Baltar summarize the change of perspective in the global value chain literature throughout the decades, as follows: 'This means a rupture with the old sector-based paradigm focused on final goods and moving a step forward to a new paradigm focused on intermediates'. So, Marcato and Baltar list up four factors every firm can adopt for a successful upgrading. These **four factors** are:

- **process upgrading** means that firms increase their value-added shares through more efficient organisation of the internal production processes. That leads to a higher competitiveness than other rivals. Process upgrading can only be achieved by introducing new technologies, especially for complex tasks, to decrease the costs on the one hand and to increase the quality on the other hand.
- **product upgrading** means to either improve an old product faster or better than the rivals or it can also mean that a firm even produces a completely new product. It means that the firm should dare to start a more advanced product line which produces more skilled jobs. The acquisition of new techniques can be measured as the value added per unit of output.
- **functional or industrial upgrading** means that a firm increases the value added by improving and changing the activity performance or starting new segments of a global value chain. Functional or industrial upgrading can be measured as a higher share of value added in the output of the final product.
- **chain (or inter-sectoral) upgrading** means – at the contrary of the previous three factors – that a firm will not try to improve itself inside an existing global value chain. But it means that a firm will move horizontally to new global value chains that produce higher value-

added per unit of output with similar knowledge and skills (Marcato and Baltar, 2020, pp. 1–12).

According to Barrientos economic upgrading can be understood as an upgrading of suppliers to a higher-value position within the global value chains. Economic or industrial upgrading means therefore according to Barrientos changes in the production procedure for more efficiency and higher productivity through modernization and higher technical skills (Barrientos, 2019, p. 70)

Figure 5 is a bar chart according to Barrientos et al., which shows the skills needed for different manufactured goods and service products.

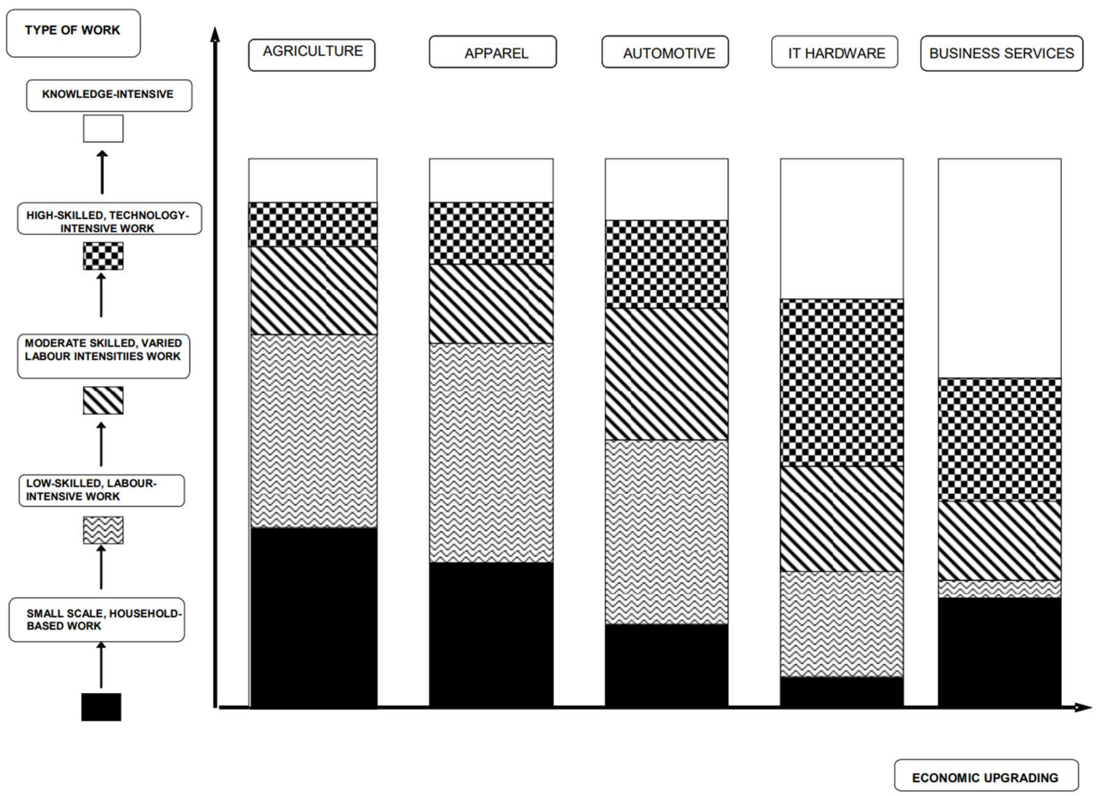

Figure 5 - Typology of Workforce Composition across Different Industries. Source: Barrientos et al., 2010

Economic upgrading is necessary but not sufficient for social upgrading, as economic upgrading does not automatically lead to social upgrading. I will elaborate the concept of social upgrading in my next chapter.

2.2.2 Social upgrading

As I have highlighted in the chapter before, the economic perspective of upgrading is considered to be a structural change, shifting low productivity labour (such as traditional agriculture) to higher productivity activities. A structural change takes for granted that activities will be diversified and that new technologies will be adopted and that existing technologies will be improved.

According to Barrientos, social upgrading is defined as 'providing better incomes and conditions for workers, both waged and home-based'. Social upgrading will thus not only mean better wages, but also less and/or flexible working hours, measures of health and safety, workers' rights as freedom of association and of course no discrimination. Social upgrading is seen to promote employment based on decent work and respect for labour standards. Most of these factors can be measured with a special focus on workers and small-scale producers. Barrientos mentions here namely the smallholder cocoa farmers in Côte d'Ivoire (Barrientos, 2019, p. 70).

Table 2 shows different economic and social drivers and how they influence economic and social up-and downgrading.

	Economic Up/Down-grading	Social Up/Down-grading
Commercial Drivers	• Cost (wages, transportation, inputs) • Time to market • Volume & quality • End-market demand/preference • Technology and skills • The nature and location of GVC lead firms • Safety/quality standards & certifications	• Cost (wages, transportation, inputs) • Time to market • Volume & quality • End-market demand/preference • Technology and skills • The nature and location of GVC lead firms • Social (ethical) standards & certifications • Corporate social responsibility
Social Drivers	• Policies and regulations: trade/competition; labor/workforce development; technology/innovation • National and regional industrial policy (incl. SEZs, industrial clusters) • Demand for more jobs and higher standard of living • Entrepreneurship	• Effectiveness of labor law • Policies and regulations: education/skills; health/safety; gender; environment • Degree of activation of NGOs • Existence and power of trade unions • Nature of industrial relations (e.g., tripartite cooperation)

Table 2 - Economic and Social Up/Down-grading. Source: Gereffi and Lee

Thus, global value chain social upgrading means that workers in a firm get their portion of gains from economic upgrading not only by monetary compensation but also as a better life and wellbeing. In short, social upgrading can be described as 'the social impact perceived by the workers involved in a production network'.

It has been challenging to find right ways to measure social upgrading. The consensus is to measure **quantitative** aspects and to combine them with **qualitative** aspects. Some of these aspects are e.g., total employment, wages and gender aspects like female share of employment, labour conditions and workers' rights, such as freedom of association and collective bargaining.

Other dimensions such as youth unemployment and child labour and education levels, overtime policies and decent work standards must be mentioned as well. The term "decent work" was developed by the International Labour Organization (ILO) and describes **four aspects** of work:

- Employment
- social protection
- workers' rights
- social dialogue

Salido and Bellhouse add other dimensions to social upgrading, such as gender and environment agendas. Furthermore, it is being assumed that the academic interest of analysing social upgrading will in the future concentrate more on analysing other topics like natural resources, land ownership and migration movements (Salido and Bellhouse, 2016, p. 10f.).

2.2.3 Critical aspects of social and economic upgrading

Measuring economic and social upgrading and establishing a connection between these two analytical strings can be academically challenging, as it involves the aggregation of different data.

Economic and social upgrading opportunities are measured either as a whole nation, for a specific sector or a certain firm level. This level-based analysis allows to consider qualitative factors such as e.g., labour standards. But level-based analysis is inappropriate to measure across sectors and countries to compare them for studies.

This lack of comparability of qualitative indicators makes Salido and Bellhouse search for alternatives to adequately measure important aspects of social upgrading, such as workers' rights leading to better working conditions. However, not only data for measuring social upgrading are difficult to achieve but also data for economic upgrading can be difficult to obtain. Because quantitative indicators like e.g., wages can seldom be found for countries outside the OECD.

As discussed above, the concept of economic upgrading is exclusively linked to gains in productivity, whereas the concept of social upgrading is broader and contains many qualitative and quantitative factors. Social upgrading does not just consider employment and income, but it takes also into account other issues as well. Like health, education, gender or environment. Therefore, social upgrading can be measured by multiple indicators as explained before, depending on the approach taken (Salido and Bellhouse, 2016, pp. 11–12).

According to Marcato and Baltar these two upgrading concepts – economic upgrading and social upgrading – are not always mutually dependent. This explains why the sole look at economic upgrading factors, such as firm-level competitiveness will not give a hint about social upgrading factors regarding e.g., improved working conditions. It means that economic upgrading gains from better integration in global value chains may not always lead into improvements in living standards. In other words, economic upgrading may drive to social upgrading but not automatically.

Another critical aspect of the concept of a necessarily mandatory connection between social and economic upgrading is the fact that benefits are not equally distributed among all production stages. The simple unqualified worker will unjustifiably not benefit as much as a worker with a higher qualification, although the higher-valued-added which is generated goes also back to the better performance of the unqualified worker and not only to the better performance of e.g. technologies.

Recent scholarly findings, put therefore an emphasis on social policies to create a balanced distribution of the gains in global value chains for all participants. These academic conclusions see a need in strengthening the role of policymakers in order to promote social upgrading.

Concluding one can say that GVC participation alone does not lead to advantages for the simple worker, on the contrary it could even lead to more exploitation and disadvantages despite of a better technical performance. Also, producers are confronted with several risks and obstacles when participating in global value chains, such as transnational interdependencies and external economic effects of finance crisis as well as disorders of supply chains. Also, other side effects such as social inequalities and environmental degradation or even worsening of labour markets have to be considered. So, global value chain participation does not necessarily lead to improvements but can also lead to negative impacts.

Marcato and Baltar show the importance of policy makers to control these risks directly and not to leave the strategies of global value chain participation to the firms only. According to them, interfering and influencing the firms' policies is necessary to guarantee a better social impact for all participants of the global value chain. The global value chain framework therefore has several limitations and does not offer a holistic solution for social and economic upgrading (Marcato and Baltar, 2020, pp. 4–21).

In addition to Marcato and Baltar's criticism, Jeff Neilson proposes the Sustainable Livelihoods Approach (SLA) as a long-term goal for upgrading. The concept focuses on human well-being and goes beyond recognizing simply employment and income aspects. Taking into account gender relations, property rights and embedding in social institutions. The approach focuses 'on people's capabilities rather than their perceived needs, with a recognition that people have the agency to strategically choose within a restricted range of livelihood activities'. The range of activities is determined by access to resources and assets as well as political, historical and institutional embedding of households (Ponte, Gereffi and Raj-Reichert, 2019, pp. 298–299).

2.3 Price-setting

Price-setting of products is generally based on supply and demand. Price-setting of commodities is usually characterised by high uncertainty due to intra-seasonal producer price volatility. Hence, parties often agree on pre-determined prices of raw materials (e.g., cocoa beans) independent of the prices of the goods produced later from these natural sources (e.g., chocolate).

As it cannot be predicted what will happen in the future, both parties take a risk to miss positive price movements. But at the same time, both parties protect themselves against losses in case of falling prices ('Pricing methods in commodity trading: about pricing & valuation', 2023).

This volatility is part of the global value chain and can be described as 'trade and real exchange rates due to commodity price swings'. The fact of price volatility and in addition structural vulnerabilities make a real challenge for many lower-income countries. According to Staritz et al. the political will to stabilize prices globally is limited, although it is very important for producing countries to deal with price by setting necessary policies. **Price-to-be-fixed** (PTBF) contracts using a fixed-price in advance at the time of signing the contract are according to Staritz et al. dominating the market of countries of the Global South. Why? Because forward-price contracts can soften the economic risks during the time between setting the price and delivering the goods. At the contrary to **spot price contracts**, where the exporters are exposed to price fluctuations as the prices are not fixed in advance but at the time of delivery (Staritz *et al.*, 2022, pp. 840–850).

Figure 6 shows the volatility of the cocoa price on the international commodity market. Reasons for volatility include political uncertainties, weather-related production shortfalls and overproduction in the producing countries. According to Kakaoplattform, the figure shows that the last price low was reached in 2016/2017, when a record harvest caused prices to fall to their lowest level in ten years. Since then, prices have been rising steadily (*Kakao-Statistik - Kakaoplattform*, 2023).

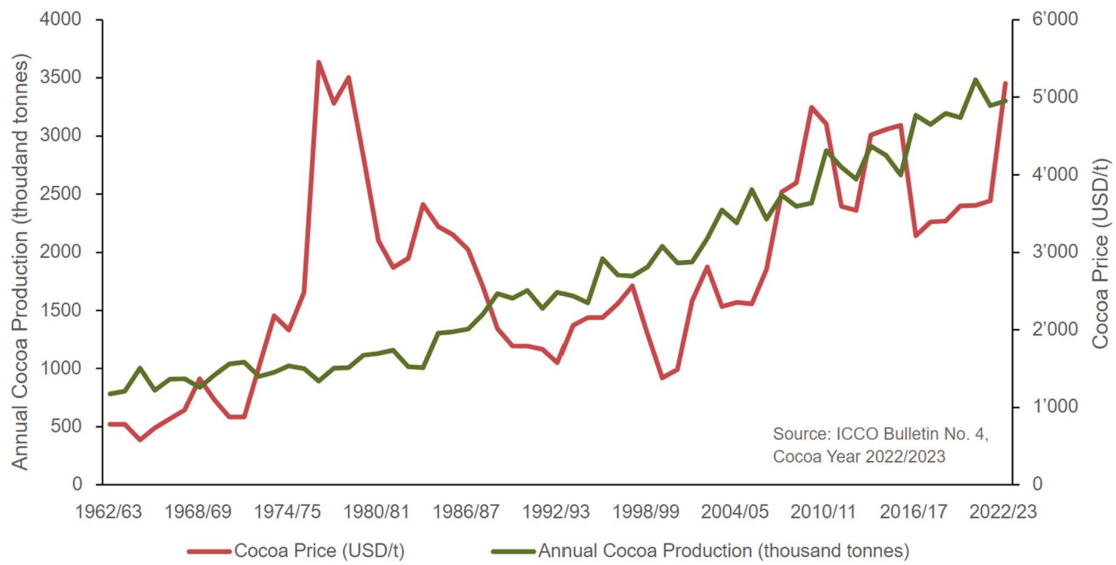

Figure 6 - Volatility of global cocoa prices. Source: Kakaoplattform, 2023

But it is not only a matter of falling or rising prices, but it is also a matter of governmentality – meaning the active role of protagonists in the supply chain (Gibbon and Ponte, 2008). This leads us to the next chapter about governance and power relations.

2.3.1 Governance and power relations

After liberalisation processes in the 1980s/90s today's cocoa GVC is dominated by transnational companies, i.e. chocolate manufacturers and grinder-traders. This concentration is called a **bipolar** governance. Some scholars consider the increased role of retailers as a segment by its own and thus prefer to use the term **tripolar** governance.

The big six chocolate manufacturers are Mars, Mondelez, Nestlé, Ferrero, Hershey and Lindt & Sprüngli and they dominate the production of chocolate products since the 1980s, accounting for 65% of cocoa consumption.

Additionally, 75% of the global cocoa processing and trading stems from Barry Callebaut, Cargill, Olam and Ecom, who mark the top four grinder-traders. Two of them, Barry Callebaut and Cargill, cover nearly half of the chocolate market (Staritz *et al.*, 2022, p. 849).

According to Staritz et al. price-setting power reflects the influence of the participants of the global value chain: The type of contract chosen, the rate of the price and the time of fixing that price, discounts or premiums etc. and translating this relationship into bilateral transactions.

All these factors determine, how these price risks are distributed among the different actors of the global value chain.

The so-called "world price" is set in these contracts. And the cocoa world prices are not determined in the countries of origin but at markets in New York and London, which were established during the first cocoa boom.

According to Staritz et al. price-setting power along the global value chain is not only set by the big six chocolate manufacturers but in addition by the involved grinder-traders, also known as Commodity Trading Houses (CTHs). Grinder-traders fulfil a dual role in the global cocoa value chain: The first role is buying cocoa beans from exporters and the second role is selling semi-processed beans to chocolate manufacturers.

This intermediary position between producers and consumers as well as the concentration of CTHs, gives them a special price-setting power. Grinder-traders are therefore interested in futures-based prices to minimalize the economic risks. This financial risk management followed by the grinder-traders makes price planning at a short time more complicated and makes price stabilization on the long-term more challenging.

But it is not only grinders and traders who hold power along the cocoa GVC, as the governments of Ghana and Côte d'Ivoire control some price-setting power as well. The instruments for these policies are a price stabilization system through forward-futures contracts with fixed producer prices. These price stabilisation measures help to protect producers from price shocks of world market prices. Nonetheless, both countries largely remain "global price-takers", depending on the global world prices determined on the global markets.

Overall, Staritz et al. state that prices are not fixed on fictive markets, but through different interactions and power relations of all participants – e.g., producers, traders, exporters, international buyers, governments, administrations and last but not least the behaviour of the consumers (Staritz *et al.*, 2022, pp. 845–864).

Like previously mentioned, I conducted interviews in Côte d'Ivoire during summer 2022. Adding to the topic of power relations, one of my interviewees very critically analysed the lack of equally distributed power in the following statement:

‘I think what people don't figure out, because everybody now is taking advantage of it, is the way how actually western countries and western agglomerates like the EU and the UN are allowing the private sector to take advantage of the situation. So, I never point a finger at the private sector, but people who allow these private companies to do what they do. I don’t know a lot about Austria to be honest, but if you look at [Western countries, be it small countries like Switzerland or the Netherlands, or bigger countries like the USA or Canada], they still have this old-fashioned theory of change that a smallholder farmer is poor because he doesn't produce enough of the stuff.

So, if you help him to produce more, then he'll be happy. Like cocoa, if you know nothing, you can probably harvest about 350-400 kilos per hectare by default. And since about 12 years, the western countries I just mentioned thought, okay, this cocoa farmer is a poor bugger because he produces 400 kilos. Now let's help him to produce 800 kilos per hectare. So, he is twice as rich, twice as happy, twice as healthy. But that doesn't work.

It only actually distorts the market because you are pushing production of a commodity, which is traded on an exchange. So, the more supply there is with an equal consumption, prices will erode. But at the same time, what few people realize is that the EU as an organization is actually demotivating people of eating chocolate because it is fat, a lot of sugar. So, it is like category E or something, D or E – so highly processed, unhealthy foods […]. So, on the one hand they are pushing production. On the other hand, they try to slow or reduce consumption and then they're very surprised that the prices are so low. […]

A lot of this stuff is actually now inflicted by people who wanted to do something good but ended up doing something which is now very wrong or very detrimental to the farmers and you can call that the unintended consequences or whatever, but that is, I think, getting totally out of hand.

If you’re looking at the misery, you have seen it, the plain misery of cocoa farmers in Africa. Now it's horrible. 40 years ago, farmers were much better off. […] I mean, look at them now. They don't even have money to buy shoes. And another thing we tell them is produce more cocoa and then you'll be happy, you know. Forget it, it's so simplistic, but it's terrible.’ (Interview FarmStrong Foundation, 2022)

The quote demonstrates clearly that decisions made and pushed by uninformed and/or advantage-seeking actors in power positions directly affect the misery of today's average (cocoa) farmer in African countries.

2.4 Overview on the "cartel formation"

'History has shown that cartelization can occur within any market where production is confined to a limited number of suppliers.' (LeClair, 2000, p. 3)

As the intensified cooperation between Ghana and Côte d'Ivoire (CDI) is often referred to in the media as being a cartel, I will proceed to present the definition of a cartel as well as its theoretical conception in the next section of my paper, before providing a brief classification on the "cocoa cartel". Often referred to as COPEC, but better described as intensified cooperation between Ghana and Côte d'Ivoire.

2.4.1 Definition and theoretical approach of a cartel

Typically, a cartel is referred to as 'a grouping of producers that work together to protect their interests. Cartels are created when a few large producers decide to co-operate with respect to aspects of their market' (Cartels, 2020). In theory, different typologies of cartel forms and organizational solutions are known.

Alhajji and Hüttner specify the typical characteristics of cartels, although every cartel is unique and although the theory of international cartels is not well developed in literature.

Hence cartels rarely occur in pure form, rather they are a combination of the restrictive measures and requirements that meet between existing market players.

Alhajji and Hüttner outline the following **characteristics**, as a **cartel** would:

- 'Divide the market by having a quota system.
- Monitor the quota system to identify violations and violators.
- Punish cheaters and quota violators by creating and implementing a punishment mechanism.
- Ensure that the cartel, not the member country, has authority by enforcing cartel authority.
- Have cash and buffer stocks to support prices and to prevent high prices that lead to substitution and erosion of the market for the cartel.
- Have a large market share to be able to control the market' (Alhajji and Huettner, 2000, pp. 1151–1153).

Cartels can also be found in international commodity markets. According to Radetzki and Warell cartels are monopolistic coordination to raise the suppliers' revenues. A successful cartel action needs collaborating regulations, such as restriction of supply or a rise in the price. In addition, participants of a cartel would also need to agree on a marketing policy, leading to increased revenue for the whole group. A successful cartel manages to keep the members' revenues above the competitive level for at least several years (Radetzki and Wårell, 2020, pp. 205–208).

According to LeClair, the smaller the number of producing or exporting countries, the more likely it is that a cartel follows a supply restriction action. Supply restriction means a double strategy of restriction in times of overproduction and increase in times of production declines. That means, that a cartel can only function with non-perishable agricultural products, such as coffee, sugar and cocoa, which can be stored for some time.

A cartel can only be successful if the participating countries are similar in size and infrastructure, as well as comparable in social and political conditions. Establishing quotas is a necessary condition for the stabilization of prices and therefore LeClair says it's very important to follow up with internal policies (LeClair, 2000, pp. 17–18).

2.4.2 Commodity cartels

For a successful commodity cartel, it is according to LeClair elementary that:

- no direct substitutes for the product exist,
- that only a maximum of five participating countries produces not less than 60% of the total global export,
- that the raw material is being processed into a limited number of products.

Considering all these three acquirements, cocoa can be classified as a cartel affine export product (LeClair, 2000, pp. 16–18).

Some of the requirements mentioned above fit to the cartel formation between Ghana and Côte d'Ivoire, often called "COPEC" in colloquial language – inspired by the name of the Organization of Petroleum Exporting Countries (OPEC).

But in the contrary to the OPEC, COPEC cannot be defined as a cartel and could most probably never be a successful cartel, even if the idea of cartelization might seem attractive to the producers. Why that? Because a successful cartel needs only a few buyers with financial power and the capability to retaliate (Radetzki and Wårell, 2020, p. 214).

Therefore, LeClair argues that alternative policies for price-stabilization could be better for commodity exporters than a cartel. Specifically, for the international cocoa market, LeClair concludes that the market is becoming increasingly oligopolistic. He goes on to argue that if all eight producer countries of cocoa [Côte d'Ivoire, Ghana, Ecuador, Cameroon, Nigeria, Brazil, Indonesia and Papua New Guinea] would form a cartel, it would become increasingly difficult to deal with quota violations as production countries are spread geographically around different continents. According to LeClair, statistics also show that the cocoa market is almost permanent suffering from oversupply (LeClair, 2000, pp. 11–17).

Looking back at history, it was the first time for the cocoa sector to establish an International Cocoa Organization in 1963. In 1972 the International Cocoa Commodity Agreement (ICCA) was founded under the auspices of the United Nations Conference on Trade and Development (UNCTAD). Several other ICCAs should follow, but the cocoa cooperation failed not only to raise prices but even stabilize them. The reasons were:

- overproduction,
- cooperation was unable to buy a sufficient quantity of cocoa back from the overfloated market to stop the downward pressure on prices.

Despite the failure of establishing a cocoa cartel in the past, LeClair argues nevertheless that the cocoa market meets many conditions necessary for a cartel (LeClair, 2000, pp. 63–65). Scepticism towards "COPEC" plans was already expressed by a Europe-based trader: 'Short term they'll win (on price) but how long will it be before industry reorganise themselves and Ivory Coast and Ghana have too much production they have to control' (Aboa and Angel, 2019). Thus, it will be interesting to see how the intensified cooperation between the governments of Ghana and Côte d'Ivoire will unfold in the future.

2.5 Synopsis

In 2018, the two largest cocoa producers, Ghana and CDI, joined forces to cooperate in the cocoa sector. With the average cocoa farmer earning under the extreme poverty line – despite cocoa being the main ingredient for luxurious chocolate confectioneries – the aim of this strategy is to improve the livelihoods of cocoa farmers in both countries by means of introducing a harmonized cocoa marketing policy.

Both countries combined account for more than 60% of the global cocoa beans supply. The intensified cooperation is thus sometimes referred to as a "cartel" in colloquial language. It is argued that cocoa offers characteristics which suggest cartel affinity, but eventually cannot be classified as such as there are several buyers with financial power existing within the market. Both countries are also largely global price-takers, which makes it hard for them to retaliate if needed. Moreover, the geographical dispersion of cocoa cultivation in tropical areas around the globe as well as the characteristic of oversupply in the sector, make it hard to classify the bilateral cooperation as a cartel.

For my thesis I am working with the GVC theory. This approach emerged from the original world-systems inspired tradition of CCC and its subsequent chain approach GCC. Gradual liberalisation and deregulation processes in international trade and investment made it necessary to scientifically illume its consequences through the lens of these approaches. The GVC approach helps to analyse the structure and dynamics of different actors involved in a value chain and studies state roles as well as effects of policies. The approach also serves to highlight the importance of value creation and value capture, which play a vital role in upgrading opportunities.

Upgrading can be a way to balance value along chain participants between core (Global North) and peripheral nodes (Global South). Economic upgrading aims to improve productivity and competitiveness of a firm. Social upgrading on the other hand goes beyond these criteria and focuses on health, safety, worker's rights, discrimination, gender, natural resources, land ownership and migration. Economic and social upgrading are not mutually dependent though, as economic upgrading does not automatically lead to social upgrading. Critics furthermore state that upgrading oftentimes is not distributed equally among actors along a chain.

Today's cocoa sector is strongly dominated by chocolate manufacturers and grinder-traders (CTHs), also known as bipolar governance. Price-setting power is reflected in the influence of actors in a chain. Predominantly, futures contracts are agreed upon to minimize economic risks, making price stabilization in the long-term challenging. This is reflected in the vulnerable situation of smallholder cocoa farmers. Moreover, both countries exercise only limited price stabilization power. Price is thus a reflection of power relations among chain participants.

The following figure illustrates the power imbalance and price-setting inequality of cocoa actors along a GVC.

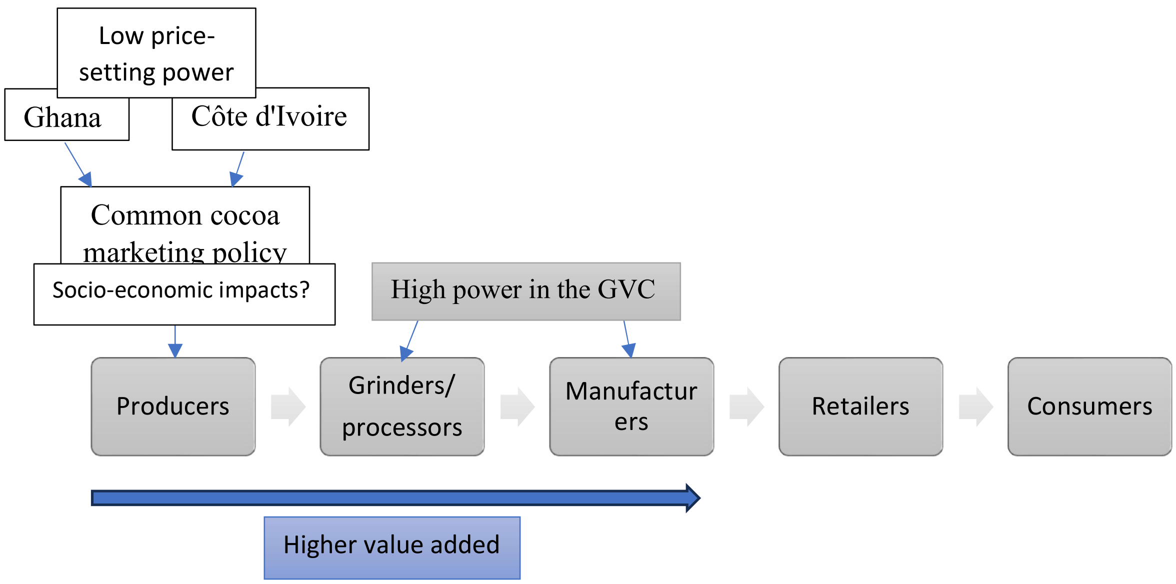

Figure 7 – Illustration of synopsis. Source: Schwarz, 2024

3 Methodology

For my master thesis I chose multiple sources of data collecting methods to answer my research questions within the framework of my qualitative research project. In the following, I will elaborate on literature research, document analysis, the usage of qualitative interviews as well as memory protocols.

3.1 Data collection

I have collected, systematized, evaluated, interpreted and eventually discussed my primary and secondary literature data findings – collected from selective literature research – in combination with qualitative data findings deriving from document analysis of policy documents, such as the Abidjan Declaration, as well as my primary qualitative data findings from empirical interviews.

According to Sonderegger and Pfeffer the difference between primary and secondary sources is that primary sources include only the subject being analysed, while secondary sources involve all texts consulted and referred to for assisting in the analysis (Sonderegger and Pfeffer, 2014, p. 224).

3.1.1 Literature research

As mentioned above, I conducted systematic literature research for the development of my thesis and to assist me in answering part of my research questions. Besides having consulted essays and collected editions for relevant information, I worked with journals, websites, newspaper reports and statistics.

For that matter, I had to be aware **what** information I was looking for and **where** to look for it. To determine what I was looking for, it was helpful to define individual key words that form the basis of my research. In reference to this, the following key words would account for me: Globalisation, trade, GVCs, agricultural commodities, commodity cartels, markets, economic growth, decent work, cocoa and farmers.

In order to find appropriate sources from various forms of literature, I had a look at e-resources from various academic institutions and the online library catalogue as well as public libraries of the University of Vienna. Step by step, I evaluated the collected data from existing specialist literature and documented it in a structural manner.

3.1.2 Document analysis

Another method I was using to gather information is the document analysis. According to Bowen 'Document analysis is a systematic procedure for reviewing or evaluating documents – both printed and electronic (computer-based and Internet-transmitted) material'. Like other forms of analysis, document analysis as an analytical method of qualitative research, needs the examination of all data in order to understand the information and to develop an own empirical knowledge (Bowen, 2009, p. 27). This method was especially helpful in interpreting policy documents on the Abidjan Declaration and the intensified cooperation between both cocoa producing countries.

According to O'Leary there are three primary types of documents: **Public records** and **personal documents** to **physical evidence** (O'Leary, 2014, p. 495ff.).

For my research I analysed the following documents:

- **Abidjan Declaration on the African Union**, December 2022
- **The Federation of Cocoa Commerce,** Implementation of Living Income Differential by CDI and Ghana, July 2019
- **ILO 14th African Regional Meeting**, Implementation Plan supplementing the Abidjan Declaration, December 2019

Sonderegger and Pfeffer see a challenge for a researcher to make a well-founded decision in choosing the right documents which are indispensable for answering the research question. Also, a researcher should decide about the relative weight and importance of the different documents. Another approach in solving this issue can be found in questioning the sources used regarding their content, form (**text level**), circumstances of their production and reception (**context level**). This means that one must deal critically with the documents and use them in a practical manner as well as putting them into suitable context.

In doing so, the researcher shall always practise scientific self-reflection in order to improve the knowledge process. This includes a critical examination of one's own economic, social and political background and finally, one's own scientific and disciplinary conditions. It also requires questioning social conditions, the position, attitude, background as well as the interest of the text producer. According to Sonderegger and Pfeffer, the researcher as well as the text producer are subject to the boundaries of time, space, position, the social field and identity markers, e.g., “race”, class, gender, nation, religion, etc., which influence their possibilities of interpretation.

A critical examination of sources therefore marks the starting point of an academic work. Source-critical questions are important tools for text interpretation. Nevertheless, the documents can never be definitively checked. Because written documents only offer a part of reality as they represent sources that are bound to culture, locality and time (Sonderegger and Pfeffer, 2014, pp. 223–229).

3.1.3 Qualitative interviews

‘Qualitative interviewing is a great adventure; every step of an interview brings new information and opens windows into experiences of the people you meet.’ (Dannecker and Englert, 2014, p. 153)

Because document analysis gives only a partial look at the whole issue, I chose for my methodological approach personal interviews as a data collection method. Generally, interviews can be regarded according to several aspects, such as:

- The **type and extent** of its structure (unstructured, semi-structured and structured interviews)
- the question of whether **one or more people** are interviewed at the same time (individual vs. group interviews)
- whether the survey is conducted verbally and in the form of **face-to-face** interactions or **technically mediated** and in writing via the internet or through webcams (form and medium of communication)
- as well as the **style of communication** (hard, neutral and soft interviews)

- and the **interrogative form and objective** of the interview – meaning quantitative determination of empirical research interests or the understanding of everyday life connections (Halbmayer and Salat, 2023).

The aim of qualitative interviews, which I have conducted during my field research, is to understand the living environments and perspectives of local insiders in order to gain certain thematic knowledge and information: 'For a topic to be appropriate for qualitative research it must be grounded in the lives of the conversational partners. It is their reality that you will eventually convey'.

Depending on the research interest and research question, qualitative interviews are used to obtain data for the description of a social phenomenon, for contextual embedding or for reflection in the sense of generating new perspectives on a topic (Dannecker and Englert, 2014, p. 154ff.).

The approach to data collection affects the possibilities for analysis and insight: 'The type of interviewing selected, the techniques used, the ways of recording information, all come to bear on the results of the study' (Dannecker and Englert, 2014, p. 15). For my specific context I have covered a group interview, expert interviews and problem-centred interviews during my field research.

Their commonality lies in the relatively open form, oriented towards the individual interviewees in the sense that the interviewer – in this case it was me – is adapting the sequence of topics, the formulation of questions and the time management to the specific interview situation and interviewees (Dannecker and Englert, 2014, p. 154).

In total, I was able to conduct seven interviews on site, one of them being a group interview. Two more interviews were conducted remotely via the video communication tool ZOOM. I will now proceed to present the various forms of interviews I used in sequence.

3.1.3.1 Group interviews

According to Hopf, group interviews can be classified as semi-structured interviews with simultaneous questioning of several individuals in formal and informal settings – mostly though within naturally occurring social bodies, such as associations, cooperatives, families, circles of friends, etc. The unique feature of this interview form lies in two levels of discussion – on the one hand, we have the researcher's discussion with the participants and, on the other hand, the participants' discussion among each other.

Group interviews can serve well as an initial orientation in a research field. Group interviews are like a starting point for later individual interviews or reflections and verification of findings at the end of the research process. Personally, I conducted my group discussion about halfway through my field stay in Côte d'Ivoire, as the situation offered itself in that timely manner to me. Furthermore, I used a specific form of group interview, namely focus group discussion. This form focuses on a specific topic or stimulus placed at the beginning of the interview with the aim of capturing reactions and interpretations by the interviewees. These stimuli can include films, statements, questions or situations. For my field research I used questions on the quality of livelihoods of Ivorian smallholder cocoa farmers in the context of the intensified cooperation between Ghana and Côte d'Ivoire as stimuli.

The group interview with members of the cocoa cooperative of SOCOOPACDI – organized by OCEAN SA – helped me to initiate conversations with cocoa farmers. The interview allowed me to briefly access collective knowledge, orientations and values of the interviewees.

From a theoretical point of view, interviewers most likely face challenges in this more complex interview situation, as such group interactions always reveal dominance structures or reserved positions on the part of the interviewees – which allows conclusions to be drawn about hierarchical relationships and exclusion mechanisms. It was therefore necessary from my side to find a good balance between leading the interview and making sure to encourage all interviewees – including the cocoa farmers – to participate and to allow them to have a share in the conversation: '[…] the group interviewer must simultaneously worry about the script of questions and be sensitive to the evolving patterns of group interaction'.

Concluding, group interviews allow to draw conclusions about how a specific group thinks about certain topics, how they assess or would improve certain processes or interventions. Therefore, the group interview was of great value in answering my research questions.

In the following sections I will discuss expert interviews and problem-centred interviews, which help gain insight into the individual ideas of interviewees and allow to explore the personal opinion of a participant without being influenced by others (Dannecker and Englert, 2014, p. 164f.; Halbmayer and Salat, 2023).

3.1.3.2 Expert interviews

Expert interviews are usually conducted in a guided and open form. This means that the interviewer prepares key questions and topics in advance to interact as a competent instructor during the interview situation. In this context, the prefabricated guidelines are usually applied in a flexible manner and not as a standardized questionnaire so that they evoke a natural course of conversation. That means that the interviewer remains open to new topics and content brought forth by the interviewee.

According to Dannecker and Vossemer, the interview guide is the result of an operationalisation in which research questions are translated into guiding questions and guiding questions into interview questions. Also, the interview questions serve to encourage the interviewees to share their experiences on individual aspects of the summarised connections made in the guiding questions. Interview questions should generally be formulated as simply, clearly and neutrally as possible.

One can assume that experts have special expertise and know-how in their fields. Experts' opinions are often bound to certain institutional, organisational or social contexts, which differentiates them from other stakeholders. In this context, the expert is often regarded as a representative of a group of certain experts rather than an individual case (Dannecker and Englert, 2014, pp. 159–162; Halbmayer and Salat, 2023).

3.1.3.3 Problem-centred interviews

The theme-centred or also problem-centred interview on the other hand combines inductive and deductive approaches at the same time. The researcher is prepared with theoretical knowledge about the theme of the interview, while at the same time the statements by the interviewee remain of fundamental importance for the analysis of the topic. This means that the researcher must remain open to the meaningful input of the interviewee regarding the structuring of the problem area or social environment. The interviewee shall therefore not be suggestively influenced by the theoretical concept of the researcher.

The theme-centred / problem-centred interview starts with specifying the problem area and then goes on to stimulate the telling phase of the interview. It is central for the researcher to understand and reflect the descriptions and representations of the interviewee through reflections and questions as well as confrontations (Halbmayer and Salat, 2023). I made use of this form of interviewing when generating data on problematic subjects for smallholder cocoa farmers, such as low incomes as well as remaining challenges in the cocoa sector.

3.1.3.4 Interview schedule

Since I have anonymised my interviews, I do not provide the names of the interviewees along with their positions.

	Company/Organisation	Date	Interview type	Location
1	PEMMS Chocolats & Confiseries	21.07.2022	Problem-centred interview	Avenue Boga Doudou Cocody, 2 Plateaux, Vallons, Abidjan, Côte d'Ivoire
2	OCEAN SA	27.07.2022	Expert interview	7XPR+4VR, Abidjan, Côte d'Ivoire
3	OCEAN SA	27.07.2022	Expert interview	7XPR+4VR, Abidjan, Côte d'Ivoire
4	CRPA Centre de Recherche Politique d'Abidjan	28.07.2022	Expert interview	27 BP 880 Abidjan 27 Cocody, Abidjan, Côte d'Ivoire
5	OCEAN SA and SOCOOPACDI	31.07.2022	Group interview	7XPR+4VR, Abidjan, Côte d'Ivoire
6	CCC Conseil du Café-Cacao	03.08.2022	Expert interview	Immeuble Caistab, Bd. Botreau Roussel, Abidjan Plateau, 04 BP 2576 Abidjan 04, Côte d'Ivoire
7	ICCO Secretariat International Cocoa Organization	03.08.2022	Expert interview	ICCO Building – II Plateaux – Vallon ENA – Avenue Boga Doudou 06 BP 1166, Abidjan 06, Côte d'Ivoire
8	FarmStrong Foundation	24.11.2022	Problem-centred interview	ZOOM video meeting
9	ECOOKIM Union des sociétés coopératives Kimbé	06.01.2023	Expert interview	ZOOM video meeting

3.1.3.5 Memory protocols

My interview with Conseil du Café-Cacao (CCC) took place in form of an exchange off-the-record as I was not given permission to make an audio recording. Hence, I took a memory protocol of the interview, of course after obtaining permission from the interviewee beforehand.

In this context, I made sure to capture relevant information for my research in abbreviated form as well as in form of bullet points. In doing so, I tried to write down the information given in a chronological manner, whilst following the guiding thread of my interview questions. However, I have left some blank spaces in between the thematic sections in order to be able to make insertions and further notes, in case required.

3.1.3.6 Interview transcripts

Besides making notes by writing down some keywords during the interview and besides formulating and describing the fieldwork, one can also transcribes different kinds of texts during fieldwork. This transcription does not only mean the transcription of interviews, but it can also mean the transcription of myths, chants, ritual texts, and other forms of oral literature.

In principle, at least two basic forms of transcription are available:

- Transcription of **audio-visual** documents,
- transcription of **non-audio-visual** documents.

'Transcribed texts must always include information about the informant, the place, the date, and the situation and type of recording of the text.' (Halbmayer and Salat, 2023)

In the context of my transcription process, I used the tool Descript to transcribe my audio recordings from interviews, which I have conducted in French, English and German. During my research process I have conducted overall six audio recordings and two audio-visual recordings with the communication tool ZOOM.

3.2 Data analysis

3.2.1 Qualitative content analysis

In order to help process a large amount of empirical research data, qualitative content analysis is a popular tool among social scientists. 'The aim of qualitative content analysis is to interpret the manifest and latent contents of the material in their social context and field of meaning. The goal is to achieve an interpretation that is intersubjectively comprehensible and as exhaustive as possible.' (Albrecht, 2021) Hence, a successful analysis is able to compare one's own results with the results of similar studies and to carry out checks for reliability.

For my research, I worked with qualitative content analysis by Phillip Mayring, which poses the most popular approach of the analysis today and which was introduced in 1983. This form of analysis allowed me to interpret all my transcripted interviews as well as to consider all documents I consulted for my theme, which enabled me to answer my research questions. Qualitative analysis describes the framework of empirical and methodological analysis of texts within their original context of communication, following analytical step by step rules without hasty judgement.

Qualitative analysis is analysing the material step by step and splitting it into content analytical units (Mayring, 2000). It is an evaluation technique, combining data analysis and text interpretation (Albrecht, 2021).

By using this form of analysis large amount of data can be reduced to an essential interpretation of the whole material according to a category system. After the data material has been screened, suitable categories are formed to all relevant text passages. This process is called coding. For my qualitative content analysis, I worked with the online tool MAXQDA 2022, using categories such as "impact cocoa farmers, Abidjan Declaration, international reactions, solutions, living standard, price, power and future research on the topic".

Categories are the centre of the analysis and they are formed according to the text interpretation and the research questions. Mayring called this procedure "feedback loops", which means that outputs of a system are circled back and used as inputs. The category system enabled me to filter all relevant content from my interview transcripts.

According to Mayring, we can find two approaches within the qualitative content analysis:

- **Inductive** category development,
- **deductive** category application.

In my context, it was necessary to use both approaches, as I have developed concepts from theory as well as gained new insights from my empirical research.

With the **deductive** procedure, categories are established and defined before the analysis of the data material, also known as the **structuring content analysis** according to Mayring. The structuring form is suitable for receiving an overview of the collected material, which is going to be formed into categories and which will be evaluated by choosing certain views.

The aim is to extract defined elements from the whole amount of disordered material in order to receive a well-organized deductive structure. The remaining material will then be collected in some kind of "residual category", where data material that does not fit to any of the categories will be gathered.

For the **inductive** procedure, categories are not created before the material is screened, but are derived directly from the material itself without any theoretical concept, also known as **summarising content analysis** according to Mayring. The focus here is on reducing the material to the basic and essential information. However, the basic form of the material should not be distorted during this process (Mayring, 2000).

In more detail, the process of qualitative content analysis usually follows eight steps:

- ‘Prepare the Data
- Define the Unit of Analysis
- Develop Categories and a Coding Scheme
- Test Your Coding Scheme on a Sample of Text
- Code All the Text
- Assess Your Coding Consistency
- Draw Conclusions from the Coded Data
- Report Your Methods and Findings.’ (Zhang and Wildemuth, 2009, pp. 3–5)

3.3 Limitations and challenges of the research methods

The findings of this study were subject to limitations regarding my research methods. As my research focus was on the socio-economic impacts of the intensified cooperation between Ghana and Côte d'Ivoire on Ivorian smallholder farmers, I originally wanted to conduct the majority of my interviews with cocoa farmers on site.

However, it turned out to be difficult to get in touch with smallholder cocoa farmers during my research stay. Lack of necessary infrastructure as well as safety concerns regarding not well constructed roads and the fact of otherwise costly transport, made a trip to a cocoa plantation on the countryside difficult for me. Thankfully though, I did get the opportunity to interview two cocoa farmers during the group discussion at OCEAN SA. The farmers were members of the SOCOOPACDI cocoa cooperative. I was also able to conduct an interview with another cooperative, ECOOKIM. However, my research is limited to two cooperatives.

Another challenge I encountered during my field research was in part the language barrier, as both cocoa farmers from the cocoa cooperative SOCOOPACDI exclusively spoke a dialect during the interview. I was all the more grateful that another member of the cocoa cooperative SOCOOPACDI took part in the group discussion and kindly functioned as a French translator. Thanks to my level of B2 in French, fluency in English and my mother tongue being German, I was in total able to conduct three interviews in French, five interviews in English and one interview in German. Challenges were raised though during the translation process of relevant parts of interview transcripts from French and German into English as I tried my best not to present the content in a distorted way – quite literally avoiding “lost in translation”.

Another challenge – and in a way also limitation – that occurs during the process of writing a master thesis is the pending reality on how to deal with the overwhelming amount of relevant and valuable information. As there are many relevant literature and articles on the topic of global value chains, the cocoa sector in Côte d'Ivoire and more, I am sure much more information could have been included in my master thesis. As a researcher though it is important to filter and limit the amount of information one consumes for research in order to be able to keep the focus on central aspects of the thesis, which are outlined in the table of contents and can help as a guiding framework in answering the research question.

Hence, I do not want to claim that I was able to collect a comprehensive amount of information for the complex topic of my master thesis by using my research methods during a limited amount of time. Furthermore, I have received feedback in several of my interviews that it will take time before the socio-economic effects of the intensified cooperation between Ghana and Côte d'Ivoire on smallholder Ivorian cocoa farmers will become evident. Thus, my research field leaves space for future scientific endeavours.

For the future, it will be interesting to gather topic-related information from interviews with Ivorian cocoa farmers. It would give cocoa farmers the chance to directly share the impact and visibility of the intensified cooperation on their lives. This endeavour might require a translator in case dialect is spoken, but it would certainly be helpful in receiving more understanding on cocoa farmers as experts of their own realities.

3.3.1 Ethics and reflection on my individual position

As mentioned before, I was staying in Côte d'Ivoire during summer 2022 for the purpose of my field research – which predominantly took place in Abidjan. As I have spent only three weeks in the field, I did not have the chance to "go native" given the short amount of time.

But as an outsider I did my best to understand my field in a respectful manner and was quickly able to socialize with my environment given the support of my host family, with whom I spent my stay in Côte d'Ivoire. Thankfully, my host family would explain cultural and social norms to me, which I would not understand from an outsider point of view. Many thanks to this valuable support.

During my stay I was bound to deal with ethical approaches as a researcher and needed to reflect on my individual position on several occasions, e.g., I was not given permission to record my interview with CCC, because the interviewee did not feel comfortable with it. Subsequently and with the permission of the interviewee I took interview notes trying to capture all relevant information I was given.

It is commonly known, that researchers have to adhere to ethical principles, especially while conducting research in the field. Personally, I complied with the **Code of Conduct** given by the American Anthropological Association (AAA), following their core principles:

‘The Association’s **Principles of Professional Responsibility** include:

- Do No Harm
- Be Open and Honest Regarding Your Work
- Obtain Informed Consent and Necessary Permissions
- Weigh Competing Ethical Obligations Due Collaborators and Affected Parties
- Make Your Results Accessible
- Protect and Preserve Your Records
- Maintain Respectful and Ethical Professional Relationships’

According to the AAA, anthropologists should always feel sensitised towards power differences, social restrictions, economic interests and the expectations of all persons involved in a field relationship. Furthermore, the AAA states that the principles mentioned above mark the ethical principal framework for anthropologists during all stages of anthropological practice: Before starting the project, while acting in the field and after finishing the field research when communicating results and preserving interviews. All these principles count under all circumstances and have to be considered during ethical decision-making (AAA, 2012).

Thus, for my interviews, I oriented myself along the approach of Froschauer and Lueger, who propose to always regard interviewees in qualitative research interviews as experts in relation to their own living environment and their personal stock of knowledge. This approach allows to prevent hierarchy dynamics on knowledge between the interviewer and the interviewee – especially against the background of historically derived North-South relations. The following quote describes in a quite conclusive manner the problem of the power of representation and as a result the creation of inequalities:

> ‘The power to represent other places (to name, describe, publish, claim and construct knowledge) was instrumental in reinforcing a sense of difference between the West and non-West, North and South, which also translated into a sense of superiority and justified various political interventions that underpinned imperialism, and, later development’.

Principally, hierarchical relationships between interviewers and interviewees must always be kept in consideration and reflected upon, not only during the interview situation but also when analysing data (Dannecker and Englert, 2014, pp. 159–162; Halbmayer and Salat, 2023).

4 Overview of the global cocoa sector

Today's cocoa value chain is global and consists of a complex interconnection of processes, places and people – from cocoa producers on farms to chocolate consumers. Besides Côte d'Ivoire and Ghana, countries such as Indonesia, Nigeria, Cameroon, Brazil and Ecuador produce a notable amount of cocoa (Worldwide chocolate market statistics & facts, 2023).

'The global chocolate market size was estimated at USD 113.16 billion in 2021 and is anticipated to grow at a compound annual growth rate (CAGR) of 3.7% from 2022 to 2030.' (*Global Chocolate Market Size & Share Analysis Report, 2030*, 2021)

In the United Kingdom of Great Britain and Northern Ireland (UK) alone, the chocolate industry is worth at least 4 billion Great British Pound (GBP) a year (*BBC News*, 2020). According to Barrientos and Asenso-Okyere a cocoa farmers gets only about 4% share of the price of a typical UK bar of milk chocolate (Barrientos and Asenso-Okyere, 2009, p. 94). Hence, cocoa farmers see very little of cocoa profits.

In this context a major issue poses the lack of representation of cocoa farmers at relevant stakeholder events and the distorted state that the cocoa sector supposedly finds itself in:

> 'Because the farmer has nothing to say anyway, I mean he is not represented anywhere. And the people who claim to represent the farmers are not farmers themselves at all. They are also now interested stakeholders for different reasons. But if you look at the economic value of cocoa, it's only going down. And I don't think a lot of people are trying to figure out how to stop that and they talk about it, but actually, trying to figure out what are the root causes of poverty? What are the root causes of the situation, of the slow development or non-development or actually the backward move of rural development in countries which produce a commodity, which goes into an extremely luxurious product which we enjoy a lot? I think that is what is so painful. So, I think that is why it is in the headlines all the time. We eat it and we pay not enough for it, it's too cheap. But it's too cheap, because there's too much of the stuff. That's pure economics. […] And the people who are producing, they're only suffering. And it's getting worse. And I don't think that the sector has figured out what to do. […] But I think the sector

> as a whole is lost, totally lost actually. And a lot has to do with some of the leaders in the industry of this sector. I think that those are not the people who should be there, should be sitting there for different reasons. […] Who can actually show what is happening with the money, which is not paid to the farmer and which is not leaving the country.’ (Interview FarmStrong Foundation, 2022)

The interview allegorizes the multi-layered problems of the cocoa sector. It is evident that the livelihoods of cocoa farmers have declined over the past decades. In the past, it has not always been this critical. In my next chapter I will deal with the liberalisation and destabilization developments of the cocoa sector.

4.1 Important historical and organisational developments

The abolition of the intra-seasonal price stabilization in 1999 led to a concentration and centralization of the cocoa production and processing on one side and led at the same time to a more diverse consumer market within the global cocoa chocolate value chain on the other side.

This concentration of production is reflected in the top ten manufacturers worldwide, producing around 43% of world cocoa product sales in 2005. Hence, the liberalisation processes of the last century allowed dominant buyers to exploit weaker suppliers, who could not take any advantage from the increasing profit of the value chain (Gibbon, 2001, p. 351; Barrientos and Asenso-Okyere, 2009, p. 88f.).

On a global level, commodity futures markets play an important role in the price-setting mechanism for cocoa and securing traders’ risks. One of the main problems with futures markets though can be price volatility which creates speculative trading. In addition, the transmission from global cocoa market prices to local farm gate prices happens with time lags. Since the government decides farm gate prices, which farmers get for their harvest, small farmers are unable to bargain or negotiate over prices. Even farmers organized in cooperatives have little influence on price mechanisms.

Comparing to other cocoa producing countries, Côte d'Ivoire is the world's largest producer of cocoa. One could assume that it has a powerful position for negotiating high prices. But according to Laven et al. on the contrary – ‘this does not automatically mean that Côte d’Ivoire has the power to influence world prices’. Nominal prices for farmers did see an increase in the previous years, but real minimum producer prices have been seen stagnating over the last years.

Small local cocoa farmers only get a very small share of the value of chocolate products. Just a little percentage of the value of a chocolate bar returns to the producers of beans (Laven, Buunk and Ammerlaan, 2016, pp. 32–38).

The next chapter deals with all key players involved in the global cocoa value chain.

4.2 Key players

Barrientos and Asenso-Okyere state that global value chains in agriculture are dominated by large buyers and processors with strong commercial power. In particular, the cocoa value chain in Western Africa is increasingly dominated by a small number of cocoa processors and manufacturers along with often poorly supported and fragmented small-scale farmers facing volatile market conditions.

The cocoa chain has been described as having a "bi-polar" governance structure, with lead firms in the grinding and manufacturing segments. The international chocolate manufacturers Mars, Mondelez, Nestlé, Ferrero, Hershey and Lindt & Sprüngli dominate nearly the whole global market.

Four firms – Archer Daniels Midland Company (ADM), Cargill, Barry Callebaut and Bloomer – produce nearly 50% of the international processing capacity. Moreover, the four grinder-traders Barry Callebaut, Cargill, Olam and Ecom Agroindustrial are dominating today's cocoa sector by accounting for roughly 75% of the world's cocoa processing and trading.

These developments show that there is an increasing imbalance within the chain between the involved chain participants, the manufacturers/processors responsible for processing/manufacturing, packaging and distribution on the one hand and the cocoa farmers as producers on the other hand (Barrientos and Asenso-Okyere, 2009, pp. 91–94).

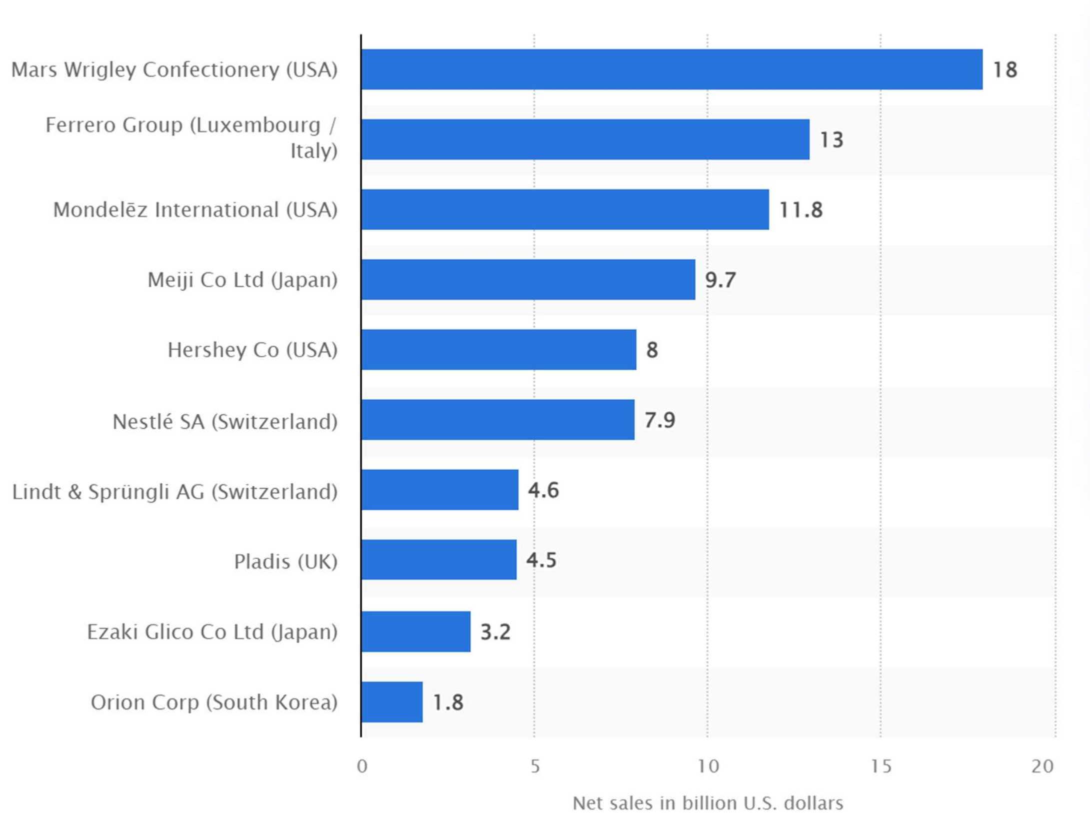

Figure 8 - Leading chocolate and cocoa manufacturers worldwide as of 2021 (in billion U.S. dollars). Source: Statista, 2023

By dominating such a high share in the cocoa processing and trading, grinder-traders have accumulated an enormous financial power and transfer this position into a shift in price-setting to their favour in order to bind futures prices more closely to the physical current contracts. Thus, the intensified cooperation between Ghana and Côte d'Ivoire was according to Staritz et al. successful in setting a higher premium but did not change anything about the mechanism of futures price settings (Staritz *et al.*, 2022, p. 862).

Tröster et al. note that this limits domestic price-setting and makes domestic exporters “global price takers”. This demonstrates that commodity prices are not set on abstract markets, but by interactions and power relations of all local and global actors (Tröster *et al.*, 2019, pp. 6–11). This clash of interests is reflected in price-setting, which I am going to explain in the chapter 4.4.

Gibbon similarly argues that the cocoa chain was in origin lead by associations of direct producers during the mid-1950s until the 1980s and finds itself today under the dominance of few international traders (Gibbon, 2001, p. 351).

In the following I will explain key actors dominating the cocoa chain and mostly located in countries of the Global North in more detail.

4.2.1 Grinders

Grinders (traders) are seen as very important actors in the value chain because of their potential monopolistic power (Zoll, 2011, p. 9).

Grinding activities have grown since the 1990s in the producing countries due to technological progress in transportation and due to governmental encouragement. The highest share in grinding though takes place in countries of the Global North. The processed products are sold to the chocolate manufacturers in the consuming countries.

The grinding process starts with the roasting of the beans and according to Talbot this part of the cocoa value chain is a capital-intensive process on the contrary to the labour-intensive part of the farmers. Afterwards the beans will be grinded into a paste, which is called cocoa paste or liquor. This cocoa paste can be directly used to produce one of these **three products**:

- Chocolate for candies of coatings
- Cocoa powder, which can be used to make drinking powder
- Cocoa butter, which can be used to make white chocolate

Grinders prefer spot contracts for trading, as immediate buying and selling on the current market reduces risks of price fluctuations (Staritz *et al.*, 2022, p. 850f.). So, their position is on the contrary to that of the farmers, who prefer fixed prices set by the government to be on the safe side and to be able to plan for the future.

One of my interviewees had the following to say about the short-sighted view of traders, who are interested in profit and fast gains: ‘Some traders have some interest in the implementation of sustainability programmes. But not a lot’ (Interview FarmStrong Foundation, 2022).

Figure 9 - Tropical Commodity Chains. Source: Talbot, 2002

Since these products are storable and since this stage of the chocolate production in the value chain is controlled by transnational corporations (TNCs), some produce large amounts of these commodities and sell them directly to manufacturers (Talbot, 2002, p. 712).

According to Talbot, small traders went together since the 1970s to form today's **big four** Barry Callebaut, Cargill, ADM and Blommer Chocolate Company, holding a share of nearly 65% of the total worldwide cocoa grinding capacity (Gayi and Tsowou, 2017, p. 14). According to Blowfield, these facts show quite well the contradicted interests of TNCs and the actors of the producing countries when deciding about the location and control of the processing of cocoa. This power inequity is the major reason why finished chocolate products are mostly produced in the consuming and not in the producing countries (Blowfield, 2003, p. 17).

According to Staritz et al. grinder-traders not only dominate as buyers, but they are also involved in local marketing in Côte d'Ivoire, where they also act as exporters to global markets. The **top five** exporters Cargill, Sucden, Touton, Olam and Barry Callebaut buy today about 80% of the export contracts while the same share was bought in 2010-11 season by ten companies. Smaller independent exporters have almost no chance in this unequal competition with the big grader-traders, as they find themselves at a disadvantage on local and global markets (Staritz *et al.*, 2022, p. 860).

Regarding market control over processing steps in the cocoa sector, Côte d'Ivoire 'serves as the example of the least aggressive state action'. Talbot describes how Côte d'Ivoire did not really benefit from the chaotic situation in Ghana in the 1980s (ethic civil war) and despite moving on to the first place as the world's largest cocoa producer, there was no remarkable development of a local-processing industry and therefore only a small part of Côte d'Ivoire's cocoa is exported in produced form (Talbot, 2002, p. 719).

In this context I would like to cite the following quote:

> 'In Ivory Coast people were basically doing beans exportation. And when my father decided to change the game, seeing that a local person will process the beans actually here because basically just Berry Callebaut and Cargill and some more were doing it before. So, he said I'll do it. […] And when you see all this today, you are surrounded by this history. You also need to make your own history. Okay. And this pushed me to say I will produce chocolate, because nobody is doing chocolate here. There are a lot of artisan people. So, we decided to go artisan but in a different way. […] We are the number one cocoa producing country. Why do you need chocolate from outside? […] Basically, they are buying our beans. They are transporting it into their country and they are processing it. I don't know where, how, but it's our beans. So, it all started with Ivory and beans.' (Interview PEMMS Chocolats & Confiseries, 2022)

As logical as this sounds, it is difficult to put into practice. Another interviewee explains why value addition has its limits in the following quote: 'The question is, can you produce chocolate here? Because you have to import everything. You have to import sugar and milk.' (Interview ICCO, 2022)

Not only the grinders and traders are often dominated by TNCs, but also the manufacturing sector. As I will explain now the third stage of the value chain.

4.2.2 Manufacturers

Manufacturing is the final step of the cocoa chain before the chocolate reaches the consumer and is dominated by a few chocolate confectioneries such as Mars, Nestlé, Kraft, Hershey's, Cadbury and Ferrero (Fountain and Huetz-Adams, 2022, p. 81).

Manufacturers as well as traders are criticized for their power as major players within the global cocoa commodity chain and their responsibility regarding economic and social upgrading as well as environmental sustainability. The Cocoa Barometer has calculated that 'just one per cent of the marketing budget of the biggest chocolate manufacturers ($86 million per year) would cover the costs to train 430.000 farmers in the Ivory Coast, which would be half the cocoa farmer population' (Fountain and Huetz-Adams, 2015, p. 39).

The public pressure led to rethinking the role of manufactures as all big manufacturers such as Mars, Hershey's, Lindt & Sprüngli and Ferrero (with the exception of Mondelēz and Nestlé) use sustainable and/or certified cocoa (Fountain and Huetz-Adams, 2015, p. 25). Thus, chocolate manufacturers are 'increasingly focussing on branding, marketing and related quality conventions to shape the division of labour and entry barriers along GVCs' (Staritz *et al.*, 2022, p. 845).

There is criticism though surrounding the marketing strategies of these big companies. In the following I would like to cite a relevant quote from one of my interviews:

> 'There are initiatives, like Fairtrade, UTZ Certified. But what is the real impact? And to be honest, I don't think that kind of programme will definitely help. I was talking to somebody at the African Development Bank (AfDB). And I was saying, that me by example, with what I'm doing, you can see an impact I can have on the local community, the farming communities. But when you say you have a big programme, let's say, Cargill gives them money to give back. How do you measure that? […] Do you think that giving 200 euros per tonne to a cooperative will do it? Do you know what the cooperative will do with that? You don't know. You cannot measure that. You [companies such as Cargill] have done your part giving them money. But you cannot see any impact. But what I'm saying and it's proven, we are working or acting with local people like us with direct impact. […] So, working with people like us, we definitely have an impact right now. And of course, you have some impact, but we need more. We need more, much more. Giving 200 is not enough.' (Interview PEMMS Chocolats & Confiseries, 2022)

4.2.3 Retailers

The next involved participants in the value chain are the retailers, through whom the chocolate manufacturers distribute and sell their products. Retailers like e.g., supermarkets are the main source for customers to buy processed and fresh food products. It is difficult to assess the influence or to measure the power of retailers. But at the end they decide whether a chocolate bar will be sold or not.

In other words, retailers have the power to control the products they buy from the manufacturers without being involved in any manufacturing process within the commodity chain.

Retailers make pressure on manufacturers to sell their chocolate products for a cheaper price. And as retailers are the connecting link between manufacturers and consumers, they indirectly influence the supply and demand (*Commodity Chains*, 2023).

4.2.4 Consumers

At the end of the commodity chain we can find, last but not least, the consumer, who usually does not get enough information about the whole commodity process transparently enough. This phenomenon is known as "disconnection" and describes the anonymous relation between consumers and producers.

This could lead to disinterested consumers, who do not care about e.g., the working conditions of small-scale cocoa producers in Côte d'Ivoire or are not aware of environmental issues or simply don't bother about the livelihoods of poor farmers, when they buy their chocolate at the supermarket (Wiskerke, 2009, p. 370).

Figure 10 shows the complex cocoa supply chain in a clear illustration.

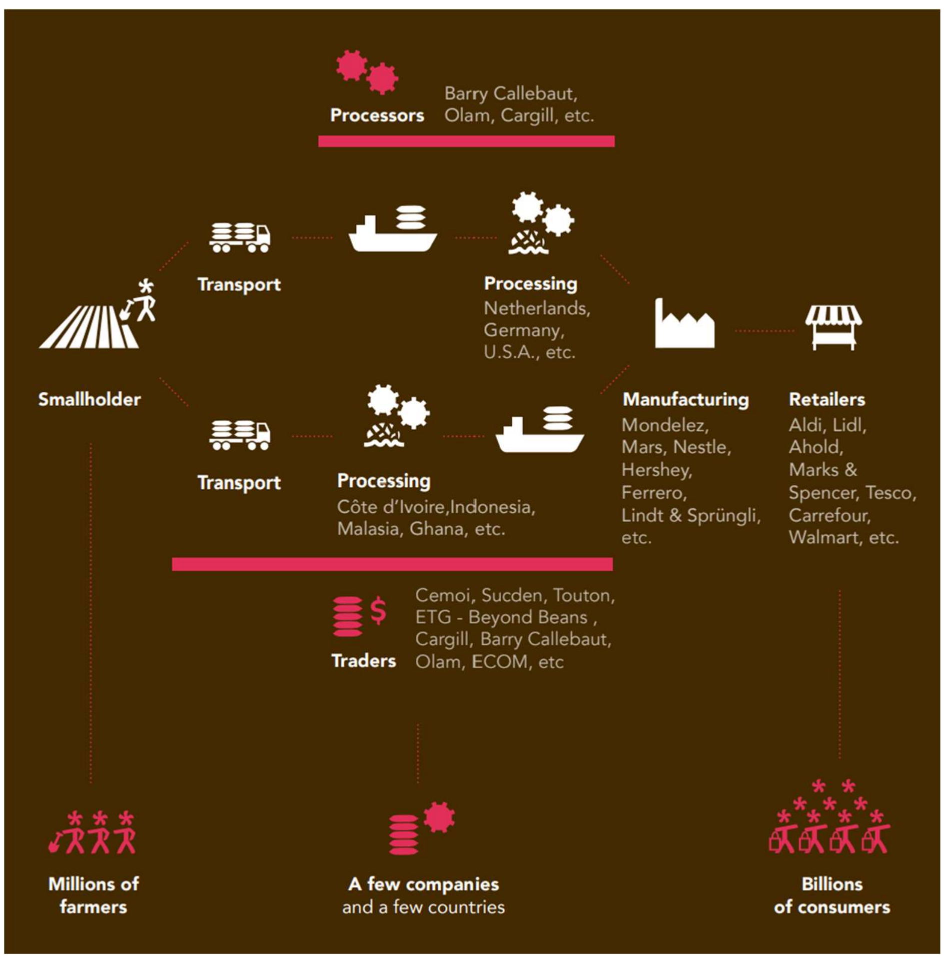

Figure 10 - Cocoa supply chain. Source: Cocoa Barometer, 2020

In this context Hopkins and Wallerstein have formulated that a commodity chain is defined as 'a network of labor and production processes whose result is a finished commodity' (Hopkins, 1986, p. 159).

4.3 Important regulations

The International Cocoa Commodity Agreement (ICCA) was initiated in 1972 on an international level by the UN Conference on Trade & Development (UNCTAD) to manage world cocoa prices amidst liberalisation processes in producing countries. The ICCA later on established the International Cocoa Organization (ICCO). According to Tröster et al. the ICCA played from 1993 onwards no important role anymore as a price regulator and reduced its role as serving as a discussion forum and provider of industry data.

Despite these developments, still the major cocoa producing countries could hold on to their price-setting policies, because global prices generally increased (Tröster et al., 2019, p. 9).

However, according to Staritz et al. the stabilisation mechanism in Côte d'Ivoire depends on the ability of private actors to comply with regulations, which in in turn weakens the resilience of the Ivorian systems' efficacy. Why? Staritz et al. mention that the risk of non-payment is higher on forward contracts as seen during the crisis between June 2016 to May 2017, when the world price dropped about 35%. This crisis was used for illegal speculative behaviour among some local exporters in Côte d'Ivoire, leading to big losses for the vulnerable farmers. Staritz et al. quantify the loss at billions of West African franc (Franc de la Communauté Financière d'Afrique, CFA).

This world price drop in 2016–2017 demonstrated 'the limits of national price stabilisation systems, in which producer countries cannot influence the setting of world prices (i.e. futures prices) used as a reference for domestic prices' (Staritz *et al.*, 2022, p. 862).

4.4 Price-setting

The contemporary cocoa value chain is characterized by an increasing global output with new supplier countries expanding their production, sometimes even through large-scale plantation operations, e.g., in Asia. This oversupply of cocoa on the global market leads to suffering among the farmers as prices and cocoa quality decline whilst manufacturers / processors are able to even reduce production costs and maximize their profits.

Furthermore, Barrientos and Asenso-Okyere are complaining that farmers / producers are being pressured to 'meet more exacting product and social standards'. This raises the question whether power relations need to be balanced within the value chain in order to sustain the cocoa sector as well as many livelihoods of small-scale farmers from countries of the Global South – largely smallholder farmers from Africa – who are involved in the cocoa production.

Around the 1930s, commodity derivatives markets for cocoa were established in New York and in London during the first cocoa boom. Since then, they have served as a reference point for world prices. As part of this construct, prices can be set on expectations of futures markets (forecasts) in order to reduce volatility of prices for the small-scale farmers. With increasing production on the world market during the liberalisation process, another price-setting model was established focusing to immediate delivery on the stock market according to the current demand and supply conditions. This resulted in creating two prices differentiating according to changing supply factors, e.g., weather, new cocoa harvestings and geopolitics.

Therefore, processors and manufacturers with strong commercial power, also known as **"bi-polar governance"** can buy at low prices and operate to the advantage of the consumer at the end of the value chain using the benefit of being more flexible in meeting the consumer demands. On the other hand, small-scale producers, such as smallholder farmers from Côte d'Ivoire battle with falling prices due to increasing supply of cocoa.

This dynamic is reflected 'in the share of total value going to different commercial actors' in the cocoa value chain while the market focus has shifted from a producer to a consumer orientation (Barrientos and Asenso-Okyere, 2009, pp. 88–94; Staritz *et al.*, 2022, p. 850).

According to Staritz et al. exports from producer countries are fixed through only a few companies, called Commodity Trading Houses (CTHs), dominating the global market. Thus, Staritz et al. criticise that those CTHs have too much price-setting power. At the same time, CTHs take over an intermediary role between commodities and other lead firms demands. These characteristics make price risk management a core part of their business, also known as low-margin, high-volume and high-velocity business (Staritz *et al.*, 2022, p. 845f.).

Moreover, I would like to include an interesting statement of one of my interviewees on the misconception of how traders and manufacturers influence the price of the cocoa commodity chain:

> 'If you trade and more so if you are a buyer of commodities for a chocolate company or a coffee company, whatever. But chocolate, we talk about chocolate. They are not necessarily motivated about the price level per se, but more how does their competitor buy? So, they are much more risk averse than you would think. So, the buyer from Ferrero wants

to make sure that he doesn't buy any more expensive than the buyer from Mars. And Mars doesn't want to buy more expensive than Nestlé and Nestlé no more than Hershey's and Hershey's no more than Ferrero. […] So, they benchmark themselves against each other and so that's what it is, yes. So, they try to outscore each other a little bit. […] If I listen to a lot of NGOs [Non-Governmental Organizations] when they talk about markets and prices and behaviour, they always think that these traders are the bad guys and whatever. But they are actually very reactive to other forces. There are actually very few who dare to take certain positions because either they don't have the insight of when to take a position or they're just not allowed to do it. […] You see that rarely, these days at least. […] Especially on the trade side and the manufacturing [side] chocolate manufacturing has their limits. They're not allowed to take certain positions. And on the trading side, I think there are very few, maybe a handful, who can take big positions. […] But especially if you take a short position on the market, there is a risk exposure but also a lot of money to be made. And that is always known, but that's rare. […] So, that is a very interesting aspect of the business of commodity trading. Now how is that changing over time? Actually, the guys physically involved in the business, who have to buy cocoa to make chocolate, their weight is going down. And the institutional investor or speculators, like big banks or pension funds, they actually move those markets quite a bit.' (Interview FarmStrong Foundation, 2022)

5 Overview of the case study country and the Ivorian cocoa sector

Chocolate and cocoa are often associated with enjoyment and delightful consumption. Usually, the consumption of this agricultural commodity takes place in the Global North while most of the production takes place in countries of the Global South, with Côte d'Ivoire being the largest producer and exporter of cocoa (Gilbert, 2009, p. 294).

5.1 Background of the Ivorian cocoa sector

With over 40% of the global supply of cocoa, Côte d'Ivoire is indisputably the main producer worldwide. Therefore, Côte d'Ivoire is highly dependent on cocoa as main agricultural export good, as it covers nearly 50% of Côte d'Ivoire's whole export. Hence, the cocoa export plays a crucial role in the economic and social development of Côte d'Ivoire.

According to the Cocoa Barometer and as mentioned before, smallholder cocoa farmers are in a permanent struggle with poverty within the value chain (Fountain and Huetz-Adams, 2018, p. 10).

In order to be able to keep these ambitious export numbers of cocoa, the country relies much on the approximately 650.000 to 800.000 cocoa farmers who can very often access the cocoa sector as a source for their living income (Laven, Buunk and Ammerlaan, 2016, p. 31).

5.1.1 Geographical and climatic conditions for the cocoa production in Côte d'Ivoire

Geography plays a vital role in agriculture and the life of farmers. In the case of cocoa, not only local but also international actors are involved in the supply chain. The commodity cocoa is characterized as a tropical commodity, which can only profitably grow in tropical regions. Therefore, production takes place in the Global South, whereas consumption overwhelmingly takes place in the Global North (Talbot, 2002, p. 702). Subsequently, the geographical and the social distributional backgrounds are different. A finished commodity could either have been produced in one place or in several locations. Most of the commodity chains nowadays range between several localities (Coe, Kelly and Yeung, 2020, p. 97).

When we look at the cocoa commodity chain, we can see that the cocoa production itself as well as the harvesting and the transport from farmers to grinders or to ports take place on a local level. On the other hand, the international part of the cocoa commodity chain constitutes of the majority of grinding activities, the manufacturing, the marketing as well as the sale of chocolate products through retailers on commodity markets.

According to Wiskerke, not only goods and services are increasingly exchangeable within commodity chains, but also places. The food provision has changed in the last decades from a **producer-driven** to a **buyer-driven** supply chain. For the cocoa sector specifically it is being assumed that the liberalisation processes enforced by the World Bank and the European Union during the 1980s have led to this effect (Gilbert, 2009, p. 295). This very complex commodity chain of cocoa will be discussed in more detail in the next chapter.

Summarizing, one can say that commodities should be considered as a 'representative of the whole system of connections between different groups of people that have enabled the consumer to make a purchase' (Coe, Kelly and Yeung, 2020, p. 90).

5.1.2 Current regulations of the Ivorian cocoa sector

Between the beginning of cocoa production in 1955 and until the year of 1999, the organisation Caisse de stabilisation et de soutien des prix des productions agricoles (CAISTAB) regulated the Ivorian cocoa sector. Through taxes on exports CAISTAB gained 38% of export revenues from cocoa. Part of the revenues were intended for reinvestments in the cocoa sector.

This French model gave private exporters a more active role in internal and external marketing. However, CAISTAB lost this leading role in 1999, when liberalisation of the cocoa market changed the rules. These market developments of economic liberalisation were a new model to the export sector in many countries of the Global South. Until the year 2012 Côte d'Ivoire would undergo a full liberalisation of the market. Producer prices in this period became more volatile but increased on average.

In addition, Structural Adjustment Programmes (SAPs) were established in the 1980s until the 1990s as a form of development assistance given by the International Monetary Fund (IMF) and the World Bank (WB) (Laven, Buunk and Ammerlaan, 2016, p. 32; Staritz *et al.*, 2022, pp. 848–856).

The Conseil du Café-Cacao (CCC) was introduced by the Ivorian government in 2012 as a new player to regulate the distribution of export goods according to a cost structure that fixes prices and margins (also known as barème) for all involved domestic actors. The CCC operates with stabilisation funds in order to help producers from future price fluctuations in the world market, offering them a guaranteed price (Interview CCC, original quote in French, 2022).

These new governmental cocoa reforms backed by the IMF in 2011 should not only guarantee a minimum price, but also try to increase it in order to ensure sustainable livelihoods for the farmers and in order to promote reinvestments in old cocoa farms. Hence, since the establishment of the CCC in the year of 2011 as a cocoa board representing all relevant stakeholders, these sales followed a new auction system trying to sell 70-80 percent of the expected crop of next year to exporters (Laven, Buunk and Ammerlaan, 2016, p. 32).

The CCC itself is not directly involved in the physical trade of cocoa beans, but cares for the needed infrastructure such as building streets and taking care of rural roads to facilitate a safe transportation of cocoa and many other services for farmers. According to Staritz et al., the physical trade of cocoa beans itself is 'handled by around six dozen licensed exporters that source cocoa beans mostly through farm-gate (pisteurs) and wholesale (traitants) intermediaries'.

As a semi-governmental institution, CCC regulates the Ivorian cocoa sector and operates with national producer price stabilisation mechanisms to protect farmers from world price fluctuations. According to Staritz et al. Côte d'Ivoire 'can fix export prices for most of the cocoa bean harvest before the season via forward sales, providing the basis for a price schedule for each stage of internal marketing and exporting' (Staritz *et al.*, 2022, pp. 853–856).

Furthermore, a governmental reserve fund guarantees stable farm gate prices for the farmers. Through the reserve fund possible drops of cocoa prices on futures markets can be absorbed. The government aims are to provide price stability and quality control. Annual farm gate prices are fixed to assumed futures markets sales.

During the latest governmental reforms in Côte d'Ivoire the cocoa sector has faced many price regulations. The guaranteed minimum price leads to a price stabilisation and even a farm gate price increase (Laven, Buunk and Ammerlaan, 2016, pp. 32–38). But as mentioned before, real prices were not adjusted to inflation and therefore despite price increase it had no sustainable effect on the livelihoods of cocoa farmers.

Nevertheless, both countries Côte d'Ivoire and Ghana are strong enough and have the power to charge premiums in their cocoa export – called **origin differentials** – even above the cocoa bean prices from other West African countries like Nigeria and Cameroon.

The focusing on estimates exports lying in the future and the dependence on estimate forward sales in futures markets in order to fix the cocoa price disregards present developments and makes not only **forward sales**, but also **spot sales** during the season risky: The risk of crop failure or the risk of fluctuating exchange rates for example. These risks can lead to over- or underselling of forward contracts and the ones who take the risks mostly are the smaller, local exporters rather that the big transnational cooperates.

Tröster et al. criticize that both stabilization funds in Côte d'Ivoire as well as in Ghana are not acting for **inter-seasonal price** smoothing (between successive seasons), but first of all they are acting for **intra-seasonal price** stabilization (within a season). And therefore, supporting one-side namely the interests of the farmers as producers by selling in advance the majority of cocoa beans to international buyers at fixed prices.

Thus, both institutions have lack of options to protect prices from inter-seasonal fluctuations or sudden price drops, which weakens their resilience and leaves farmers and the smallholder producers alone with the burden of inter-seasonal price risks. Hence, price stabilisation measures in Côte d'Ivoire and Ghana have achieved intra-seasonal producer price stabilisation, which is an important outcome for producers compared with liberalised systems and one that has not necessarily come with lower producer price shares, but inter-seasonal price risks remain with producers, as well as the link between domestic prices and futures prices (Tröster *et al.*, 2019, pp. 19–22).

Furthermore, the CCC started to registrate all cooperatives around the territory, as I was told during two of my interviews:

> 'The cooperative is a union of the farmers. So, in each area of the Ivory Coast, we have some unions of farmers. And that is also a recommendation of the legal authority, CCC, Conseil du Café-Cacao. […] So, for the first step all the farmers have their name in one register and the farmer gets his plantation code and his farmer Identity Document (ID). There is only one ID for each farmer. But one farmer can have two or three farms of different sizes, so each farm also has its own code. And each plantation code is linked to the farmers' ID. […] After that, we make GPS [Global Positioning System] mapping for each farm. […] So, we have the size of the farm, so we can have the production and the capacity of each farm. So, we have the capacity of the volume for each farmer, for each farm. […] Each cooperative has one delivery ID number issued by CCC.' (Interview 1 OCEAN SA, 2022)

> 'The CCC will do its part, I think. They're doing a lot of things. What we need to do is to withdraw intermediate people. If you want to ask about the farmers, we need to think about a way to directly give the money to the farmers. Or let's say by example, right now they are doing registration of cooperatives all around the territory. So, this is a good step because you'll know, you'll identify all the farmers. […] It's better to bring it [the money] directly to the farmers. Directly to the cooperative. […] But first we need to identify everybody. If everybody is well identified, we know the land of each cooperative, we can estimate the production of each cooperative. […] If you are a farmer, it's better to be in the cooperative. So, they're identifying all cooperatives. Of course, if you are a farmer and you are affiliated to a cooperative you will be registered, because the cooperative must say which farmers they're working with and where the land of the farmer is. So yes, CCC started identification of this.' (Interview PEMMS Chocolats & Confiseries, 2022)

Summarizing, both interviews argue in favour of the importance of CCC, especially registration of all farmers through the cooperatives.

5.1.3 The export sector of Côte d'Ivoire from the point of view of liberalisation processes

According to Tröster et al. Côte d'Ivoire and Ghana are economically very dependent on cocoa, as cocoa makes up about 48% in Côte d'Ivoire and 21% in Ghana of the total merchandise export. Hence it does not surprise that in both countries we will find semi-governmental institutions, the Conseil du Café-Cacao in Côte d'Ivoire and the Cocoa Board in Ghana.

Both institutions follow price stabilization mechanisms to protect their farmers from global cocoa price and exchange rate fluctuations. According to Tröster et al. the export prices of cocoa beans are fixed a long time before the harvest season via so-called forward sales. Nevertheless, there are some differences between both countries regarding the involvement of their national boards.

In Ghana the COCOBOD is involved in the process of handling and exportation of cocoa beans, while in Côte d'Ivoire the CCC does not interfere in the handling and exportation process but follows a policy of intensified cooperation to influence the global price in the value chain.

According to Tröster et al. the CCC operates in a very similar way to the former CAISTAB system as both of them are/were not directly involved in the physical trade of cocoa beans. Instead, grinder-traders take over the export and the top five grinders – Cargill, Sucden, Touton, Olam and Barry Callebaut – buy about 80% of the export quantity in advance.

Licensed exporters get their export permits, called **déblocage**, from the CCC in an auction in which the exporters with the best offered prices get a certain quantity of cocoa beans. According to Tröster et al. exporters confirm their status at the CCC by binding themselves to futures contracts with the farmers on the one hand and depositing 2.5% of the price in advance to the CCC as a collateral on the other hand.

This results in a minimum producer price, called **prix minimum garanti producteur**, which grants the farmers a compensation mechanism with fair prices and protects them from price fluctuations.

These CCC stabilization rules called **mécanisme du reversement et soutien**, mean that an exporter either receives or pays compensation. Depending on the differential between the prix de déblocage and the **prix CAF de reference**. Thus, the exporters will try to find a way to maximize their profits and therefore they close individual export deals with the buyers with different prices but source the beans at the fixed governmental producer price (Tröster *et al.*, 2019, pp. 15–18).

In regard to the effects of the intensified cooperation on exporters active in Côte d'Ivoire, I would like to cite the following quote from an interview:

> 'I mean, they [CCC] control the whole market. They control every aspect of it. It's more of a top-down approach, like we can see with this Abidjan Declaration. But I mean, it's hard but they should also have a country interest. It's not, we don't have especially the same perspective, right? And, I must say also from an exporter perspective and many others who would be able to tell you this, but who finances the DRD [Différentiel de revenue décent, in English LID], because bottom line is they say clients need to pay $400 extra on top of the market price, right. And this translates into a higher farm gate price. For me, as an exporter, that means that for one kilo of cocoa, I need to mobilize 15% of financial resources extra, right. We went from 800 CFA-Francs or even 20%. From 800 CFA-Francs to 1,000 CFA-Francs, right. So, that means that me, for buying one kilo, I need to pay, I need to mobilize in cash flow more money. And so, this money I need to borrow, right. And so, this money has a cost, right. And so, who's financing this? All the exporters. And so, because we can say they give a remuneration for every aspect of the value chain. And that aspect of financing hasn't been reviewed in some time. And that's why actually after the introduction of the DRD exporters complained. […] So, the CCC listened to that and I think they granted five CFA-Francs per kilo to the exporters. And then the press took that, like the CCC was bending to the big chocolate [companies], right. And so, you need to be careful. I mean the stories, how it goes, is a very political subject. It's a lot of tension sometimes.' (Interview 2 OCEAN SA, 2022)

This quote shows well the tricky role of exporters as actors in midst of the cocoa value chain.

5.2 An analysis of the production chain within the Ivorian cocoa sector

5.2.1 Description of the key players along the production chain

North-South inequity is demonstrated along the production network of cocoa and is reflected in the distribution of power within the cocoa GVC. While the low-value production of cocoa beans can only be found in countries of the Global South, capital-intensive manufacturing incl. marketing and branding can be predominantly found in countries of the Global North.

While cocoa farmers suffer from short-term price volatility, cocoa manufacturers profit from low-price volatility and the highest share of value added in the cocoa value chain. These ready-to-eat chocolate products are manufactured by big companies such as Mondelēz, Lindt & Sprüngli, Mars, Nestlé, Kraft Foods, Hershey's, Cadbury and Ferrero in countries of the Global North.

Grinding is a processing step right before the manufacturing process and includes the production of intermediate products such as cocoa liquor, cocoa butter and cocoa powder.

Retailers complete the production network of cocoa at the higher value end of the cocoa GVC and can set the prices of chocolate products in the free consumption market. They also decide which products are included in their offer and which not. (Grumiller et al., 2018, p. 1). Summarizing, one can argue that the value increases with each stage of cocoa production.

Along this cocoa commodity chain from farming to consumption, diverse actors with different tasks are involved in the production procedure. In general, the commodity chain of cocoa is complex but nevertheless the production chain can be divided into **five participants**:

- Farmers (producers)
- grinders/processors (traders)
- manufacturers
- retailers
- consumers

I have already dealt with the actor stages from grinding to consumption involved in the cocoa sector in chapter 4.2, here I will now focus on the farmers.

5.2.1.1 Farmers

Cocoa trees grow in the tropical climate zone and need specific conditions like rich soil, plenty of rain, high humidity and lots of sunshine. Cocoa beans grow on trees and are harvested by small-scale farmers usually with the help of their family members on small patches of land of two to four hectares. This is a very labour-intensive work during the two harvest seasons as one cocoa pod contains about 30-40 seeds and can only be cut from the tree by hand, because mechanical cutting will damage the seeds.

Additionally, small-scale farmers need to plan ahead, since the Theobroma cacao tree will not bear any pods before its fifth year. This means that the farmer has to wait quite a long time before he can make any profit. It also means that the farmer’s results depend on factors beyond his control, like natural hazards. All these factors make the job of a farmer very risky and vulnerable.

The pods will be left about 10 days until they can be opened to remove the seeds, which will be left to ferment for about a week. Next, the cocoa beans will be dried in banana leaves left in the sun to unfold their aroma or they can simply be put on mats and turned periodically. After the drying process, the cocoa beans will be stored for about 6 months before trading on the world market.

Usually, these early stages of the chain are controlled by states and firms in the producing regions and thus the farmer's duty will end here and grinders will take over their part (Talbot, 2002, p. 712; Gayi and Tsowou, 2017, p. 10f.).

5.2.2 An analysis of asymmetrical power relations among the key players of the production chain

Cocoa production in Côte d'Ivoire is mainly based on small-scale cocoa farming with 1.3 million smallholders working in the Ivorian cocoa sector (Staritz *et al.*, 2022, p. 848). The average size of a cocoa farm is about three to five hectares and mainly managed by families of at least four family members. Cocoa production relies mainly on small-scale farms in comparison to other commodities in Western Africa, such as tobacco, fruits or tea, being produced on larger and more rentable farms (Laven, Buunk and Ammerlaan, 2016, p. 31).

In the following I would like to cite my interviewee from CRPA on asymmetrical power relations among the key players of the cocoa chain:

> 'Farmers are not well paid, or rather their services are not well paid. That is the problem. And that depends mainly on various aspects. First of all, in terms of domestic policy: the various governments of course need money to build roads, bridges and so on. So, export goods, especially cocoa for example, are a means for the government to achieve its goals, so to speak. How can they achieve that? How can they actually profit from cocoa or profit from this sector? They offer very low prices to the farmers. That is the problem. And you could say that doesn't actually depend on Côte d'Ivoire because the export goods or the prices of the export goods have already been determined abroad. And as far as cocoa is concerned, the prices are determined in London. Most of the export goods that are produced in the Third World, except oil, otherwise when it comes to gold, diamonds etc., the prices are determined in Europe or elsewhere. This is a problem. If the farmers who do great work for production cannot determine the prices of their goods. That is somewhat problematic. And that is a core of the North-South conflict. It's always about price. So, to sum it all up: First, there are domestic reasons for them to be poor farmers, even though cocoa is important and sometimes has good prices. So domestically, to achieve development goals, governments need to put pressure on this sector, somehow, so that they can have good revenues to achieve these

natural development goals. And secondly, the problem is outside the countries themselves. The prices are determined elsewhere, where the workers don't participate in. That is also a problem.’ (Interview CRPA, original quote in German, 2022)

In this context, the question comes up whether a “cocoa cartel” could help the farmers to get better prices and escape poverty. I will now try to answer this question.

6 The formation of a “cocoa cartel” in Côte d’Ivoire

6.1 Historical overview on previous cartel ambitions

According to Staritz et al., the Alliance of Cocoa Producing Countries (COPAL), which was founded in 1962, started with governmental price stabilization measures and consists today of six West African producing countries as well as Brazil, the Dominican Republic, Malaysia and Sao Tomé and Principe. Its aim is to coordinate supply and prices.

In 1972 additionally the International Cocoa Commodity Agreement (ICCA) was initiated to keep cocoa prices stable, but it failed for different reasons: ‘internal conflicts, lack of financial resources, initial non-participation by the US and Côte d’Ivoire’s temporary exit in the 1980s, as well as the rise of Indonesia as an important non-member producer country’.

Côte d’Ivoire’s temporary export embargo in the 1980s, known as “cocoa war” from 1987 to 1989, was an unsuccessful pressure on the consuming countries to increase world prices. On the contrary, the embargo led consumer countries to turn away from Côte d’Ivoire to other producing countries such as Malysia or Indonesia. According to Staritz et al., this case shows the limited power of the Ivorian government to affect international prices even though being the first producer globally (Staritz *et al.*, 2022, pp. 847–856).

6.2 Abidjan Declaration – is it a “cocoa cartel”?

In March 2018 both presidents of the world’s greatest cocoa producing countries Ghana and Côte d’Ivoire signed the Strategic Partnership Agreement as a reaction to the price drop in 2016 to 2017, where cocoa beans exports lost about 35% of their value (Staritz *et al.*, 2022, pp. 861–862). According to one of my interviewee ‘this agreement was possible simply because Ghana and Côte d’Ivoire together, it's over 60% of the world production’ (Interview ICCO, 2022). The agreement does not only cover cocoa rules, but includes other areas like defence and security, other strategic crop like cashew, maritime cooperation, mining, energy and environment, transport and economic policies as well (*Ghana, Cote D’ivoire Sign Strategic Partnership Agreement*, 2017).

By setting a minimum export price, the bilateral cooperation marks an important change in cocoa diplomacy. In June 2019 the organisation Cocoa Marketing Board (COCOBOD) in Ghana on the one hand and the organisation Conseil du Café-Cacao (CCC) in Côte d'Ivoire on the other hand announced a common Free on Board (FOB) policy. This kind of new policy splits the risks between the seller and the buyer or in other words between the producing and the consuming countries. In addition, they raised the export price from USD 2,600 per tonne for the 2020–2021 crop season, in which farmers received 70%, or USD 1,820 per tonne (COCOBOD 2019). In case of export prices falling below USD 2,600 per tonne, the government will pay the gap to the farmers.

Moreover, they agreed that export prices would not only be based on futures prices like before, but in addition the buyer will pay to the farmer 'a Living Income Differential (LID) of USD 400 per tonne, starting in the 2020-2021 season' (Staritz *et al.*, 2022, p. 862). This additional LID marks according to Staritz et al. an essential change to all previous price-setting practices.

In the following I would like to cite a differentiated opinion on the endeavours of the intensified cooperation according to one of my interview partners:

> 'Initially you had the ICCO declaration 2012, where you had these national platforms both on producing countries and importing countries. I think in Europe most of them were quite late. We [Switzerland] signed in 2012. The Germans and the Dutch were relatively quick. […] The French, of course the French, in 2022, so 10 years later. But of course, the guys in the producing countries had figured out, well, if we work together and try to get a critical mass, maybe we can have more influence on the cocoa business. But I don't think, I mean the idea behind it is good. And now also Nigeria and Cameroon have signed. […] But I think they make it worse for the farmers than better. […] I think because of, let's call it, an incomplete understanding of how business actually works, how markets work, how a terminal market works, they will not get to the full potential. What could be the potential of such a collaboration? Because they talk all the time about OPEC, you know, how can we get together as producers to put pressure on the market. But cocoa is very different. You cannot close down a tap like you can do with oil. […] And also, I think the people who are involved in OPEC, they have much more experience, commercial experience, trading experience, better understanding of markets, than Côte d'Ivoire and Ghana, unfortunately.' (Interview FarmStrong Foundation, 2022)

The interviewee questions whether Ghana and Côte d'Ivoire have sufficient leverage for a cocoa cartel, a theme I elaborated on before in chapter 2.4. In the following chapter I would like to find out whether the “cocoa cartel” has a positive impact on the livelihoods of the farmers or not.

6.2.1 State policies and regulations of Côte d’Ivoire in relation to the “cocoa cartel formation”

According to my interviewee the board of the government of the Côte d’Ivoire, the CCC follows a long-term control of the production, including environmental sustainability as well as combatting child labour in the cocoa sector: The first step in pursuing the intensified cooperation is to work together [Ghana and Côte d'Ivoire] to influence the price of cocoa in the market and the value chain. The second step is about controlling the venture, the cocoa production and the sustainability of the venture. It is also about combating child labour in the cocoa sector (Interview CCC, original quote in French, 2022).

Despite efforts to stabilise prices through the Abidjan Declaration, uncontrollable factors such as the COVID-19 pandemic and inflation are playing a role in the destabilisation of the cocoa price. According to Felix Maile et al. ‘with the breakout of the COVID-19 pandemic, cocoa world prices dropped by almost 20% in March 2020 and have remained between USD 2,200 and 2,800 per tonne since then’ (Kliemann, 2022).

According to Christopher Gilbert, both governments established the Côte d’Ivoire-Ghana Cocoa Initiative (CIGCI) in May 2022 as a response to the decline in EU origin differentials in the years of 2021/22. The reason for this action were lower Ivorian and Ghanaian differentials as a consequence, which in turn eroded Ghanaian differentials down to the LID and Côte d’Ivoire receiving less than the LID. CIGCI therefore ‘started to publish indicative differentials defining the minimum prices at which the two countries would sell’ (Gilbert, 2024).

Another difficulty the intensified cooperation between the two governments has to deal with is the bypassing of cocoa prices in the field. In the following I would like to cite a relevant excerpt from one of my interviews:

> ‘It's an initiative, made at country level. The question is how do you think that from a country agreement they will implement that to reach the farmers? It’s tough. It's not about will, it's not about will, they have the will to do good, to do better, but on the field, they cannot have too much impact. Because you have too many people, intermediates between the country or the representative of the country, like COCOBOD or Conseil du

> Café-Cacao and the farmers. There are too many steps, too many people between them. So, if you want to do that, you need first to know the chain to give of course to all people in the chain, but to control how these people will act from the top to the farmers. You need the tools to control everything. Otherwise, you can't know and you'll never know. And speaking outside what you are registering, let me say that it's not possible. You have too many people. Let's say the price that is fixed by the CCC, it's 825. I know people buying for 500, 600. Why? Because they will say to the farmers that there is no road to access your farm. If it's not me, nobody will buy your crops. That is what's happening on the field. That is what's happening on the field. […] And the guy there, his family needs to eat. He needs to send his child to school. You don't have any choice. And at the end of the day, you will sell it for 500, because you don't have the choice.' (Interview PEMMS Chocolats & Confiseries, 2022)

This interview demonstrates well the gap between theory and practice regarding cocoa price.

6.3 Implementation of the LID

In order to comprehend why the "cocoa cartel" between Ghana and Côte d'Ivoire was formed we have to take a step back in history to understand the circumstances of different price-stabilization methods. Before the 1990s, the Caisse de stabilization (CAISTAB) kept the difference between export prices and producer prices as a source of governmental income. In the 1990s declining global cocoa prices led to a gradual liberalisation and to the end of CAISTAB as a semi-governmental organisation. The scenario even got worse in the noughties due to the civil war and the political and economic instability.

Finally, the Ivorian government established the CCC in 2011 as a 'regulatory body, which reintroduced a distribution system for export permits and a cost structure that fixes prices and margins for all domestic actors – called **barème** – in 2012/13'. According to Tröster et al. the barème is based on fixed export prices according to forward sales in which international buyers agree on buying about 80% of the total expected crop forward (Tröster *et al.*, 2019, pp. 17–18).

I would like to cite a matching quotation about the barème noted by one of the interviewees:

> 'I don't think the barème exists in Ghana, but it definitely exists in Côte d'Ivoire, where actually the CCC determines who can take how much margin in the supply chain up to export. So, you have the farm gate price and then whatever, all these different things, it's a whole stack of probably 40 or something different line items with a value behind it. And if you make your calculations, okay well what goes to the farmer and what goes

to the government, whatever they do with it. For me, that's a different story, but what goes to government is one way or the other, a kind of tax because you have no power to decide about the spend that is a very large part. So, if you look at the barème, it's about 410 Euros. Which goes one way or the other to the local authorities. And then you've got $400 [LID], which goes to the local government. So, if you put those two together, you have more than $800, which go to government agencies or representatives or whatever. And if you have compared it with what a farmer gets, then that's almost one to one.' (Interview FarmStrong Foundation, 2022)

Living conditions were still bad for smallholder cocoa farmers, because the entire sector has undergone liberalisation processes. The LID poses an opportunity for farmers to upgrade.

The Implementation of the LID goes back to the Abidjan Declaration of 2018. Since then export prices have gone up and even reached in 2023 the highest level ever since twelve and a half years (Freudenthaler, 2023).

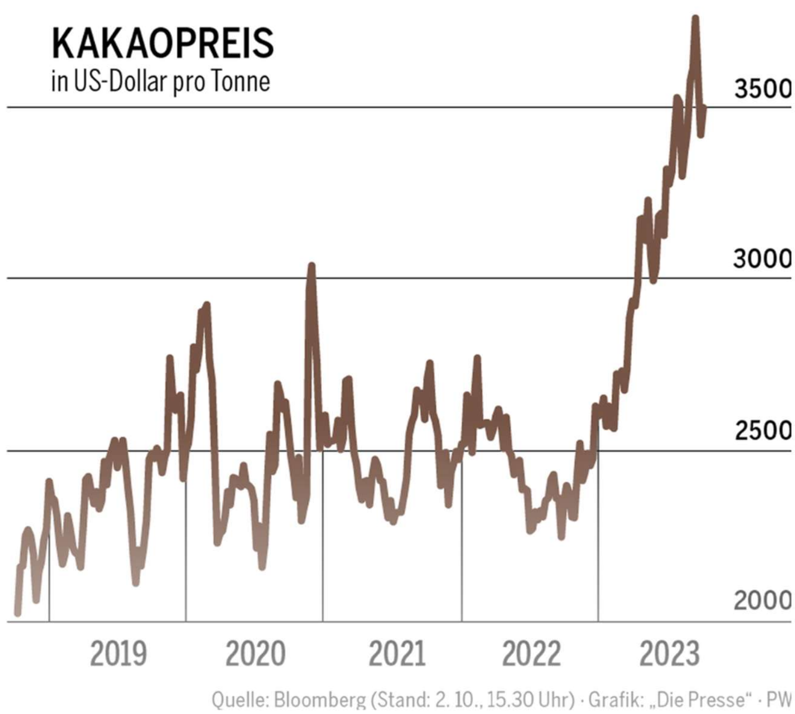

Figure 11 - Cocoa price in USD per tonne, as at 02/10/2023. Source: "Die Presse", 2023

According to Fairtrade both governments announced respectively in June 2019 to raise the farm gate price for all farmers to $1,820 per tonne from October 2020 onwards (*Fairtrade supports the Ivorian and Ghanaian living income differential*, 2019). Both countries thus guarantee a farmer price at the start of each season.

In 2020 the LID increased Côte d'Ivoire's farm gate price by 21% to $1,840. This price is still too low though to guarantee a living income for the farmers. Pomasi argues that 'producers in Ghana and Côte d'Ivoire need to bring in at least $3,166 per metric tonne'. Due to bumper harvest in the past and a decline in demand for chocolate products during the COVID-19 pandemic, the Ivorian government was bound to lower the farm gate price to sell the producer's cocoa – eventually cancelling out the benefits of the LID (Blackmore and Berger, 2021).

6.4 Socio-economic effects of the "cartel" on key players of the Ivorian cocoa sector

Indeed, both countries joined forces to impose a minimum floor price for cocoa of $2.600 per tonne Free On Board (FOB) and an additional Living Income Differential (LID) of $400 per tonne paid by buyers with the beginning of the 2020/21 buying season (Writer, 2020). That means, that if prices rise, the government will place the difference into a stabilisation fund in order to balance the losses in case of future price drops (Aboa and Angel, 2019).

The President of Ghana, Mr Nana Addo Dankwa Akufo-Addo stated his ambitions of a "cartel" with the following words: 'Our cocoa farmers get less than 10 percent of the value of a bar of chocolate and yet cocoa is the main ingredient for chocolate. That is why we have embarked on a strategic partnership with our good neighbour, Côte d'Ivoire and it is evident in our joint cocoa production and marketing policy' (*Ghana-Ivory Coast cocoa cartel is already yielding dividends – Akufo-Addo*, 2020). For too long farmers have been suffering under tremendous economic pressure in the cocoa sector and low income they draw from it to sustain a minimum living standard despite the hard labour force needed to obtain cocoa. In this context I would like to quote from my group interview, where two farmers were present: 'According to them [male and female farmer] they do not understand the prices. For the effort, supply, and burden that are related to the farmwork on the plantation. It is necessary to improve the conditions.' (Interview 3 OCEAN SA and SOCOOPACDI, original quote in French, 2022)

A **living income** can be defined as a net annual income needed for an everyday-life household to make a decent living in dignity for all family members (*The Concept*, 2020, see Figure 12).

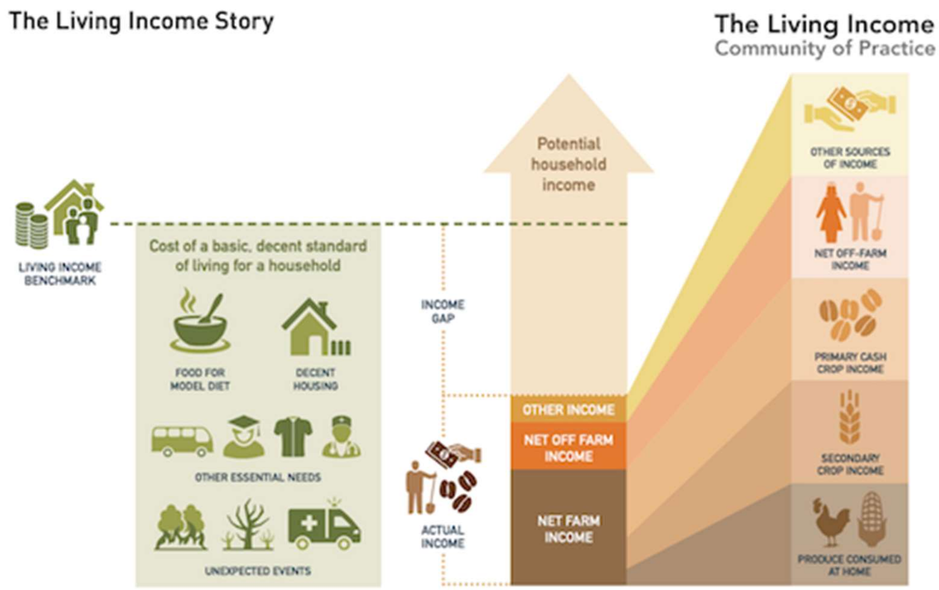

Figure 12 - The Living Income Story. Source: The Living Income Community of Practice, 2020

When cocoa prices were high in the 1970s, the farmers of Côte d'Ivoire got nearly half of the value of a chocolate bar and today Ivorian cocoa producers only see about 6% of the value of the final product (Adams, 2019). Grumiller et al. argue that a "cocoa cartel" based on the idea of the OPEC for example will face many difficulties, because cocoa is easier to substitute [note from me: carob] and much cheaper to produce (no expensive technical equipment needed as with oil). Therefore, any endeavours of both countries will most probably not go beyond intensified cooperation and tighter coordination (Grumiller *et al.*, 2018, p. 5).

Uwe Geniting reports about the starting problems of the cocoa cartel, when buyers were hesitating to buy the more expensive futures contracts, so that by October 2019 only 150,000 tonnes of the future cocoa harvest of the year 2020/21 were sold, versus about 450,000 tonnes at the same time in 2018. Also, sustainability and environmental issues were discussed by both countries to coordinate their goals through negotiations between the governments and the participants of the cocoa industry. Buyers agreed to pay the mandatory $400 LID and in return both governments agreed to invest into sustainability management and environmental protection programmes and in addition to pay directly to cocoa farmers to fill the income gap (Gneiting, 2019).

There is also scepticism in regard to the implementation of the LID as a means to combat poverty of cocoa farmers, which is why I would like to cite the following:

> 'If they really want to become a power in the cocoa business, what they should be – being by far the biggest producers between 75 or 80% of the cocoa in the world and they're still held hostage by maybe 10 cocoa traders, right?! It's ridiculous. Because they just fail to understand how those 10 other guys think. […] If you don't understand the business, and for them the most important, if they talk about the value of cocoa, of the commodity, you have to understand how these markets work because that is where the value of the product is determined at the end of the day. So, if you'd start talking about the LID and whatever kind of stuff that shows actually that, that you don't understand. It's actually proof of not understanding the sector where you operate. And every single release they have brought in the public, they are actually undermining what they are trying to achieve.' (Interview FarmStrong Foundation, 2022)

The interview suggests that the "cocoa cartel's" ambitions will not bring the desired socio-economic improvements for farmers. According to Grumiller et al. the cooperation between Côte d'Ivoire and Ghana led to different industrial policy measures, such as a loan from the United States of 1.2 billion USD to the African Development Bank (AfDB) in 2017. The loan is to finance infrastructure like storage and warehousing facilities and manufacturing the cocoa beans on the spot for local consumption (Grumiller *et al.*, 2018, p. 5).

6.4.1 Effects of the "cartel" on power relations along the production chain

Tröster et al. tell that the global prices of cocoa beans are decided on the cocoa futures markets in the commodity exchanges of London and New York, both operated by Intercontinental Currency Exchange (ICE). Cocoa markets are therefore managed highly risky and speculative with the goal of financial accumulation.

In order to reduce the price risks for CTHs, the physical price would be linked to the derivatives markets and this led according to Tröster et al. to today's practiced system of futures contracts in different forms: **Fixed-price-forward** contracts were replaced later by **spot-price** contracts and **price-to-be-fixed** contracts. Tröster et al. state that all three contract types can be easily integrated into the price risk management of CTHs, especially the price-to-be-fixed contracts (PTBFs) based on futures prices.

For exporters on the other hand the policy of futures contracts would link the market risks more to present price movements. Physical and financial markets influence each other and the close connection between them would set the futures based cocoa price (Tröster *et al.*, 2019, pp. 11–15).

Analogous to one of my interviewees, the venture by Ghana and Côte d'Ivoire was not well received on the international market. There was opposition from large chocolate companies and only a few companies have decided to support the initiative. Cocoa producers, on the other hand, are satisfied with this partnership and welcome the communication and the sharing of information between the CCC, COCOBOD and all stakeholders in the cocoa market.

Furthermore, the same interviewee goes to argue that the representation of cocoa producers, cooperatives and exporters by CCC strengthens the individual actors. The best price, sale and contracts are negotiated. The partnership between both countries is about more equality and control along the value chain. Cocoa producers must be brought to the table to re-negotiate the value chain, even if CCC and COCOBOD are doing the official negotiations (Interview CCC, original quote in French, 2022).

This statement is supported by another interviewee:

> ‘I think that's all we've ever wanted, that our countries could make the decisions, that our countries could have a seat at the table, the negotiating table. Because it's generally good. I have had the chance to participate in several panels and several meetings abroad. And usually, it's to discuss the problems of the producers without even having a producer present at that table. So, it's like, for example, you find a group of people who are working, let’s say they are working for women's welfare. But at that table, there are not even any women. How can you take care of the needs of people who are not even sitting at the table? This is good news for us because I said I work for the producers and the well-being of the producers. So, it's good news for us, in fact for both of us [Ghana and Côte d'Ivoire]. It's good news for us because we don't have the opportunity to sit at the negotiating table. So, these producing countries today are speaking for the producers, and that also reinforces the vision. It also reinforces the idea that the producers have. And we hope that, in any case, we hope that their voices can be heard and that the manufacturers can really align themselves with this decision in order to improve producers’ incomes.’ (Interview ECOOKIM, original quote in French, 2023)

I would also like to raise the voice of another interviewee who stated that

> ‘fear is the bad image of a brand. So, they will always be in favour of the LID. Officially the governments are in favour. There are also the implications from a European perspective. From the foreign policy, also the development policy. You have to take into consideration that in Africa 50% of the population is younger than 18 years. So, it means

that the next decades, these people will grow up and they will become adults. They will be in search of job opportunities. […] So, you have this demographic bomb that is coming. The country does not offer a lot of opportunities. There are terrible job opportunities. This can create a pressure of regulatory flow in Europe. So of course, there will be a genuine interest from the politicians to do that. […] So, who was not happy about this change? But probably rightly so: The trader. Why? […] The economic function of a trader is simply to guarantee a smooth supply. […] What is the problem? If the trader pays this $400, he wants to make sure that somebody else is paying back. […] Trading in general is a very low marginal contribution industry. So, the difference in price between how much you buy, how much you sell is very, very tiny. And you make money on large volume' (Interview ICCO, 2022).

Since the interviewee refers to the demographics of Côte d'Ivoire, it is worth mentioning that the President of Côte d'Ivoire, Alassane Ouattara, announced the year of 2023 to be the "Year of Youth" (*'Year of Youth' to improve employability of young people*, 2023). With over 41% of the population aged between 0-14 years and considering the fact that Côte d'Ivoire has one of the highest rates of population growth in sub-Saharan Africa, need for prospects in education and employment increases among young people (*UNFPA Cote D'Ivoire | United Nations Population Fund*, 2024).

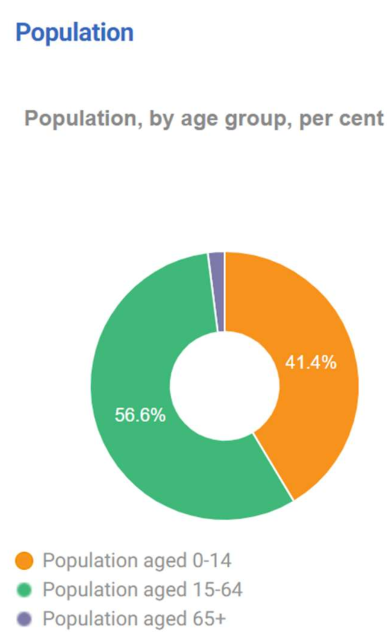

Figure 13 - Population of Côte d'Ivoire by age group in percentage, 2023. Source: United Nations Population Fund, 2023

As the reader can observe, there are several advantages and disadvantages for different actors along the cocoa value chain in regard to the intensified cooperation. In my next chapter, I will elaborate on the empirical findings.

7 Findings of empirical research and discussion

7.1 Impacts and socio-economic changes on smallholder farmers

During my research process, I have been able to observe – in particular through my interviews – different perspectives on the endeavour between Ghana and Côte d'Ivoire in the cocoa sector.

To this day, the price of cocoa is subject to major fluctuations due to various factors, such as environmental impacts and trading on the stock exchange. For this reason, a price stabilisation policy is needed to ensure the security of farmers. Farm gate prices in the past were not able to stabilize due to record harvest and external shocks, such as the COVID-19 pandemic and as a consequence of inflation – even after the implementation of the Strategic Partnership Agreement.

I have conducted interviews with partners, who expressed critical concerns regarding the intensified cooperation and potentially negative socio-economic consequences that would come with it for smallholder cocoa farmers. The prevalent assumption about possible consequences of the Strategic Partnership Agreement is that there will be a short rise in the world market price of cocoa, but a fall in the long term due to the incentive to overproduce. It is being suggested that supply control measures are needed in order to support the policy's effectiveness.

In the following I will combine existing inputs from experts' knowledge of my interviewees to show ways for better living conditions for farmers.

<u>Agricultural policy</u>

From the point of view of one of my interviewees, the LID is a short-term political measure:

> 'So yes, I think that [Poverty Stoplight tool, which helps people to visually reflect on their conditions and soil preservation] would be a better approach to it. Because if you just increase the price, then in the medium-term, you'll increase supply and you decrease the price again. So, it's short-term populism.' (Interview 2 OCEAN SA, 2022)

A sustainable, long-term agricultural policy in the cocoa sector is therefore urgently needed. One possibility could be to adopt parts of the European agricultural policy as a basis for targeted measures – a solution to market disruption could be e.g., decoupled payment method:

> 'One way to avoid market disruption from price support is to do a decoupled payment. So, you do a decoupled payment, which is common in the common agricultural policy in Europe. […] What does "decoupled" mean? Well, it's decoupled, because you give this financial support regardless of the volume produced.' (Interview ICCO, 2022)

Côte d'Ivoire was not only one of the founding states of the Organisation of African Unity (OAU), today's African Union (AU), but also provided the first chairman, the politician Amara Essy. With the exception of a brief interruption in membership during the turbulent presidential elections in 2010, Côte d'Ivoire has been an active member throughout (*About the African Union | African Union*, 2023). At the time, this founding treaty was orientated towards the model of the European Union (EU).

As an alternative to the fixed LID amount per yield, a flexible and customisable model might be appropriate. According to Weidenfeld and Wessels, European producers receive a subsidy per hectare based on the regional average yield, which increases in line with the price reduction. At the same time, they are obliged to reduce their productivity in case of overproduction (Weidenfeld, Wessels and Institut für Europäische Politik, 2009, pp. 57–66).

<u>Necessity for collection of data</u>

It is necessary to collect sufficient data and compile statistics to measure the effect of the LID. Due to the short duration of the introduction of the LID, no socio-economic results can yet be determined. My interviewee alludes as follows to this limitation:

> 'Of course, there are also unintended consequences. Because if you give a price per tonne, you have an incentive to increase the production. And if you increase the production, the price goes down. […] So, you have a market whose largest share is stagnating because of the low rate of natality [referring to Europe]. This market cannot grow because of the stagnation of the economic condition [referring to West African markets]. And now we have the two largest producer countries, which provide a subsidy. So, you have a clash of two different forces that unless something's happening, there is a downward pressure on the price. There is a tendency to produce more but the market doesn't grow. […] You introduce the LID to improve the living income. You have a short-term impact on the increase of the income. Yeah. And then in the long term you may have a negative impact, because these $400 have been an incentive to overproduction. Can we quantify? This is an economic conjecture, because we will need to know […] how much of this $400 has been allocated to improve the farm

> management conditions – if they spend more money on fertilizers, pesticides. […] Both factors, they go on a direction of a bearish market. In other words, they create a downward pressure on price. […] The LID can exert a downward pressure on the price. And then stagnation of the demand. So those are bearish factors. […] But then you have these bullish factors. You have the increase in price of all the hydro chemicals. […] So, the welfare impact for sure is a plus of $400 per tonne. We don't know how they spend it. We don't know the welfare impact. […] There are no surveys. Nobody finances a survey.' (Interview ICCO, 2022)

<u>Political stability</u>

The chances of positive development for farmers in the cocoa sector also depend on political stability. According to Schäfer, no military coup is to be expected in the medium term. He argues that the political situation is more secure compared to the neighbouring countries Mali, Niger and Burkina Faso and that the economic situation is also more investor-friendly. As the annual per capita income in Côte d'Ivoire ($2,500) is five times that of Niger ($500) (Schäfer, 2023, p. 29).

According to an Ivorian political scientist, cooperation between Ghana and Côte d'Ivoire is also important for political stability, as he mentions:

> 'This [Strategic Partnership Agreement] has nothing to do with electoral contexts. No, this is politics, this is pure politics. If we are in a union together with Ghana, cocoa union, let's call it that, we will be stronger. [...] That is a good policy. The government of Côte d'Ivoire has made a good decision and so has Ghana and together they can influence prices or do something for the farmers. [...] And it is very good when the two big producers in a field want to agree. That can be an advantage. And from the beginning they wanted to put pressure on the system so that prices would increase. Yes, I think that is a good policy, that is a good policy, because that is a reality, an economic reality. And let's take the area of industry, when there is a consortium sometimes, or a cartel, you become stronger, stronger and stronger. That's why I think it's a good policy when Côte d'Ivoire and Ghana join forces, so to speak, to go down a common path in this sense.' (Interview CRPA, original quote in German, 2022)

<u>Reach of the LID</u>

As not all cocoa farmers fulfil the requirements for certification (e.g. Fairtrade), the LID also reaches the poorest cocoa farmers in the most remote areas. Despite all criticism, LID thus leads to social and economic integration and is in line with the inclusive spirit of Agenda 2063.

My interview partner from a cocoa cooperative is aware of this achievement and supports the LID as it includes farmers who are not part of a cooperative and who do not have access to certification:

> ‘Today I think for two years, Côte d'Ivoire and Ghana have been working together to find the best for the producers. And that was reflected in the fixing of the LID and that allowed the producers to get a higher purchase price. So today, it is beneficial, because it allows the producers to have additional income because the cocoa price paid is being compared to other years. In this merger, we think that if the industrialists, the chocolate manufacturers, push this idea, it could help the producers because it goes beyond the various certifications. Because generally, the certifications are for a group of producers and not all the producers in these two producing countries are certified. So, when the LID is paid, it cuts across all the producers, so we have more impact than just certification. So, for us it's really interesting and it's important that the chocolate industry can endorse this idea. […] But to say that it has lifted them out of poverty – no, I don't have the figures, but I know that it's not possible [...]. Because in order for it to be useful, in order to make this evaluation, it has to be done over several years.’ (Interview ECOOKIM, original quote in French, 2023)

Diversification

Another idea to strengthen the position of farmers is to diversify their sources of income. Around 85% of Ivorian export products come from the agricultural sector. Cocoa accounts for just under a third. Farmers have the opportunity to diversify their income with the help of cash crops such as coffee, oil palm, cashew and rubber (*Africa Business Guide - Alles zur Wirtschaft in Côte d’Ivoire*, 2023). Cooperatives provide farmers with the opportunity to find new sources of income, two of my interview partners describe this as follows:

> ‘What is important at the moment is that the farmers are organising themselves. They are forming cooperatives, so to speak. And they are getting stronger and stronger.’ (Interview CRPA, original quote in German, 2022) ‘So as a cooperative they have understood that just working on cocoa is not sufficient and so that’s why actually cooperatives are a key actor in improving the livelihoods of farmers. Because they are

> able to implement different kind of programmes (cattle, farming, fishing, processing). […] They try to get the farmers to do another activity.' (Interview 3 OCEAN SA and SOCOOPACDI, 2022)

Welfare

LID alone cannot achieve widespread prosperity, so it is important to rely on stable networks. Being integrated into the West African Economic and Monetary Union, the World Trade Organization and participation in the African Continental Free Trade Area strengthens the Ivorian position. Furthermore, the World Bank expects Africa to be the second fastest-growing region after Asia, with economic growth of around four percent for the years of 2023 and 2024 (*Africa set to be the second-fastest growing region after Asia, but headwinds remain, says AfDB's African Economic Outlook report*, 2023).

The following statement sums up the status quo regarding LID quite well:

> 'Farmers are better off, but we cannot assess the full welfare impact. […] Unintended consequences are likely to affect production in the medium and long term. This means that it may have a downward pressure on price. […] Why? Because their price risk exposure is increased. […] So, what does this mean? Well, that the risk spreads out. This may have an implication on the cash flow of the treasury department, because of export revenue. Yes, it's good, but we cannot quantify because there are no surveys. There are unintended consequences, because you may have an impact in increase of productivity. It can have a declining price. […] It's quite possible that the price goes down so much. […] The price can go as much down as to erase completely the benefit of the LID.' (Interview ICCO, 2022)

Furthermore, lack of transparency regarding the LID is being criticised by another interviewee:

> 'My knowledge is mostly limited to what consequences it has on our company. Because, let's say that there's not a lot of transparency from the authorities in regards to how much was collected, where is this money going. And we don't know what really happens with the – we suspect – although I don't think there was sufficient communication about that. But we suspect that it was used to push the farm gate price up compared to the regular market price. So, it's, I think it's an initiative that has very good intentions. We all want cocoa farmers to have, well, better livelihoods and incomes. But I also think that, I'm not sure whether it's the best way. Just to drop this gap on the prices because there's so

> many other variables at stake. In terms of income, not all cocoa farmers are only cocoa farmers. They usually have an activity on the side.' (Interview 1 OCEAN SA, 2022)

Environment and sustainability

Part of a sustainable economy includes protecting the environment and dealing with climate change. According to N'guessan, the vision of Ivorian environmental protection in the cocoa sector is to decouple cocoa cultivation and deforestation in rural areas. This includes geolocation of cocoa producers, sustainable production systems, promotion of agroforestry and reforestation in rural areas. Ghana and Côte d'Ivoire have also joined forces to protect forests and make cocoa production sustainable. This includes a ban on the marketing of cocoa beans from classified forests and nature reserves, such as the Tai National Park, an UNESCO World Heritage Site (N'guessan, 2021, pp. 263–265).

The environmental awareness of local stakeholders has also increased, as I can point out in the following quote:

> 'I'm not sure that price is the only variable you should play with in order to address that [poverty of farmers]. Because the perverse effect you can have, and it's a big chocolate [industry] argument – but I think it has some degree of validity – is that if you start paying higher price for cocoa, then farmers will have a tendency to replace their current crops to grow more cocoa, right? And then indeed you will be increasing the pressure on deforested areas, protected soils. And so, I do think that farmers deserve a better price. But I think that if you only just flatten out this Living Income Differential. I don't think that's sufficient. I think you need to go and pay for these farmers that make the effort of complying with a certain exigency of sustainability criteria, right. Meaning, okay, we have cooperatives that are traceable. That means that field officers came there. They talked with the farmer, they took some data on his family, they did the polygon GPS mapping of the farm that enables us as an exporter gathering this data to sell the cocoa and say, hey, this cocoa is not coming from a deforested area, right. All of this has a price for the cooperative, right. And we are only able to put in place these programmes, because a chocolate manufacturer is paying for it. And then bottom line a consumer is paying for it. So, I think that approach makes more sense. Because if you just increase the price of cocoa, I think what you're going to see is an increase in supply. Which will eventually drive the price down if it's not matched by consumption, right.' (Interview 1 OCEAN SA, 2022)

N'guessan adds that the development of an Ivorian certification and sustainability standard, which relates to the value chain from producer to exporter, can function as an environmental standard (N'guessan, 2021, pp. 261–262). Furthermore, waste from cocoa production (cocoa shells) can be used as biofuel. Every tonne of cocoa beans harvested produces 10 tonnes of cocoa shells. In terms of sustainability on a small-scale level, cocoa waste can be used as an energy source instead of e.g. wood (*Mit Kakao gegen den Klimawandel*, 2019).

<u>Children's rights</u>

Child labour continues to be one of the biggest social challenges in the cocoa sector. According to current figures, around 1.56 million children in Ghana and Côte d'Ivoire work in the cocoa sector. The LID is also intended to ensure that farming families have enough income to send children to school and not to have them work in the fields (*Kinderarbeit im Kakaoanbau – es braucht umfassende und nachhaltige Lösungen | unicef.ch*, 2022).

The following quote from an interviewee refers to this issue at hand as follows:

> 'Well, the challenges are still there. It's always the same issues that we work on. First of all, there is child labour. In terms of child labour today, it's due to poverty, one of the main causes of poverty. Some producers do not have the means to send their children to school, so they do not have the means to provide for their needs. So, there is always child labour. And today [...] there are policies in place, there are activities that are carried out in the producing areas and in addition to that, there are certified cooperatives. I take our case, for example, we carry out preventive activities with regard to the construction of schools, the construction of canteens, and we also give school kits to producers as a preventive and curative measure. We also have combat committees. These committees raise awareness among producers, among children, in schools.' (Interview ECOOKIM, original quote in French, 2023)

Now that I have given the reader an insight about the empirical findings of my field research and the various views from experts on the effect of the LID, I will continue to discuss upgrading opportunities in the next chapter.

7.1.1 Upgrading opportunities for farmers

In regard to upgrading opportunities for farmers, most interview partners chose to endorse the policy of the CCC and capacity building projects to support smallholder cocoa farmers in the long term. In the following, I will provide recommendations from literature and partial quotes from the contributions of my interview partners on practical ideas to upgrade the situation of farmers:

Securing and improving the income of producers

According to N'guessan, the cocoa-producing household is regarded as an independent economic production unit in the family farming economy. Its survival depends on earning a guaranteed minimum income. This means that the operating costs of the plantation and the basic needs of the household need to be covered.

It is therefore important to determine the following data:

- Amount of per capita expenditure to cover basic needs per agricultural year
- Average minimum variable costs of cocoa farms
- Determination of the non-cocoa-related sources of income of a cocoa-producing household and its contribution to total household income
- Minimum income of the cocoa farming unit to ensure continued participation of the household in cocoa production (N'guessan, 2021, p. 266).

Subsequently, it is important that farmers know how to invest money in case they have leftover income – as the following quote shows:

> 'To fight against the poverty of a farmer. First, we teach them how they can manage their money. You know, the farmers sometimes don't have an account in the bank. So, we advise them to open an account at the bank first. So, we have a programme of digitalization of the money, so we can pay directly to the bank and they go there to collect their money through the mobile payment, something for that. So, we advise to first have an account and some small copy book to put in all the information: What is the charge of the farm? What are the expenses during the year? And what is the money they can save? So, when they have that they can improve their life and also the premium is another money to increase their income.' (Interview 1 OCEAN SA, 2022)

Income diversification

According to N'guessan, it will be necessary to promote diversification among producers to help develop other crops without prioritising them over cocoa. Diversification can contribute to the resilience of producers, especially in the event of a sharp drop in prices. Furthermore, the interview partner from ICCO presents the option of moving into the processing stage of cocoa beans to achieve value added.

> ‘What is value addition? […] Value addition is to process cocoa beans into semi-finished products. […] So, this is value addition. […] And so, a higher value added means a higher tax revenue. […] So, this can be a strategy, this can be in the portfolio of things that you can do. Because then you have more investment. […] Another possibility is to have a diversification in the sense, you do diversification simply because you want to reduce the volume that they produce. […] Because if you diversify, you have less pressure on the price. […] So, value addition, diversification to reduce the production. But then you have to find a job opportunity. So, you need to have investment in rural infrastructure.’ (Interview ICCO, 2022)

Another option for diversification is to expand tourism. N’guessan proposes the creation of a national chocolate museum (N’guessan, 2021, pp. 258–259). In addition to the Notre-Dame-de-la-Paix basilica, the Comoé and Tai national parks and beach and bathing opportunities, chocolate can be used to attract tourism.

7.1.2 Remaining challenges

<u>Monitoring system for transactions in the field</u>

It is known that abuse takes place in the field and that there are sometimes middlemen who illegally obtain a lower price for cocoa in the field than specified by CCC. These unacceptable conditions for farmers are also due to poor infrastructure:

> ‘There is a big issue in terms of infrastructure. There are still farmers that don't get the farm gate price, right. Because, they're away from the roads. And so, if you're a cocoa buyer, you need to pay for a truck to get into those dirty roads. […] Then you have to go and pick it up. So that means you have extra cost to go and pick that cocoa, so you cannot afford even if you're required to, right? Or you don't buy his cocoa and he doesn't sell it.’ (Interview 2 OCEAN SA, 2022)

Hence, the reality of private middle men buying cocoa directly on remote farms below official prices poses a challenge for socio-economic upgrading of farmers:

> ‘The government does not buy the cocoa directly in the field from the farmers. There are middle men who do that. That means the government can decide that a kilo of cocoa is worth 1.50 euros. And there in the field or in the village, these middle men buy lower. Normally, the government has to take measures so that they don't do that anymore. But you see again and again that this problem exists. You can say for a kilo of cocoa 1.50

> euros and it can really be bought for half, that is the reality.' (Interview CRPA, original quote in German, 2022)

Unfortunately, you cannot have enough people in the field to control private individuals every time they buy cocoa. However, these schemes in the field to circumvent the official price are being opposed (Interview CCC, original quote in French, 2022).

N'guessan addresses a CCC database for the creation of ID cards. These ID cards can be used in many ways, e.g. for all transactions between producers and other market participants, especially buyers. Part of this database is to process information on tonnage, price, identity of the players, location, etc. in the context of transactions.

For example, after each transaction, the producer should receive a receipt from the terminal or a message sent to his mobile phone. The transaction data is transmitted to a CCC computer system. This allows all daily transactions to be tracked in real time. Transactions between market participants and producers are thus processed from bank account to bank account. According to N'guessan, this transition will take place gradually (N'guessan, 2021, pp. 251–252).

Transparency

One of the most emphasized challenges vocalized by interview partners in regard to the intensified cooperation is lack of transparency regarding the LID:

> 'Farmers are not aware of the Living Income Differential, no. Perhaps some are. They just look at the price they are getting paid. I'm not sure they're even aware of such cooperatives. And they're supposed to be composed of farmers, right? Almost everyone is a farmer, but the small bush farmer, smallholder farmer, I don't think he'll be aware. Perhaps he has heard about it. I'm not even sure he knows that the Living Income Differential is in his farm gate price. And we are not even sure of that.' (Interview 2 OCEAN SA, 2022)

Even at a higher level, lack of transparency is expressed:

> 'Ultimately, you receive the LID. Supposedly it's in there, but it's not explained. It is not specified. This Living Income Differential supposedly is in the farm gate price we pay, but farmers don't really know to what extent, to what proportion. There is lack of information. […] He is our Sustainability Manager of one of the cooperatives and he

> doesn’t really know more about it, so imagine the farmers.’ (Interview 3 OCEAN SA and SOCOOPACDI, 2022)

Furthermore, the allocation of the LID poses a major administrative challenge. A lack of data makes it impossible to understand what the LID is spend on in private households. This also raises the question of data protection, as transparency has its limits. Ultimately, it is the producers' own responsibility as to what the LID is spend on. Training can create awareness and serve as a guideline:

> ‘So, the purpose is to increase the living income of farmers. And yes, at the beginning some raised the risk concern whether this money will be lost to an administrative channel. Whether the farmer will really benefit from this premium that is paid. Let's call it a premium. But in reality, this money was transferred. So, all these concerns were materialized. The farmer received an additional $400 for each tonne that has been produced. So yes, to answer more specifically to your question, unfortunately, if you wanted to have other metrics measure, how the welfare has increased besides saying this $400 were transferred. There is very little that can be said.’ (Interview ICCO, 2022)

Part of transparency is also traceability. Certifications like Fairtrade and Rainforest Alliance were founded to ensure sustainability of the supply chain. Referring to goods that are produced and traded under socially, ecologically and economically fair conditions. However, these certifications are also criticised, as compliance with the strict requirements places additional pressure on vulnerable producers:

> ‘Well, what they [farmers] have noticed of course is that prices have gone down and even more so in real terms, but few people realize because they don't understand what inflation is. But we like to look smart and, look now we have put the farm gate price at 800-900 CFA. That's higher than last year, but now inflation in those countries has moved up about 30%. So, the nominal value doesn't mean an awful lot. The only thing what farmers notice is that they get less and less for their cocoa. And at the same time, they have to do more and more to comply with these silly requirements of Western people. They want it certified, they want it traceable […] So, it’s bad news for those guys, most of the time. No, all the time actually.’ (Interview FarmStrong Foundation, 2022)

N’guessan is in favour of a regulatory framework from the CCC for certification and sustainability in order to better monitor the payment of cocoa premiums to producers and cooperatives. According to N'guessan, the system should require exporters to report ongoing certification projects. In addition, CCC should ensure that the project in question has been registered before the certified products are dispatched. CCC should also check with cooperatives and in sequence with producers at regular intervals to ensure that the certification premiums have been paid. N'guessan proposes, all unpaid premiums shall result in the suspension of exports. It should be optional to impose sanctions on companies (N'guessan, 2021, pp. 260–261).

In chapter 7, I looked at individual components – such as agricultural policy, political stability, welfare, environment, respect for children's rights – which contribute to save livelihoods. I touched on upgrading approaches and addressed remaining challenges for cocoa farmers in the sector.

It will be interesting to see in a broader context how the intensified cooperation between both countries develops: The challenge is to further consolidate the partnership, to consolidate it well and to build on it. You cannot win everything, but CCC will continue to work towards this goal (Interview CCC, original quote in French, 2022).

8 Conclusion

Over the course of my research, I was able to observe a diverse range of professional opinions regarding the bilateral endeavour – they range from support to criticism as far as to the believe that the "cartel" formation might even negatively impact the cocoa farmers.

Some believe that the root causes of poverty of smallholder cocoa farmers need to be tackled in a different manner by focusing more closely on capacity building, nutrition, food security, food serenity and diversification strategies:

> 'The sector would not be in such a mess. Because the sector is in a total mess, right? So first of all, we have to understand why is the situation as it is and more so […] the smallholder farmers. Why are they in such a miserable situation? That is actually not cocoa-related. Now cocoa weighs into it, there is a correlation but not a cohesion. […] Because you can find correlations between everything, but it doesn't mean there's a cohesion. […] So, the underdeveloped economic situation of the rural areas has different reasons. I sometimes say, well, if these farmers would grow potatoes or carrots, they would've the same problem. It's not because of the cocoa, it's not. So, you have to figure out what are then these underlying problems, the root causes of poverty. And then based

> on that you start building up. Now with what do you start, right? And you will definitely not start with growing more cocoa because that is not the cause that they are poor. […] If you see something – a symptom – what is actually behind that symptom? […] The effect, the poverty is not a driver. The poverty is a consequence. So, you have to unravel what are the real drivers of the situation. And cocoa has nothing to do with the driver of the problems they have. So, you should not look for a solution when the visible issue is a consequence of something else. You have to figure out, okay, if this is a consequence, what is the issue? You have to deal with the driver of the problem and not a visible symptom of the problem. […] Certification is seen as a solution. As a solution of what? What does traceability solve? Nothing, because those are dealing with consequences of the situation and not of the drivers behind it. So, unravel that is a good starting point. And then you come back to the cocktail I talked about earlier, nutrition, health education and social infrastructure. […] Those are root causes for the poor social economic development of rural Africa. […] If you look at these things, about these root causes, about nutrition, about food security, food serenity, then automatically you get into a kind of diversification strategy. And if you put more energy in producing food for your local population, instead of importing it from France that will have a detrimental effect on cocoa production and therefore will increase prices.' (Interview FarmStrong Foundation, 2022)

In this context, it is relevant to mention that China has a growing trading relationship with Africa, including Côte d'Ivoire, and is particularly involved in the development of infrastructure. Under the Belt and Road Initiative (BRI) the port of Abidjan was expanded. Abidjan port is leading in terms of traffic volume on the West African coast and is probably the largest Chinese investment in port infrastructure in Africa and the largest Chinese-led project in Côte d'Ivoire (*Chinese investors find regional anchor in Côte d'Ivoire's main port*, 2023). Over the past decade major infrastructure projects like Soubré Dam, bridges, vocational training schools, railroads and roads were funded by China. Among the projects 7,000km of upgraded roads linking the agricultural north of the country with major export hubs, including the port of Abidjan (*Chinese-backed AIIB seeks to boost Ivory Coast's trade links to Asia*, 2023).

As expressed in the following interview, rural development is essential for the country's progress:

> 'You need a massive rural development plan. […] First of all, not everybody has to produce cocoa – has to produce something else. […] So, you will need some form of

> diversification. What else you need? You need to do rural extension. […] Other people call it capacity building, capacity building on the productivity. But here we have to be careful, be aware of the unintended consequences on price. […] But the most important point is that you need to create some things that leave people out of the agricultural sector. Because this is a vicious cycle. Because will do something else. So, you need a massive investment in infrastructure in rural areas to give job opportunities to these people. […] So, the point is that it's not just diversification. It's that this country needs to move away from agriculture.' (Interview ICCO, 2022)

In addition, N'guessan is in favour of limiting the speculative positions of market participants. It is essential to prevent the stabilisation system from being jeopardised (N'guessan, 2021, pp. 259–260).

Summarizing, I have learned during the process of my research that 'national structures alone cannot address price-setting power and related inequality in GVCs, driven importantly by CTHs and their links to commodity derivatives markets' (Staritz *et al.*, 2022, p. 864): 'It [Strategic Partnership Agreement] is one step, but it's not sufficient.' (Interview ICCO, 2022) 'Eventually, increasing producer countries' price-setting power will require reducing their dependence on commodity export earnings, as well as on CTHs, which has become even more challenging in financialised commodity GVCs.' (Staritz *et al.*, 2022, p. 864)

Against the background of global power dynamics, it is thus important for producing countries to consider moving away from the agricultural sector or at least limiting it and specialising in the secondary or tertiary sector. This requires comprehensive national vocational training and professional re-education. To achieve just and sustainable economy on an international level, Corporate Sustainability Due Diligence Directives (CSDD), such as from the EU, help to foster an inclusive environment in global supply.

As the implementation of the LID is a long-term strategy for both countries, it is not possible to say yet affirmatively how it will affect farmers in the long run in terms of price – positively, negatively or indifferently. Fact is that the LID reaches the farmers, but due to the lower farm gate price given record harvest and external economic shocks (e.g. COVID-19 pandemic) it could not realise its potential. In cases like these, the governmental reserve fund will have to be mobilised. Diversification of income and vocational training on finances for farmers can further help to alleviate the situation.

The Strategic Partnership Agreement has been in a two-year pilot phase since 2018, after which it has moved into practice. So, the implementation of the partnership is recent, socio-economic effects will have to be monitored over time. ‘Doucement, doucement, doucement’ – it will simply take time (Interview CCC, original quote in French, 2022).

8.1 Outlook

For future research it will be interesting to follow the endeavours of Ghana and Côte d'Ivoire closely and from an academic point of view it will be interesting to see how the socio-economic effects of the cooperation unfold over the next years to come:

The fact that the farmers receive the LID raises the question of the welfare impact. If we look at the situation at hand, it would currently only be possible to make assumptions regarding the impact, because there is no available data yet. It is unknown how much and if part of the LID is being allocated on food, health service, education and/or investment in the farm. ‘Nobody knows because nobody has ever done a survey on this aspect.’ (Interview ICCO, 2022)

It might be assumed, that there is an economic agent that makes rational choices and is allocating its budget resources to required needs. ‘But actually, in this case you cannot answer this question.’ (Interview ICCO, 2022)

Overall, a national assessment strategy is needed in order to be able to address the quality of the implementation of the intensified cooperation and the potential socio-economic impacts it has on smallholder Ivorian cocoa farmers: ‘The idea is that these $400 – they spend more on food, so they're improving their living condition, they're improving the health, they're improving education – nobody knows’ (Interview ICCO, 2022).

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