

# THE IMPACT OF FAIR TRADE ON THE LIVING STANDARDS OF FARMERS IN GHANA SOCIAL COOPERATIVES AND CORPORATE COOPERATIVES<sup>1</sup>

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**Abstract:** Fair Trade is a complex movement, but its central purpose is to help disadvantaged small producers from developing countries through trade. The most recognized aspect of the movement is Fair-trade International, the biggest Fair Trade certification organization. The system was created to give advantages in international trade for farming cooperatives who decided to join the movement.

Although in last 20 years of Fair Trade growth there have been many studies of the movement, there has only been one wide spectrum survey on the impact of Fair Trade on rural producers. Many others were concentrated at other aspects of the movement or were irrelevant. The research presented here is the first qualitative Fair Trade impact study conducted in Ghana. It also has a wide spectrum and is a part of broader ongoing research in two other regions of the world.

Research was conducted to examine Fair Trade's (in particular Fair-trade International's) impact on farmers and communities in Ghana by comparing it to farmers and communities that do not benefit from the system. A qualitative study was conducted, based on 75 interviews, among them interviews with farmers of cocoa and oranges, members and employees of cooperatives, owners and employees of food companies and representatives of Fairtrade International.

Observations of 5 villages and 1 small town, alongside the interviews conducted, resulted in the conclusion that there are no substantial differences in the standards of living between farmers which are

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members of cooperatives benefiting from Fair Trade and farmers from the comparison group.

The research suggests that small cooperatives and big cooperatives function differently. Small cooperatives are operating in the interest of their members, while big cooperatives are focused on creating business potential. The study revealed that small cooperatives provide more benefits for farmers while the big ones transform into ventures similar to corporations.

**Key words:** *Fair Trade, Ghana, cocoa farmers, Fairtrade International, Fairtrade certificate*

## **Aim of the study**

The aim of the study is to test the differences in the development of communities and families (households) that use the solutions proposed by Fair Trade and those that sell their products on a conventional basis. It aims to answer the question: does Fair Trade guarantee an improvement in living standards?

The second part of the study is a comparison between farming in big and small cooperatives. It tests the hypothesis that members of small Fair Trade cooperatives enjoy more benefits than members of big ones.

## **Previous impact studies**

Valerie Nelson & Barry Pound (2010) examined 80 academic publications and reports on various aspects of Fair Trade over a period of 10 years. Among them were 23 reports containing 33 impact studies of Fair Trade on producers or their organizations<sup>2</sup>. In the reported group there were no case studies of tea, cotton, cane, rice or nut farmers, though these are important crops that are already certified.

Of the 33 impact studies 31 showed the positive effects of Fair Trade on producers<sup>3</sup>, but most of the studies were superficial and based not on field study but questionnaires filled in by boards and office

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2 The majority investigating in coffee production in Latin America.

3 In 29 cases it was growing income, in 27 cases a stabilization of income, and 22 cases showed growing empowerment.

employees of cooperatives rather than farmers themselves. Only two case studies concerned Ghana and cocoa, but these were also not very significant or not current.

Among the three impact studies about Fair Trade in Ghana the most significant is *Monitoring Impact of Fair Trade Initiatives: A Case Study of Kuapa Kokoo and the Day Chocolate Company* (Ronchi 2002). However, it was made at a time when the Fair Trade share of the whole turnover of the Kuapa Kokoo cooperative was no bigger than 10%, so the impact on farmers was not yet visible. The same assumption could be given to another study mentioned by Nelson and Pound, namely *Overview, Impact, Challenges, Fairtrade...* (see OPM and IIED), which was published in 2000.

A more valuable current publication (which was not described in the review of Nelson and Pound) is *Gorzka czekolada [Bitter Chocolate]* (Popławski and Szeniawska 2013). It describes the state of cocoa production and trade in the neighbouring Ivory Coast. This is a comprehensive source of information about farmers and their problems in similar social and economic situations to Ghana, but it lacks some important impact study data.

The most significant and comprehensive study about the impact of Fair Trade on producers is research conducted by Sara Klier (2012). It contains six case studies conducted in five countries. One part of this study was carried out in Ghana. It was about one of the biggest Fair Trade cooperatives in the world (Kuapa Kokoo), whose members cultivate cocoa. The field research was based on questionnaires and interviews with cocoa farmers in one village.

This study was the source of the report *Assessing the Impact of Fairtrade on Poverty Reduction through Rural Development* (Klier 2012), in which the author observes that Fair Trade in Ghana is not very efficient and has several disadvantages: engagement of farmers in the decision-making of cooperatives is very low, benefits from Fair Trade tend to apply most to owners of farms, who may or may not be the actual farmers, and the Fair Trade impact on rural development is minimal<sup>4</sup>.

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4 It is important to note, that the positive impact of Fair Trade on development in the other 5 cases was much higher than in Ghana and cocoa case.

The study was concentrated in just one place, based on five days of field research, mostly quantitative and with some questionable methodology assumptions. The Sara Klier study<sup>5</sup> is best treated as an introduction to a more serious and larger study.

## Research methodology

A grounded theory method (GT) was used in the study. It assumes that the members of a society will know it best, and therefore the researcher should avoid bringing in prior theories and the confirmation bias that may result (Glaser, Strauss 1967). Using the grounded theory method, the researcher develops a theory of communities based on their own observations, supported by multiple interviews with various actors in society, and therefore the conclusions of the study are based only on the data collected.

Research is based on qualitative field research collected in Ghana in November and December of 2012 and January of 2013. The basic research methods were interviews from a carefully pre-prepared script. The study was based on interviews with cocoa farmers divided into four groups. One was the control group, the second group consisted of members of the big cooperative (Kuapa Kokoo), a third consisted of the members of the small cooperative<sup>6</sup>, and the fourth was a group of many different people working with farmers.

During the research 56 in-depth interviews were conducted with cocoa farmers, including 13 interviews with members of the cooperative AB-OCFA and 16 members of the cooperative Kuapa Kokoo. Five interviews were conducted with farmers of oranges, including the four members of cooperatives affiliated with Fair Trade. In addition, 14 interviews were conducted with representatives of the Fair Trade cooperatives, as well as representatives of the government agency Cocobod, a local cocoa agriculture researcher, and representatives of three certified private companies engaged in the processing of Fair Trade products. Altogether 75 in-depth interviews were conducted<sup>7</sup>.

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5 Especially the part conducted in Ghana.

6 ABOCFA: Aponoapon Biakoye Organic Cocoa Farmers Association.

7 All interviews were registered. Wherever possible it was recorded (except 4 cases). All responders were also photographed (except small portion of interviews with representatives of cooperatives and other officials). All of them agreed to an interview and to a photograph.

Interviews with farmers were divided into three distinct parts. The first concentrated on the characteristics of farm work, the difficulties of farming, methods of cultivation and sales. The second concerned the quality of the farmer's household life and in the majority of cases evaluation was based not only on the questions, but also on observations.<sup>8</sup> Members of Fair Trade cooperatives were also asked about the benefits of membership and their relationship with the cooperative.

Furthermore, the interview script was prepared to encourage open answers from respondents and to provide additional information. Due to the individual nature of the interviews, the answers given by the respondents and the different nature of their problems, it was not reasonable to unify responses and reduce them to statistical indicators. Therefore all information collected was used as a part of qualitative study.

Members and employees of cooperatives were not given the details about the planned research, to avoid the researcher being directed to pre-selected farmers<sup>9</sup>. All visits were conducted with random respondents. Besides interviews based on the script, unstructured short conversations with farmers and other local community members were conducted.

Additional research methods included active observations of village life<sup>10</sup> and less participatory observations<sup>11</sup>.

## Fair Trade principles

Fair Trade (FT) is a global movement with producers in the global South and consumers in the North as the essential parts. Four of the most significant Fair Trade organizations agreed in 2001 to establish a definition of the movement: "Fair trade is a trading partnership, based on dialogue, transparency and respect, that seeks

8 About 85% of the interviews were conducted at farmer's homes.

9 As often happens with official delegations from companies working with cooperatives, or with journalists or researchers. This mechanism was repeatedly noticeable in research methodologies of another studies, as well as statements of farmers and another interviewed responders.

10 Shadowing – following the farmer's everyday life; observations of community life during an active stay in the village.

11 Mainly observation of living conditions and infrastructure, and other development indicators in the communities.

greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers – especially in the South. [...]” (A charter of Fair Trade principles 2012: 6).

Fair Trade has many aspects and forms. The most important and best recognized aspect of the movement is the system of certified international trade of goods such as coffee, tea, cocoa, cotton, cane sugar, fresh and dried fruits, spices, herbs, gold, handicrafts and many others. There are several international certification initiatives, such as Fairtrade International, IMO (owner of Fair for Life certificate), Naturland (with certificate Naturland Fair) or World Fair Trade Organization, whose Fair Trade standards cover a broader set of criteria across production and trade. Fair Trade also has a strong and vital movement of volunteers and NGO’s, especially in Western Europe, who campaign for the use of ethically produced products. Finally, Fair Trade is fast developing a more direct model of trading with much stronger relations between the producers in developing countries and manufactures or traders in the countries of consumption.

The movement and its activities are strongly recognized in Western Europe<sup>12</sup>, the United States and other developed countries. In other countries around the world it is almost unknown.<sup>13</sup> The market for Fair Trade goods is estimated at five billion Euros in sales for the biggest certification movement alone (Fairtrade International 2013). Annual growth of sales is estimated at 10-12% which is substantial, especially in a period of economic crisis.

General principles of Fair Trade (World Fair Trade Organization 2012) are:

- creating opportunities for economically disadvantaged producers,
- transparency and accountability,
- fair trading practices,
- payment of a fair price,
- ensuring no child labour and forced labour,

12 Especially in the United Kingdom.

13 It is also unrecognised in the areas of production of Fair Trade goods in the developing countries.

- commitment to non-discrimination, gender equity and freedom of association,
- ensuring good working conditions,
- providing capacity building,
- promoting Fair Trade,
- respect for the environment.

In the case of Fairtrade International, these principles are ensured by regulations called Fairtrade standards. The most important financial standards are minimum price and the Fairtrade premium. The minimum price mechanism guarantees producers (cooperative or plantation) that the price for the produced goods will not be lower than a fixed base price. In practice it covers the costs of maintaining production in periods of low prices on the international market. The Fairtrade premium is an additional payment to organizations of producers that is used for capacity building among farmers (or producers) and their organizations. Decisions about how to use the Fairtrade premium are supposed to be taken democratically by members of the co-operative or members of the workers union if it is a private plantation. Another important standard of Fairtrade Int. is: “enabling pre-financing for producers who require it, facilitating long-term trading partnerships and enabling greater producer control over the trading process, setting clear core and development criteria to ensure that the conditions of production and trade of all Fairtrade certified products are socially, economically fair and environmentally responsible” (Fairtrade International: Standards 2013).

### **Fair Trade, cocoa farming, production and trade regulations in Ghana**

To understand the development and function of Fair Trade in Ghana it is important to appreciate the specifics of the cocoa trade in the country. The market is constructed in such a way as to confer advantages on big international trade corporations, and is hampered by a government monopoly, creating problems for initiatives promoting smaller cooperatives or direct trade.

Commercial farming of cocoa in Ghana started in 1879 (Ghana Cocoa Board: The history of cocoa and its production in Ghana 2013). It was promoted by colonial government and the cultivation of cocoa spread fast. Cocoa quickly became the most significant export commodity of the Gold Coast (contemporary Ghana) (Bowes 2011: 214-215) and became very important for the livelihood of hundreds thousands of farmers<sup>14</sup>.

Nowadays Ghana, after the Ivory Coast, is the second largest producer of cocoa in the world. It is estimated that the country produces between 730 and 870 thousand metric tonnes per year (Cocoa Market Update 2012).

Around 90% of the cocoa beans on the international market come from small producers with farms of around two to five hectares. Ghana is a case in point with 445,000 small farmers (Cocoa Barometer 2009: 4; Cocoa Market Update 2012; Cocoa Barometer 2009).

The extreme fragmentation of the production of cocoa beans contrasts sharply with the monolithic companies that control the international cocoa trade and the production of chocolate. This model is supported by government regulations - cocoa beans are bought directly from the government agency Cocobod, mostly by large companies, including Barry Callebaut, ADM and Cargill.

Barry Callebaut produces about one third of all liquid chocolate.<sup>15</sup> An additional 25% of its production comes from outsourcing to other companies. It's a prime example of the centralization and monopolization of chocolate processing, from roasting and grinding through to the finished product. Although it does not sell products under its own brand, it provides unfinished products (bulk chocolate) for other brands and its role in the production of chocolate continues to grow (Cocoa Barometer 2009: 9, 12; Cocoa Barometer 2010: 5).

Since 2008 some of the international companies mentioned here have invested in facilities for producing chocolate components in Ghana.

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14 Around 1970 price of cocoa on international market was big enough to provide farmers income enabling them to rise level of their life. In 2012 the price of the product including the depreciation of money was 2,5 times lower than 42 years before. It should be noted, that in 2012 and 2013 prices were relatively high (around 2,300 and 3,500 USD per tonne) after a long period of low prices between 1990 and 2007 (around 500 and 1,000 USD per tonne) (ICE Cocoa Brochure 2012: 2).

15 The final product from the roasting and grinding of the beans.



Previously Ghana was only a producer of raw cocoa (Cocoa Barometer 2009: 8, 10).

In 1947 the Ghana Cocoa Board (Cocobod) was created. It was the colonial and later government body established for controlling the trade and production of cocoa (Ghana Cocoa Board: The history of cocoa and its production in Ghana 2013). Cocobod's monopoly in controlling this sector of the Ghanaian economy still exists. It fixes yearly purchase prices of cocoa for farmers, mediates in trade (it operates the biggest buying company in the country), and negotiates selling prices with international buyers. There are no official trade transactions that do not go through Cocobod warehouses. Since 1993 there are private companies that are approved to mediate in buying and selling cocoa between farmers and Cocobod (Ghana Cocoa Board: Internal marketing of cocoa 2013).

Cocobod's control of this sector of the economy has advantages and disadvantages. On the one hand it gives farmers protection from volatile international markets with changing cocoa prices, on the other it restricts the development of new trade and production initiatives, favouring large companies and organizations.

Also, bigger companies get an advantage in Ghana's internal market, thanks to this government system. To acquire a license for buying and selling cocoa, a company needs to prove that it has the potential to buy at least 2,500 tonnes per year (Ghana Cocoa Board: Sales Policy of Cocobod 2013). Nine of the biggest buying companies in Ghana (that includes the Produce Buying Company – owned by Cocobod) control 95% of the market (Klier 2012: 17).

There are several Fair Trade producers (cooperatives and companies) in Ghana. The biggest one (and one of the biggest in the world) is Kuapa Kokoo – a cooperative of 65 thousand members spread across 1,400 communities in the cocoa belt on the south and central part of Ghana.<sup>16</sup> In contrast to Kuapa Kokoo, almost all other Fair Trade producers in Ghana are cooperatives or plantations with no more than a thousand members or employees. These produce not only cocoa, but also oranges, bananas, cashew nuts, pineapples, coconuts etc.

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<sup>16</sup> Based on the interview with Kwame Owusu, the Executive Director of Kuapa Kokoo Farmers Union, 10.12.2012.

Fair Trade production in Ghana is dynamic and growing because there is an increasing demand for certified products in Western Europe.<sup>17</sup> For example in the season of 1999/2000 only 3% of total production of Kuapa Kokoo was sold on a Fair Trade basis, whereas in the 2009/2009 season it was 27% (Kuapa Kokoo Union 2013) and in 2012 it was 54%.<sup>18</sup>

## Communities in Fair Trade

Research has been conducted in 5 communities: one small town (Kwabeng; around 8 thousand people), two big villages (New Koforidua, Aponoapono; around 1.5-2 thousand people) and two small villages (Amankwatia, Attakrom; around 500 people). In all communities the main source of income for most households is the cultivation of cocoa. However in the town (Kwabeng) many members of the families have additional occupations.<sup>19</sup> Inhabitants of the small villages have no possibility of finding work outside agriculture, and would have to leave the village to seek employment. Access to jobs in the bigger villages is limited.

In four out of the five communities there were members of Fair Trade cooperatives. In Kwabeng, the group of FT cooperative members consists of probably no more than 10% of all farmers, in New Koforidua the share is almost 50%, in Aponoapono 80%, in Amankwatia around 70%. Attakrom is the only community examined with no members of any Fair Trade cooperative.

Living standards of the inhabitants of the two small villages (Amankwatia and Attakrom) are similar. In both communities they have similar conditions of life, similar occupations, and have experienced the same changes in the development of their villages in the last 10 years (a new school), although in one case this was due to the government's actions (Attakrom), and in the second it was through Fairtrade premium funds (Amankwatia).

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17 Especially for cocoa in the United Kingdom after some positive engagement in Fair Trade by some big food corporations, especially Cadbury and Nestlé.

18 Based on the interview with Kwame Owusu, the Executive Director of Kuapa Kokoo Farmers Union, 10.12.2012.

19 Many women are running small shops or selling on the streets, while men are taxi drivers, barbers, mechanics, etc.

**Table 1:** Comparison of the level of development of examined villages and towns

	Number of inhabitants	Number of households with agriculture as the source of income	Access to electricity in the house	Access to the water in the house	Number of new homes (built of concrete blocks)	Number of FT cooperative members in relation to the number of farmers
Kwabeng	8000	80%	50%	20%	50%	10% (Kuapa Kokoo)
New Koforidua	1500	90%	20%	10%	10%	50% (Kuapa Kokoo)
Amankwatia	530	100%	0%	0%	0%	70% (Kuapa Kokoo)
Attakrom	500	100%	0%	0%	0%	0%
Aponoapono	2000	100%	70%	0%	10%	90% (Aponoapono)

Source: Author's compilation based on field research (interviews and observations).

A comparison of communities where inhabitants are members of cooperatives benefiting from Fair Trade and those that are not is possible only at the level of small communities (around 500 inhabitants). Searching for differences in the level of development of small towns in Ghana as a result of Fair Trade is not possible, because there are no towns that have significant numbers of farmers who are members of FT cooperatives. A comparison of big villages is irrelevant, because there are no communities with a high number of FT members and sufficient experience of FT.<sup>20</sup>

There was no significant difference in the level of development of communities of a similar size. There was only one major communal investment realised through the FT premium money (the secondary school in Amankwatia), although it should be noted that there has been a significant change in the flow of FT funds in Ghana in last 4 years and its impact might not be visible yet.

## Farmers and their families in Fair Trade

Among the surveyed respondents were men and women (37%), young farmers (up to 25 years old), middle-aged and older people (up to 80 years old). The largest group were the owners of farms (mostly men over 50 years of age: about 40%). Among the respondents were also

<sup>20</sup> In Aponoapono FT had operated for 2 years at the time of the research and the community were in the process of deciding how to spend the FT premium.

people who did not own their farms, but were employed as farmers<sup>21</sup>, getting their wages as a part of the harvest<sup>22</sup>. In the group of owners and other farmers some were connected to Fair Trade cooperatives and some were not.

Cocoa has two long periods of harvesting in a year. The first harvest is in 2-4 years after planting (depending on the variety of plant). It is cultivated for 15-20 years. All of the respondent farmers had other crops, cultivated mostly for food for their families. Most of the farms are small: 3-12 acres. Average annual income from farming, after deducting the costs of production is 500 - 700 Ghanaian Cedi (GHS)<sup>23</sup>. One important thing to note is that those with larger farms don't enjoy significantly higher incomes, due to the high cost of hiring labour and very low purchase prices at the local market.

Fair Trade does not have a noticeable impact on the lives of the respondents. Much more important are other factors: the additional occupations of family members, place of residence (city, village, small village), access to local markets (to sell food crops), and education of the respondents<sup>24</sup>.

The lowest incomes were those of smallholder farmers living in small villages. The annual cash income of the household there is estimated at around 500 USD, which means that the majority of families were living below the extreme poverty line set by the World Bank. What allows members of the households to survive in good health are the food crops they grow. Low incomes, however, create a barrier to financing the education of children or investing in other sources of income.

Families from medium size communities are in a better situation. They live closer to the market or have members of the extended family working in the cities. But even then their income is not significantly higher than members of households in small villages.

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21 So-called shareholder or caretaker farmers.

22 Mostly younger than the owners, often related to them.

23 Equivalent to 262 - 367 US dollars – USD.

24 Higher education, especially English language literacy, allowed the surveyed farmers to look for information about improving the quality of crops and apply new techniques, which positively affected their profits.

Only a few households enjoy higher incomes. The typical pattern of the well-situated rural family is that the owner of the farm<sup>25</sup> is a retired government employee (teacher, soldier), which gives him an opportunity to provide his children with a proper education and the possibility of finding a good job in the city. Agriculture alone is not providing a good living for all of the respondents.

Direct benefits for farmers from participating in the FT system vary according to the type of cooperative that they are a member of. In case of Kuapa Kokoo, the benefits were mostly: one free cutlass a year (type of machete - in 14 out of 15 cases), premium for a bag of cocoa sold of 2.5 GHS (around 1.3 USD - normal price of a bag is 110 USD - 3 cases), wellington boots (7 cases), access to pesticides, fungicides or fertilizers (6 cases). Among the benefits for the local community the following were mentioned: a borehole in Kwabeng (1 incidence), a mobile clinic (1 incidence in Kwabeng), a one-time action to supply children's books (1 incidence in New Koforidua), a school in Amankwetia (all incidences in Amankwetia), program of loans for women (1 incidence in Amankwetia).

Most interviewees joined Kuapa Kokoo more than 10 years ago. The most important reason of joining the cooperative was the opportunity to sell to a Kuapa Kokoo storage facility which only takes products from member farmers. Most respondents participated in local meetings of Kuapa Kokoo irregularly. However, they complained that their voices are not taken into account, or that no binding decisions were taken at the meetings. Most respondents indicated also that they were participating in training provided by Kuapa Kokoo, which focused on the use of chemicals (pesticides or fungicides), how to cultivate the land and how to fertilize it.

All respondents in Aponoapono who were ABOCFA members evaluated the decision to participate in the cooperative positively. For them the particularly valuable aspects were the training sessions, especially on cultivation techniques. They also mentioned the benefits of the additional premium from the sales to ABOCFA<sup>26</sup>. Access to cocoa tree seedlings with discounts was also mentioned twice as a benefit. However, training, sales bonuses and access to seedlings mostly did

25 Usually a man over 50 years old.

26 Part of it was a premium of Fair Trade - 2.6 USD for a bag of cocoa. Total bonus was around 10 USD for a bag of cocoa, but it was mostly for organic production.

not result from their participation in Fair Trade, but through organic production, as a functioning of the cooperative or through the involvement of Agro Eco (a supporting NGO). Nearly half of the respondents mentioned that they regularly take part in all the meetings of ABOCFA (3-4 per year) and training (the two are usually connected), especially young people and inhabitants of the central part of the village.

In both cases (Kuapa Kokoo and ABOCFA) benefits of Fair Trade were almost invisible. Quality of life of the members of cooperatives was at the same level as those from the comparison group. There were many other important factors that created differences in the living conditions of the households and lifestyles of their inhabitants. Fair Trade was not a noticeable factor.

However, benefits to ABOCFA members from participating in the cooperative life and its influence on the decisions of the organization are higher than in the case of Kuapa Kokoo. Also, usage of the Fair Trade funds are also of greater benefit for farmers in case of ABOCFA than it is in Kuapa Kokoo case.

### **Big Fair Trade cooperatives: Kuapa Kokoo**

Kuapa Kokoo is one of the five largest Fair Trade cooperatives in the world. It is frequently cited as a Fair Trade success story. Since its founding in 1993 it has been growing rapidly, reaching as many as 65,000 members in over 1,300 communities in south and central Ghana (Wordpress 2013).<sup>27</sup>

Kuapa Kokoo is organized at four levels: The Annual Delegates Conference, National Executive Council, District Executive Council and The Village Society. The Annual Delegates Conference is the most important body, which gathers members once a year for a large Annual General Meeting (AGM) - with 2 representatives from each community. At the AGM they decide about the budget and use of the FT premium. The National Executive Council consists of members of the boards of three administrative parts of Kuapa Kokoo (farmers trust, credit union and Kuapa Kokoo Ltd. - the private company owned by the cooperative). The District Executive Council and The Village Society Level have

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27 Based on interview with Kwame Owusu, representative of headquarters of Kuapa Kokoo in Kumasi, 10.12.2012.

regional authorities and consist of farmers<sup>28</sup> and professional workers of the cooperative (at the district levels) (Kuapa Kokoo: structure 2013). In all visited communities, local organizations are focused around the cooperative's cocoa storage facilities.

The role of Kuapa Kokoo Ltd. is almost exclusively limited to purchasing cocoa from farmers and delivering it and selling to the storages of Cocobod. This activity includes the additional responsibilities of product quality control, storage and transportation. The main source of income of Kuapa Kokoo Ltd. is the difference between the purchase price of cocoa by the state and the purchase price from the farmers (the difference is 9 GHS per bag of cocoa) and investment of the FT premium (e.g. the construction of a warehouse in the port of Tema) (Kuapa Kokoo Limited 2013). All divisions and departments of Kuapa Kokoo are managed by professional managers who are employed by the cooperative.<sup>29</sup>

Such a complicated and complex structure makes the importance of individual members insignificant. It can be assumed that the real process of decision making at the AGM looks more like an expression of confidence in the steps taken by the office staff or initiative groups. Certainly at the AGM there is no room for constructive discussion or developing the best solutions. It is rather a presentation of the plans<sup>30</sup> and a vote on their acceptance or rejection.

A sense of a lack of influence on the actions taken by the headquarters of the cooperative is reflected in the statements of the respondents who are Kuapa Kokoo members. A small part of the respondents<sup>31</sup> confirmed that representatives of the cooperative office discuss with the community members their needs regarding the use of the FT premium and other investments. Other respondents belonging to the cooperative had never participated in such discussions.

It should be noted that the involvement of members of Kuapa Kokoo in the functioning of the cooperative is usually minimal or none. This is due to not only the ineffectiveness of central office communication

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28 Who are voluntary workers in Kuapa Kokoo storage houses.

29 Its office is quite extensive and covers several buildings near the centre of the second largest city in Ghana – Kumasi.

30 Including those for the use of the FT premium.

31 Only in the village of Amankwetia.

and its character, but also a low level of willingness to participate in community life and the low standard of members' education. The lack of motivation to participate in cooperative work is probably related to the lack of decision-making possibilities at the local level. A significant proportion of respondents who were members of Kuapa Kokoo did not seem to even know that they had any impact on the operation of the cooperative. They did not identify the membership with the ownership and the opportunity to influence decision making processes.

The Kuapa Kokoo cooperative has developed a group of people (mostly office employees) who have limited contact with ordinary members of the cooperative. This does not build empathy between employees of the cooperative and its poor owners (members). In practice, most of the members are treated as workers of the cooperative and office workers are treated and act like the management board of a private company. Kuapa Kokoo has a structure and size more similar to a corporation than a cooperative. It also operates more as a corporation than as a cooperative.

### **Small Fair Trade cooperatives: ABOCFA**

ABOCFA is a small cooperative with approximately 400 members in the village of Aponoapono and surrounding hamlets<sup>32</sup>. It covers about 80% of farmers in the area. Preparation for the process of cooperation began in 2007 at the initiative of the Agro Eco Louis Bolk Institute - an organization based in the Netherlands, which focuses on promoting organic farming (Agro Eco 2013).

Members of the cooperative and its management are strongly associated with the activities of Agro Eco, especially in the area of training in farming techniques and business contacts in Europe. The cooperative sold some cocoa as an organic product for the first time in 2009. Since 2011 it is also a Fair Trade cooperative (the Fairtrade International scheme).

Unfortunately, due to the complex pattern of cocoa trade in Ghana, especially government regulations, the cooperative may not sell cocoa directly. Raw material from the farmer goes to the internal purchasing of ABOCFA, then to the business intermediary (before 2012: Yaya

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32 12 nearby settlements



Glover, in 2013: Amayaro), who sells it to a government agency of Cocabod. The commodity goes then to the international dealer from whom it is finally purchased by Tony's Chocolone (the final manufacturer).<sup>33</sup>

ABOCFA structure is simple. The main body of the cooperative is the AGM. It elects the board and makes decisions about the use of the FT premium. At the AGM meetings there are 200-300 people attending, so the representation is above 50%. The Board consists of at least five people. An important role in the community is played by the coordinator, who is not a member of the cooperative, but an employee of Agro Eco, and field officers, whose task is to be in touch with farmers. Members of the board and the field officers do not formally answer to Agro Eco, but informal supervision is visible - probably the result of Agro Eco's original leading role in the initiative.

Members of the cooperative get plenty of training, especially in organic farming techniques. Statements from the respondents show that the efforts of Agro Eco and management of the cooperative have resulted in increasing farmers' knowledge of organic farming. However, the level of participation in training is varied and far lower in communities distant from the central village. Also the knowledge transferred is not always remembered and put into practice, so farm productivity does not increase. It is likely that differences in access to training depend on personal contacts between members of the board and the farmer, and, in particular, between field officers and farmers.<sup>34</sup>

It can also be assumed that the actual involvement of members in the life of the cooperative is small but diversified. Due to the low commitment of members and the lack of clear attempts to involve them in the decision-making, actual initiatives and decisions are made by the Board or groups of initiators and brought forward for positive approval at the AGM. Nevertheless, the representation of members at important meetings and their actual decision making power is higher than in the case of Kuapa Kokoo.

It should be noted that due to organic production, the FT premium is very high<sup>35</sup>, which meant additional income for the cooperative of 22,000 USD a year. However, as much as 70% of this amount at

33 Based on the interview: Stephen Ashia employee of Agro Eco, Aponoapono, 22.12.2012.

34 Based on observations.

35 622 USD per tonne of cocoa, around 40 USD for a bag.

the moment goes to the organization Agro Eco, which is a reward for its contribution to the development of the cooperative and the community.<sup>36</sup>

### **Small and big cooperatives – comparison**

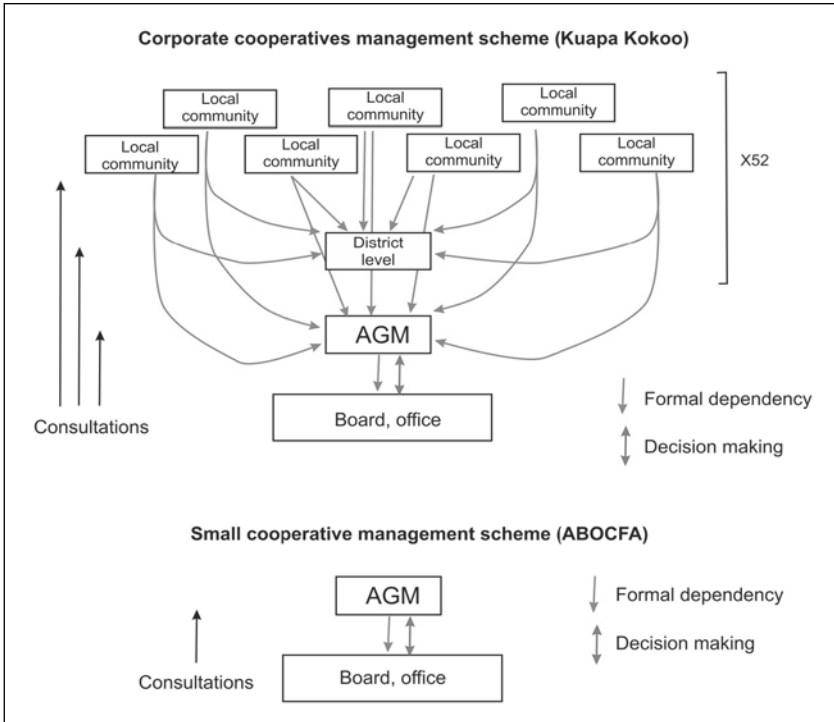
In terms of income, it is difficult to see how the farmers associated in the two forms of Fair Trade cooperative differ from each other. Their income is very different, but not dependent on membership in a cooperative. The Fairtrade premium per capita is slightly higher in ABOCFA (55 USD) than in Kuapa Kokoo (53 USD), but ABOCFA members have the direct bonus of the higher price per bag of cocoa sold (5 GHS) compared to Kuapa Kokoo (0-2.5 GHS).

However, in either case it didn't translate into a clear improvement in the living standards of farmers. It should be noted that it is difficult to expect any clear effects that Fair Trade can have on the lives of members of cooperatives, because in the case of Kuapa Kokoo sales of Fair Trade has only been a large share of the total sales since 2008, while in the ABOCFA case no earlier than 2011.

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36 Based on interviews with representatives of Agro Eco - Willem-Albert Toose, Nuremberg, 13.02.2013; Steven Asihia, Aponoapono, 22.12.2012.

Figure 1. Comparison of small and large Fair Trade cooperatives



Source: Author’s compilation based on field research (interviews and observations).

It is clear that small organizations operate more effectively than big ones<sup>37</sup>. They are more transparent and flexible, despite not having a professional office and administration. Also, individual farmers have more impact on the functioning and shaping of the cooperative. In small organizations, it is also easier to see the effects of actions taken or training delivered.

In large, corporate co-operatives, the influence of each member on the shape of the organization is minimal and complex decision-making

37 This observation is also confirmed in 3 other visited Fair Trade organizations: Ahafo-Ano South Citrus Growers & Marketers Association, Cannan Farms Cooperative and Bomart.

structures limit the impact of the majority, emphasizing the role of the minorities of the central authority and the office of the cooperative.

Unfortunately, in both cases there was a noticeable false understanding of the relationship between the farmers and the authorities of the cooperative. Office employees and management have a tendency to treat farmers more like employees than owners of the cooperatives. Also, farmers do not have a sense of ownership of the organizations, but feel subordinate to its authority. This trend seems to be stronger in the case of Kuapa Koko than in ABOCFA and in both cases is probably mainly due to cultural characteristics (low sense of citizenship in society in Ghana). However, in the Kuapa Kokoo case it is also due to the structure and size of the organization, so the problem is cultural as well as institutional.

### **Summary, remedies**

Observations of 5 villages and small towns as well as interviews conducted resulted in the conclusion that there is no substantial difference in the standards of living between farmers who are members of cooperatives benefiting from Fair Trade and farmers from the comparison group.

In evaluating Fair Trade, many researchers<sup>38</sup> draw attention to the positive impact of the movement on local communities. In the case of Ghana, evaluation of the Fair Trade impact on communities is not possible due to the low representation of Fair Trade farmers in the local population as well as the large number of other important development factors.

The research resulted in the conclusion that small cooperatives and big cooperatives function differently. Small cooperatives are operating in the interest of their members, while big cooperatives are focused on creating business potential. The study reveals that small cooperatives provide more benefits to farmers while the big ones transform into ventures similar to corporations.

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38 See Nelson, Pound 2013.

It seems that the best and easiest solution<sup>39</sup> to the problems of Kuapa Kokoo and other big cooperatives is to change the decision-making system around the allocation of the FT premium. I postulate the introduction of a guiding principle for big cooperatives that the details of the FT premium use should be decided at the lowest level of the organization structure (in Kuapa Kokoo's case, the Village Society Level), so that the decision-making process could include all members of the communities. At least 70% of the FT premium funds should be spent this way.

Also, a scheme should be developed to use the FT premium where cooperative members are making decisions - and to call on the advice of sustainable development experts (in the fields of agriculture and community development, for example). This would be of a greater benefit of local communities whose members would have more opportunities for more significant involvement in local life. This solution also leads to better self-governance and conscious citizenship.

The research shows that for long-term development of local communities, the most important factor is to improve crop yields in the long run by using the principles of sustainable development. It is important to organize not only training in cultivation methods, but also to invest in the basic education of the youth. The cooperative ABOCFA with its organic farming project could be a good testing ground in implementing the principles of sustainable development, closely allied to the idea of Fair Trade.

Finally, the main problem faced by cocoa farmers in Ghana is the low market price of the product. With cocoa prices this low, there is no possibility for much improvement in the farmers' quality of life. The great majority of cocoa farmers' families make a living, not from the money generated by their farms, but by the additional food crops they cultivate. The money generated by cocoa sales is not sufficient

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39 Separate recommendations should be given for researchers that are conducting studies about Fair Trade. It seems to me that the exact naming of all the actors within the Fair Trade schema is beneficial for the movement. Firstly, it helps to promote good solutions and critique bad ones. Secondly it protects one from extrapolating from one case study to the whole Fair Trade movement. The given examples of a few FT cooperatives functioning in Ghana can be representative neither for whole cocoa sector nor for whole Fair Trade schema, but just for Fair Trade in Ghana and for activities of small and big FT cooperatives.

for survival. This situation won't change unless the price of cocoa for farmers doubles or triples.

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