

<b>Institution: The University of Manchester</b>
<b>Unit of Assessment: 24b (Development Studies)</b>
<b>Title of case study: Socio-economic Mapping of Cadbury Cocoa-Chocolate Value Chains</b>
<p><b>1. Summary of the impact</b></p> <p>Fieldwork commissioned by Cadbury/Kraft, undertaken at the University of Manchester (UoM), and carried out in Ghana, the Dominican Republic and India (2006-11), considers whether small scale farmers and workers have the social and economic capacity to sustain and expand their output of quality cocoa. The research has been instrumental in shifting the strategies of Cadbury and other major chocolate producers towards the sourcing of Fairtrade cocoa. Specific impacts include: the launch of the £45m Cadbury Cocoa Partnership (CCP); Cadbury/Kraft converting its main product lines to certified Fairtrade; and the launch of the (US\$400m) 'Cocoa Life' programme by <i>Mondelēz</i>/Kraft, building on the success of CCP. Spill-over impacts are also evident: both Nestlé and Mars have adopted similar partnership strategies, and a subsequent increase in exposure has seen Fairtrade chocolate sales rise twelvefold over a four year period.</p>
<p><b>2. Underpinning research</b></p> <p>Based on previous research undertaken by Professor Stephanie Barrientos (Institute for Development Policy and Management, 2007-) on ethical trade and Fairtrade cocoa, Cadbury commissioned further research on cocoa in Ghana. Cadbury was becoming increasingly concerned about the social and economic capacity of small-scale farmers and workers within their cocoa value chains in Africa, Asia and Latin America. This concern was initially triggered by media exposure around child labour in cocoa production, and a realisation within the company that they had insufficient knowledge of the socio-economic position of smallholder farmers in their value chains. Cadbury sought systematic evidence of the scale of the challenges facing cocoa farming and recommendations to address these, taking the view that only substantive academic research could provide the in-depth insights they required. This study led Cadbury (and subsequently Cadbury/Kraft) to commission subsequent research in the Dominican Republic and India [E], utilising the same methodology:</p> <ul style="list-style-type: none"> <li>• <b>Ghana</b> (2006-8, £70,000): Principal Investigator Dr Stephanie Barrientos (with Professor Asenso-Okyere, University of Ghana), Institute of Development Studies (IDS) and University of Manchester (UoM). The research commenced at IDS and moved when Barrientos took up a post at UoM in 2007, where it was completed. The Ghana report was published in 2008, with all subsequent studies commissioned by Cadbury taking place at UoM.</li> <li>• <b>The Dominican Republic</b> (2008-10, £100,000): Principal Investigator Dr Amanda Berlan (Research Fellow, UoM) with Dr Barrientos as advisor.</li> <li>• <b>India</b> (2009-11, £140,000): Principal Investigators Dr Barrientos and Dr Berlan, in collaboration with Professor Sukhpal Singh (Indian Institute of Management).</li> </ul> <p>The research examined the challenges facing small scale farmers and workers, and whether they have the socio-economic capacity to sustain and expand the output of quality cocoa required by Cadbury in its chocolate confectionery value chain. The research methodology built on previous research undertaken by Barrientos in Ghana [D] and involved mapping the value chain from retail through distribution, manufacture and processing to cocoa farmers and workers. Case studies were undertaken based on key informant (KI) interviews, surveys and focus group discussions in each country. In total approximately 100 KIs, 750 farmers, 200 workers as well as youth and community stakeholders were interviewed. The research identified key challenges facing cocoa farming, providing recommendations to Cadbury on support for cocoa farmers, youth and communities to enhance their future socio-economic capacity. It highlighted incomes often below the poverty line, low productivity levels, gender inequities and poor social provision for cocoa farmers and workers, with youth exiting the cocoa sector putting future production at risk. The main findings have been made public, with the data used in academic publications [A][B][C]. Separate confidential reports were given to Cadbury containing commercially sensitive value chain information, helping to inform their decision to adopt Fairtrade certification. The originality of the research was threefold:</p> <ul style="list-style-type: none"> <li>• <u>This was the first time that a chocolate company had provided researchers full access to their commercial value chain</u> in order to assess the linkages between their commercial operations and the socio-economic basis of their cocoa sourcing. The research was thus able to provide</li> </ul>

## Impact case study (REF3b)

unique insights into both the commercial-social linkages, and socio-economic challenges of cocoa sourcing. [C][E]

- The research carried out in three countries facilitated comparison across diverse locations of underlying issues, including the role of gender in cocoa production. [A]
- Both the research process itself, and engagement with Cadbury, illuminated the drivers behind the rise of corporate initiatives to address socio-economic upgrading within cocoa-chocolate value chains. [B]

Research was undertaken in collaboration with in-country research partners with detailed local knowledge. Key partners were: the Department of Economics, University of Ghana; an independent cocoa researcher in the Dominican Republic; and the Centre for Management in Agriculture, Indian Institute of Management (Ahmedabad). UoM set three conditions in undertaking the research: complete independence; the retention of intellectual property rights; and the right to publish with normal research protocols and disclaimers.

### 3. References to the research (all references available upon request)

Academic outputs are founded upon peer-reviewed journal articles and book chapters, working papers, refereed conference papers and location-specific policy reports.

- [A] (2013) Barrientos, S. 'Gender Production Networks: Sustaining Cocoa-Chocolate Sourcing in Ghana and India', BWPI Working Paper, University of Manchester (*n.b.* revised version accepted and forthcoming as 'Cocoa-Chocolate Production Networks: Gender Dynamics of Sustainable Sourcing' in *Regional Studies*, 2014)
- [B] (2012) Barrientos, S. "Beyond Fair Trade: Why are Mainstream Chocolate Companies Pursuing Social and Economic Sustainability in Cocoa Sourcing?" (Refereed conference paper) International Fairtrade Symposium, Liverpool Hope University (April) (submitted to Environment and Planning A)
- [C] (2009) Barrientos, S. & Asenso-Okyere, K. "Cocoa Value Chain: Challenges facing Ghana in a changing global confectionary market" *Journal Fur Entwicklungspolitik* 25(2) 88-107
- [D] (2007) Barrientos, S. & Smith, S. 'Mainstreaming Fair Trade in Global Value Chains: Own Brand Sourcing of Fruit and Cocoa in UK supermarkets' in Raynolds, D. *et al* (eds.) *Fair Trade: The Challenges of Transforming Globalization* (Routledge: London) 103-123
- [E] Country Reports (Ghana, The Dominican Republic & India)
- (2008) Barrientos, S. *et al.* 'Mapping Sustainable Production in Ghanaian Cocoa' (Cadbury, London) (50pp.)
  - (2012) Berlan, A. & Bergés, A. 'Cocoa production in the Dominican Republic: Sustainability, Challenges and Opportunities: Executive Summary'(BWPI, UoM)
  - (2013) Berlan, A., Singh, S., & Barrientos, S. 'Social and Economic Sustainability in the Cocoa Value Chain In India: Research Overview' (BWPI, UoM)

### 4. Details of the impact

**Research Impact via Cadbury:** The research commissioned by Cadbury/Kraft presaged significant changes in Cadbury's strategies and the support provided to cocoa farming communities, alongside wider spillover impacts for cocoa cooperatives, farmers, consumers, allied companies and UK Fairtrade sales. In the words of Kraft's VP (Sustainability and External Affairs) it "*provided a catalyst for a number of changes in the strategy of Cadbury/Kraft, with important implications for the cocoa farmers and communities from whom we source*" [1]. Findings from the Ghana project were presented by Cadbury in 2008, receiving over 100 press citations internationally including: the BBC [2], the Economist [3] and the Financial Times [4]. The Dominican Republic study was publicly announced by Green & Blacks (owned by Cadbury/Kraft) in 2011, and cited in the Guardian in March 2011 [5]. The India study and Overview Report was made publicly available in 2013.

**Impact 1: Intervention Fund:** Based on Barrientos's research findings and recommendations, Cadbury launched the £45 million Cadbury Cocoa Partnership (CCP) to support cocoa growing communities over the following 10 years [4]. Pointing to [C] in particular, Cadbury/Kraft's Director of Agriculture and Conformance, at the time, confirms that:

*“The breadth of scope within the research was valuable in building the broad strategy while the methodology of the research helped create the stakeholder engagement in Ghana which ultimately led to the Cocoa Partnership with the Ghanaian Government, farming organizations, farmers, development experts and Cadbury working together to strengthen the cocoa sector... The report was essential to the Board of Cadbury in 2008 in deciding to commit £45m million over 10 years to the Cocoa Partnership and Fairtrade, and in positioning agricultural development as core to Cadbury and now Kraft Foods wider supply chain strategy.”*

Moreover, he notes that CCP followed the researchers’ recommended ‘bottom up’ approach, *“develop[ing] into a great working example of a multi-stakeholder program that increasingly development commentators are advocating... fundamentally driven from the research findings and methodology”* [6]. The CCP involved Cadbury working in partnership with local government and non-government organisations and via the identification of initiatives for support at local and community levels, providing initial support to 100 villages/communities in Ghana, with further expansion planned to 200 communities [1][7]. In Ghana, Cadbury estimates CCP has contributed to a 20 percent increase in cocoa yields, a 200 percent increase in household incomes and an 80 percent increase in government-backed development projects in the first phases of the project (2009-2011) [8]. This was accompanied by allied increases in local training and investment [6] with CCP later rolled out in the Dominican Republic and India [1].

**Impact 2: Fairtrade Sourcing:** Based on commercial value chain analysis the research recommended the generation of greater value chain returns to farmers. In 2009 Cadbury converted its main chocolate lines to certified Fairtrade, including Dairy Milk and Green & Blacks in 2011 [6][7], with Kraft *“now the world’s largest buyer of Fairtrade Certified cocoa and Fairtrade Organic cocoa”*, buying over 20,000 tonnes of Fairtrade cocoa from Ghana alone, as well as expanding Fairtrade cocoa sales from *Cote d’Ivoire* [1]. Moreover, Cadbury now pays over £3 million *per annum* in social premiums to *Kuapa Kokoo* – a Fairtrade certified Cooperative with a membership of 50,000 small-scale farmers in Ghana [1] with Cadbury/Kraft Fairtrade chocolate products now sold to worldwide market (including the UK, Ireland, Australia, New Zealand, Canada and South Africa) [1][7].

**Research Impact via Kraft/ Mondelēz:** Following Kraft’s 2010 takeover of Cadbury, the incorporated company organised a workshop in London attended by Kraft Foods at which UoM and its country researcher partners presented findings and recommendations from the three studies. This helped to persuade Kraft of the importance of the research findings, the uniqueness of the approach, and the significant contribution of the CCP [6]. It was attended by 45 invited participants including senior representatives from Kraft in the USA, Cadbury, CCP, government and NGO stakeholders. As Cadbury’s Director of Agriculture and Conformance, at the time, later confirmed: *“The event was successful in that it had the effect of helping to persuade Kraft to continue supporting CCP, as well as seeking to embed ‘good practice throughout its supply chain”* [6]; and as Kraft/Mondelēz noted some time after the event: *“[the] Cadbury Cocoa Partnership commitment has been maintained by Kraft and forms [the] basis for new cocoa strategy within Kraft. Programmes will be extended to other key origins for the Kraft business e.g. Cote d’Ivoire, Brazil... [with the] Ghana report in particular used to inform Kraft and secure their support for the investment”* [1], with the Director of Mondelēz International’s ‘Cocoa Life’ programme adding that the roundtable event had the effect of *“demonstrating that the partnership was founded upon robust and independent research”* [9].

**Impact 3: Additional Support in Dominican Republic:** Based on the Dominican Republic study, Kraft Foods committed a further £400K *per annum* – for the next eight years – to support cocoa farmers supplying Green & Blacks under the Cocoa Partnership [5], In 2011 it converted Green & Blacks full range of chocolate and beverages to Fairtrade, increasing the percentage of Fairtrade sales from Dominican Republic sourced cocoa [1].

**Impact 4: Launch of ‘Cocoa Life’** Following corporate restructuring by Kraft Foods in 2011/12,

Cadbury now came under the *Mondelēz International* branding. Based upon ongoing research evidence, generated by Barrientos and colleagues, the CCP continued to be supported, and in 2012 *Mondelēz* launched the ‘Cocoa Life’ programme, a US\$400 million initiative that builds directly on the CCP, and aims to extend support to over 200,000 cocoa farmers and 1 million people in their communities internationally over the period 2012-2022 [8]. It was recognised by *Mondelēz* that *“the reports on the Dominican Republic and India have added to the initial 2008 work in Ghanaian cocoa production... The reports by Professor Barrientos and her team provide the foundation for Cocoa Life in terms of the principles, approach and goals for the program... We look forward to continuing to work with Professor Barrientos, on our Cocoa Life journey”* [9].

**Impact 5: Spill-over Impacts for Fairtrade Chocolate:** The impact of UoM research has been felt across the industry as a whole, demonstrating its broad applicability. Nestlé and Mars have launched cocoa programmes similar to CCP, and have converted parts of their product ranges to Fairtrade (including KitKat in 2010, and Maltesers in 2011) [7]. This replication was recognised by Kraft who noted that: *“Following [the] Cadbury Fairtrade commitment, Mars and Nestle made commitments to Fairtrade and other certification,”* and more specifically: *“Cadbury Cocoa Partnership was the first major chocolate company commitment to long-term investment in sustainability. Mars, Nestle and other companies have since upped their focus on sustainability and their public commitments”* [1]. Jointly, Cadbury/Kraft, Nestlé and Mars have contributed to a more than 8-fold increase in Fairtrade cocoa products sold in the UK, from £25.6 million in 2008 to £320.9 million in 2012. In addition, UK sales of Fairtrade chocolate rose from 1% of total chocolate sales in 2008 to 12% in 2012 [7][10]. Moreover, the Fairtrade Foundation recognise:

*“The decision by Cadbury to work with the Fairtrade movement, we believe has created a wider catalytic effect in a number of ways... It enabled Fairtrade to start to reach a wider consumer base, beyond the ‘ethical shopper’... It sent a signal to the chocolate industry that Fairtrade could indeed work at scale... and demonstrated Fairtrade as a credible partner to major multinational brands on sustainability initiatives with a reach of tens of thousands of farmers.... For Kuapa Kokoo, it has enabled them to reposition themselves within the Ghanaian cocoa industry as a major player in cocoa production and export, no longer a niche/alternative supply chain partner. It has provided them with a significant revenue stream that enables them, for example, to become a partner in the Government’s Swollen Shoots cocoa agronomy programme.”* [7]

Barrientos and *Mondelez* are currently planning future research around gender and cocoa production. [9]. This has implications for the wider research field, Kraft recognising that: *“the research has fundamentally shifted the way development experts see the development agenda, specifically in Ghana but arguably now beyond in terms of working with smallholder famers and engaging with those most marginalized and not likely to be in any framer organization”* [6].

**5. Sources to corroborate the impact** (all claims referenced in the text)

- [1] Testimonial from VP Sustainability & External Affairs, *Mondelēz/Kraft* (30<sup>th</sup> July 2012) & Interview in MIT Sloane Management Review (12<sup>th</sup> September 2012)
- [2] (2010) ‘Fairtrade hopes for Cadbury cocoa farmers in Ghana’ BBC News (31<sup>st</sup> August)
- [3] (2008) ‘Fair Enough? Cadbury hopes to secure its cocoa supply with a new scheme’ *The Economist* (31<sup>st</sup> January)
- [4] (2009) ‘Fairtrade and a New Ingredient for Business’ *Financial Times* (10<sup>th</sup> March)
- [5] (2011) ‘Green & Blacks Meets Fairtrade Pledge’ *The Guardian* (8<sup>th</sup> March)
- [6] Testimonial from former Director of Agriculture and Conformance, Cadbury (30<sup>th</sup> June 2011 & 5<sup>th</sup> July 2013)
- [7] Testimonial from Director of Policy and Public Affairs, Fairtrade Foundation (23<sup>rd</sup> July 2013)
- [8] (2012) Press release ‘*Mondelēz International* to Invest \$400 Million to Help One Million People in Cocoa Farming Communities’ (23<sup>rd</sup> November)
- [9] Testimonial from Director, Cocoa Life, *Mondelēz International* (23<sup>rd</sup> August 2013)
- [10] (2012) Fairtrade Foundation UK Fairtrade Sales / ‘Tracking Fairtrade Cocoa’ (10<sup>th</sup> October) & (2011) Fairtrade Foundation ‘Fairtrade and Cocoa: Commodity Briefing’ (August)