



PARTICIPATING IN SUSTAINABILITY STANDARD SYSTEMS

*Barriers and success factors for
smallholder cocoa farmers in Ghana*

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Table of Contents

Summary

Glossary

Acknowledgements

Chapter 1 – Introduction	9
Chapter 2 – Theoretical background	11
2.1 Sustainable Supply Chain Management	11
2.2 Standard Systems in the Market	14
2.3 Gap in Literature	17
Chapter 3 – Origination of this research: People 4 Earth	18
3.1 A Sustainability Accounting and Management System	18
3.2 Value of the research	21
Chapter 4 – Methodology	22
4.1 Introduction to the research phases	22
4.2 First Phase – Literature research of sustainability standard systems	23
4.3 First Phase – Expert interviews	25
4.4 Second Phase – Observations and Interviews in Ghana	25
4.5 Recommendations for the design of sustainability (standard) systems	29
Chapter 5 – Earlier experiences: Barriers and Success Factors	30
5.1 The process to certification	30
5.2 Barriers and Success Factors identified from Expert Interviews	33
5.2a Starting with the certification programme	33
5.2b Working towards compliance	35
5.2c Maintaining engagement	38
5.3 Hypothesized barriers and success factors	39
Chapter 6 – The Ghanaese side of the Cocoa Production Chain	42
6.1 Production for export	42
6.2 Practices of standard systems in the Ghanaian cocoa sector	46
6.3 Measuring sustainability by means of a questionnaire	50
Chapter 7 – Experiences of Ghanaese smallholders	53
7.1 Starting with the certification programme	53
7.2 Working towards compliance	56
7.3 Maintaining engagement	58
7.4 Reflection on the identified barriers and success factors	60
Chapter 8 – Experiences and the SAMS; Recommendations	64
8.1 Market systems like Ghana and assessing sustainability	64
8.2 Difficulties for the SAMS	64
8.2a Operational level outcomes	65
8.2b Strategic level outcomes	66
8.3 Improving sustainable farm practices in the current situation	68
Chapter 9 – Discussion	69

Appendices

- Appendix I – Analysis of standard systems
- Appendix II – List of experts interviewed
- Appendix III – The researched farmer groups
- Appendix IV – Question framework for the field work
- Appendix V – Questions of the SAMS South prototype

Bibliography

Summary

Standard systems have been developed since the 1990s. They are a tool in Sustainable Supply Chain Management. A general assumption is that participation to supply chains that demand a certificate of a sustainability standard system is very difficult for smallholder producers in developing countries. While a considerable amount of literature is available regarding sustainability standards and smallholder producers, there is not much knowledge about the factors that influence participation to sustainability standard systems for smallholder producers. This research concerns an exploratory research, by means of on the spot participatory observation. This research has focused on the systemic requirements of sustainability standard systems. The limited resources and capacities (money, time, network, and information), were assumed to make participation to sustainability standard systems very difficult.

By means of literature research, an overview and analysis was made of the systemic requirements of several sustainability standard systems. This analysis showed common practices of sustainability standard systems. Expert interviews provided information about the barriers and success factors in the process towards certification for a standard system.

Field research has shown that the limited capacities and resources of smallholder farmers are limiting farmers' opportunities to participate (autonomous) in sustainability standard systems. Solving these limitations is not easy, and not realizable on the short term (think of for example illiteracy). In practice, standard systems have avoided this barrier for smallholders by creating a system of certification programmes. These programmes train farmers for a certain standard system, and lead them to certification. In such programmes, farmers receive all necessary information and support. This enables them, to become certified.

This study shows that in the present situation, it is not the systemic requirements of standard systems, but the access to certification programmes that is the actual barrier for smallholder farmers to participation in a standard system. Without certification programmes, farmers do not succeed to acquire a certificate and thereby do not gain access to sustainable supply chains. The availability of certification programmes is the restraining factor in the participation of smallholders in sustainable supply chains.

The results of this research can be used for developing of sustainability assessment systems. Due to the limited capacities of smallholders, and the different market system in Ghana, Western assessment methods (e.g. to have all supply chain actors use the assessment system, or self-assessment), do not function. Country and actor-specific characteristics should be carefully taken into account in the design of sustainability assessment systems. Increasing sustainability of smallholder farming practices requires a system that provides sufficient guidance to the farmers, or investments in farmer capacity building.

Glossary

Abbreviations

AHANSUCOFA	Ahafo Ano North and South Utz Certified Cocoa Farmers Association
BSCI	Business Social Compliance Initiative
CAP	Corrective Action Plan
CCA	Conservation Cocoa Alliance
CSSVDCU	Cocoa Swollen Shoot and Virus Diseased Control Unit
CMC	Cocoa Marketing Company
COCOBOD	Ghana Cocoa Marketing Board (Ghanese governmental body)
CRIG	Cocoa Research Institute Ghana
FLO	Fairtrade Labelling Organizations International
FOB	Free On Board
ICS	Internal Control System
IRP	Internal Resource Person
LBC	Licensed Buying Company
MOU	Memorandum Of Understanding
PC	Purchasing Clerk
PPRC	Producer Price Review Committee
QMS	Quality Management System
RA	Rainforest Alliance
SAMS	Sustainability Accounting and Management System
SPU	Seed Production Unit

Definitions

Certificate

A written assurance that the quality of a product or production process or person has been assessed and fulfils the specified requirements' (Van Beuningen & Knorringa, 2009, p. 92).

Certification

The decision-making process 'of an accredited body whether a product, production process or management system is in conformity with certain standards' (Van Beuningen & Knorringa, 2008, p.2).

Certification programme

A programme that leads a farmer towards becoming certified for a specific standard. Certification programmes start with sensitization, in which superficial information is provided to the farmers of the standard system, and the content of the certification programme (see chapter 6 and 7). When farmers decide to become engaged, they receive training (in a group), and when sufficient compliance is achieved, an external audit will be organized. The external audit determines whether the compliance is sufficient for certification. A certification body will be asked to provide the certificate.

Chain scope

Chain scope concerns to what supply chain actors a standard system is limited. While some systems are limited to the practices of one supply chain actors, other systems multiple, or all of the supply chain actors (i.e. a chain of custody standard system).

Smallholder

In this research 'smallholder' refers to smallholder producers (farmers) from developing countries. According to Van Beuningen & Knorringa (2011) a smallholder is a 'producer whose scale of operation is too small to maintain a position in the market and for that reason has to operate in a group of

comparable producers bulking their product such that their position in the market is strengthened (Van Beuningen & Knorringa, 2011, p. 8).

Subject scope

Subject scope addresses what issues a standard system includes, e.g. environmental issues, social issues, or both.

Supply Chain

A supply chain concerns the '*entire sequence of activities and/or parties that provides products or services to the receiving organization*' (Van Beuningen & Knorringa, 2011, p. 9).

Systemic requirements

Systemic requirements concern organizational elements related to the process towards certification.

Thematic requirements

Thematic requirements concern qualities of the product and the production process.

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Chapter 1 – Introduction

Corporate social responsibility is an increasingly important issue in corporate strategies. Initiatives for social responsibility are originating in different sectors and cooperations, and relations between market, state and civil society are changing (Cashore et al., 2007; Klooster, 2010). In production, individual producers, as well as whole supply chains are addressed as responsible for environmental impacts of production (Carter & Carter, 1998; Vermeulen & Seuring, 2009). Initiatives to create more sustainability therefore have an increasing focus on supply chains, which can be defined as encompassing *‘all activities associated with the flow and transformation of goods from raw materials stage (extraction), through to the end user, as well as the associated information flows’* (Seuring & Muller, 2008, p. 1700). Sustainable Supply Chain Management is a term used for the management of a supply chain in which the dimensions of sustainable development (i.e. environmental and social, sometimes also economic) are taken into account (Seuring & Muller, 2008; Wognum et al., 2011).

Within the Sustainable Supply Chain Management, standards are a method to stimulate sustainable development. Standards are emerging from private and public sectors; governmental bodies, as well as NGOs and business actors are initiating standard systems. Standard systems provide information about production practices and often use certification to communicate information to business or consumers. A certificate can be understood as *‘a written assurance that the quality of a product or production process or person has been assessed and fulfils the specified requirements’* (Van Beuningen & Knorringa, 2009, pp. 92). Certification can therefore be a means to create more transparency of production processes. It leads to differentiation of products, creating niche markets and thereby creating benefits for suppliers, when communicated to the world (business or consumer) (Bienabe et al., 2004; Markelova et al., 2009).

Broad scale debate has risen on the impact of standards on producers, and especially the impact on the market possibilities of developing country producers (Henson & Humphrey, 2009; Maertens & Swinnen, 2009). There are claims that standards become trade barriers for developing countries, which often cannot meet standards’ requirements. On the contrary, there are also claims of standards acting like development catalysts, thereby increasing the competitive position in international markets (Henson & Humphrey, 2009; Lee et al., 2010; Maertens & Swinnen, 2009; Wang, 2007).

This research is focused on *sustainability* standard systems. A significant amount of literature is available on the costs and benefits of sustainability standard systems for primary producers (see for example Beuchelt & Zeller [2011], Henson & Humphrey [2009], Maertens & Swinnen [2009], Victor et al. [2010]). This research focuses specifically on the *small* primary producers in developing countries (from now on also called ‘smallholders’). Smallholders are expected to have more difficulties in fulfilling requirements of standard systems than larger primary producers, due to their limited capacities and resources. As a consequence, smallholders can be restrained in participating to standard systems, and thereby be restrained in participating to specific markets and/or supply chains (Bienabe et al., 2004; Henson & Humphrey, 2009; Lee et al., 2010; Reardon et al., 2008; UNCTAD, 2008). Despite the amount of literature confirming smallholder difficulties in participating to standard systems, very little literature is available on the actual difficulties of smallholders. Most of the documented information is assembled by means of retrospective research; it looks back upon the implemented system and its effects. Not much scientific literature can be found regarding the attitude and situation of smallholder producers, right before (and during) implementation of a standard system. This research aims to fill this gap. The objective of this research is to identify the factors that determine participation of smallholder producers in

sustainability standard systems, by making an analysis of requirements of standard systems and examining the barriers and success factors that arise in advance of, and during, the participation. For this, on the spot participatory observation is used, to acquire accurate, practical information about the accessibility of sustainability standard systems. To engage in such observation, a cooperation was set up with an organization that is currently developing a sustainability assessment system for primary producers. The cooperation offered the chance to observe the primary producer perspective, before as well as during engagement with standard systems.

The main research question of this study is:

What factors determine participation of smallholder producers in sustainability standard systems?

Requirements of standard systems can be divided in thematic and systemic requirements. This research focuses on the *systemic* requirements of standard systems. In this paper, 'thematic requirements' concern qualities of the product and the production process. 'Systemic requirements', on the other hand, concern organizational elements related to the process towards certification. Examples of thematic requirements are the presence of trash bins on the production site and the providence of protective equipment to workers. Examples of systemic requirements are a regular member assembly, the presence of a specific documentation-system, and frequent worker-trainings. Little information is available with regards to the influence of these requirements on accessibility of standard systems for smallholder producers. Identification of barriers and success factors for smallholder producers in standard systems' systemic requirements can be useful for the development of programmes and policies.

The following four research questions are leading the research:

Q1 - What systemic requirements do sustainability standard systems set for smallholder producers?

Q2 - What factors, identified by expert interviews, influence smallholder participation to sustainability standard systems?

Q3 - What experiences do smallholder producers have in sustainability standard systems?

Q4 - What recommendations can these experiences yield for the design of sustainability systems?

The first two questions together aim to describe the situation in which the smallholders would have to operate, from a top-down manner. The second question aims at acquiring a bottom-up perspective on the issues involved in participating to sustainability standard systems. Question 3 aims to reject or confirm the hypothesized factors of question 2.

Structure of this thesis

Chapter 2 will position the research by means of theoretical background. Chapter 3 explains the practical relevance of this research. The methodology will be explained in chapter 4. Chapters 5, 6 and 7 consist of analyses, results and reflections. In chapter 8 recommendations will be given. A discussion chapter can be found in chapter 9 and finally, chapter 10 provides the conclusions of this research.

Chapter 2 – Research Context

This chapter will elaborate on the theoretical background of this study. It will start with the main research area: Sustainable Supply Chain Management. Subsequently it will explain the types of standard systems, the difficulties in making supply chains more sustainable, the market trends of sustainability standard systems, their functionality, and the situation of smallholder producers in developing countries regarding standard systems. The chapter will end with appointing a gap in literature and the relevance of this research.

2.1 Sustainable Supply Chain Management and standard systems

Sustainable Supply Chain Management is a term that is used for the management of a supply chain, in which the dimensions of sustainable development (i.e. environmental and social, sometimes also economic elements) are taken into account (Seuring & Muller, 2008; Wognum et al., 2011). Standards are among the main SSCM-initiatives.

Standards are often used to make claims about the performance of production practices, especially with regards to safety, ethical and environmental issues (Henson & Humphrey, 2010; ISEAL, 2010). Emphasis is on issues like emissions, energy usage, impacts on the ecosystem, circumstances of employees and/or trading conditions. Sustainability standard systems have the ambition to achieve sustainable development. A certificate is normally provided to communicate the level of sustainability of practices.

According to Henson & Humphrey (2010), five functions are required to be performed for establishing and operating a standard system. The first step concerns setting the standard. To measure sustainability, an extensive set of social and environmental indicators is needed (Vermeulen et al., 2010). Setting the standard therefore requires formulating rules and procedures regarding the sustainability indicators and the measuring process. The second and third step concern adoption and implementation of the standard. Firms, organizations or other entities must decide to adopt the system, and should implement the system according to its rules and procedures. The fourth step consists of conformity assessment, in which the compliance to the standard is inspected. This assessment requires documented evidence. The certification decision should be made by an independent third party, to assure authenticity of the decision. Finally, the fifth step is enforcement. Rules and procedures should be designed regarding responses to non-compliances (Henson & Humphrey, 2010).

Standard system establishment and operating requires:

- 1. Standard setting*
- 2. Adoption*
- 3. Implementation*
- 4. Conformity assessment*
- 5. Enforcement*

Types of standard systems

There are various types of standard systems. In literature various division are present, depending on the purpose of the division. In general, important characterizations are: (1) public or private initiation, (2) voluntary or mandatory compliance, (3) single firm or multiple firm initiative (or cooperation) and (4) sector-specific or cross-sectoral coverage.

The first distinction is between public and private standards. Public standards are incented by actors from governmental agencies, whereas private standards are developed by 'coalitions of private sector actors' (Henson & Humphrey, 2010, p.

1630). Private standards can extend public standards. They can address subjects, or details that public standards do not include. In the agri-food sector, private standards have originated mainly from by business-responses to three factors: (1) 'increasing consumer and government concerns with regards to food safety', (2) 'altered (...) expectations and demands of consumers with respect to the safety and quality of food' (Henson & Humphrey, 2010, p. 1635), in combination with globalization of agri-food chains, and (3) a shifting 'responsibility for food safety from the public to the private sector' (Ibid.). A firm's reputation and legitimacy might be endangered when social responsibilities are not addressed by that specific firm (Angel & Rock, 2005).

Mostly, public standard systems are mandatory. Private standard systems are normally voluntary, but can be adopted by public institutions and thereby become mandatory standard systems (Henson & Humphrey, 2010). Reynolds et al. (2007) have analysed the functionality of private sustainability standard systems in the coffee sector. They concluded that these private initiatives should be enforced by public regulation, to enhance their effectiveness. As most sustainability standards are private, voluntary standards, this type of standards will be the focus of research (Reardon et al., 2009).

Within the private, voluntary standards, standard system initiatives can differ by means of: single or multi-firm initiative, sector-specific or cross-sectoral coverage, and actor specific or supply chain coverage.

Standard systems can be initiated by a single firm, or by a cooperation of firms. Single firm approaches focus on the production chain of one company. Typically, specific value chains are assessed, and improvements are designed. An example of a multi-firm initiative is the so-called *joint product sector approach*. In this approach, cooperations from business and/or civil society work together to develop and apply standards for sustainability in one specific product group. In comparison, single firm approaches require considerable transaction and control costs for the individual firm, compared to participating in a multi-firm approach. Also, the reliability of the claims of sustainable production of this self-controlling approach is questionable. Joint product sector approaches normally include auditing of compliance and third party involvement, enforcing authenticity (Vermeulen, 2010).

Standards can be categorized by their subject scope. There are two types: sector-specific and cross-sectoral standard systems. Sector-specific initiatives concern one sector, such as coffee, tea, or cocoa. Cross-sector initiatives focus on developing standards for a wide range of products. The latter category covers for example entire production sectors (e.g. agriculture), and therefore has a more uniform (global) applicability (Vermeulen, 2010).

Finally, standards can be characterised by their chain scope: a focus on individual supply chain actors or at entire supply chains. Standards directed at individual supply chain actors are focused on for example producers, transporters, processors, or end-retailers. The other option, i.e. improving sustainability *throughout* supply chains, is normally called a 'chain of custody' standard system (Van Beuningen & Knorringa, 2011). Making entire supply chains more sustainable can be considered more difficult than making individual supply chain actors produce more sustainable. Making supply chains more sustainable implicates (more) dependency across supply chain actors, and can incur traceability of products (Vermeulen, 2010).

Standards can be categorized by:

- *public or private nature*
- *voluntary or mandatory compliance*
- *single or multi-firm initiative*
- *subject scope: sector-specific or cross-sectoral*

- *chain scope: actor-specific, or supply chain scope*
Most sustainability standard systems are private, voluntary standards.

Difficulties in making supply chains more sustainable

There are several articles written about the difficulties in making supply chains more sustainable. Vermeulen & Ras (2006) described nine barriers for individual supply chain actors regarding supply chain sustainability. Their framework is considered inclusive of other frameworks, and will therefore be explained in the following paragraphs.

The first two barriers concern individual issues: (1) **motives** and (2) **knowledge, expertise and skills** of the supply chain actor. Motives like price and understanding of urgency influence the decision to change practices. Also, the actor should have sufficient capacities to implement the change.

(3) The third barrier concerns **the allocation and estimation of costs and benefits**. A reasonable balance between costs and benefits is needed to initiate the change. However, while investments of environmentally friendly practices are needed on the short term, benefits (which are even relatively uncertain) are expected only on the long term (Wognum et al., 2011; Carolan, 2006). Besides that, it frequently occurs that costs of conventional production are borne by society as a whole, and are therefore not seen as costs specifically for conventional production. In assessments, the entirety of costs and benefits is therefore inaccurate (Carolan, 2006). Another important issue is the allocation of costs and *benefits throughout the supply chain*. According to Wognum et al., 'it could easily be that costs and/or benefits of environmental pro-activeness fall in an earlier or later stage' (Wognum et al., 2011, p. 67). While this is a stimulus for partnerships of supply chain actors working for more sustainability, this can be a significant barrier to individual producers (Vermeulen & Ras, 2006). Especially primary producers might perceive this as a barrier, since their production is often accompanied by social, and particularly environmental impacts (Bloemhof-Ruwaard et al., 1995).

(4) The fourth barrier, **power**, is linked to this. In order to achieve sustainable performance of an entire supply chain, all supply chain actors have to participate. Large companies often have more influence on suppliers than smaller companies, who often reside on willingness of suppliers (Vermeulen & Ras, 2006).

(5) The fifth barrier is the **trust and continuity of supplier relations**. Durable relations often result in a high level of trust, and therefore decline the transaction costs of trade. The benefits of change may therefore be estimated not to weigh out the costs of putting pressure on suppliers (Reardon et al., 2009; Vermeulen & Ras, 2006).

(6) The sixth barrier concerns the **anonymity of the supply chain actors**. Often, there is a lack of oversight on all supplying primary producers, and information is lacking about the production processes used for producing the products. Such anonymous suppliers therefore pose a barrier to making a supply chain more sustainable (Vermeulen & Ras, 2006).

(7) The seventh barrier is the perception of **consumer demand**. While products have to be able to compete in the market with traditional products, there is no clarity on consumers' willingness-to-pay *more* for products that are sustainably produced (Wognum et al., 2011; Vermeulen & Ras, 2006).

(8) The eighth barrier concerns the **political environment**. Governmental regulations, such as waste management and recycling policies can facilitate as well as hinder the greening of a supply chain. Lack of political support can be considered a substantial barrier to greening product chains (Drost et al., 1996; Vermeulen & Ras, 2006; Wognum et al., 2011).

(9) Finally, the ninth barrier recognized concerns **institutional regulations in international trade**. According to Vermeulen and Ras, '*import tariffs (...) quotas and specific product requirements may form an obstacle for*

global trade of green products' (Vermeulen & Ras, 2006, p. 251). Especially the (nation)specific requirements on products and production processes diverge considerably and form a substantial barrier to greening international product chains (Wognum *et al.*, 2011).

Barriers to individual supply chain actors in becoming more sustainable are:

1. *Motives*
2. *Knowledge, expertise and skills*
3. *Allocation and estimation of costs and benefits*
4. *Power*
5. *Trust and continuity of supplier relations*
6. *Anonymity of supply chain actors*
7. *Consumer demand*
8. *Political environment*
9. *Institutional regulations in international trade*

2.2 Standard systems in the market

Environmental protection gained significance in the 1960 and 1970s. Environmental protection was predominantly government-led, but the early 1990s showed a shift away from the governments leading role. From then on, a range of stakeholders (i.e. actors from the business, civil society and public sector) committed to engaging in initiatives for more responsible production (Reardon *et al.*, 2008; Vermeulen *et al.*, 2010). The use of standard systems can be stated to originate from that period. Fair trade initiatives, that initially focused on creating shorter value chains to link small producers in developing countries to Western consumers, started already around 1980 (Jansen *et al.* 2003, in: Vellema *et al.*, 2006; Vermeulen *et al.*, 2010). The last decade however, the use of sustainability standard systems (from now simply standard systems) increased rapidly. Examples of major standard systems are FSC (Forest Stewardship Council), MSC (Marine Stewardship Council), Organic, Fairtrade, Rainforest Alliance, GLOBALG.A.P, UTZ Certified, and 4C (Potts *et al.*, 2010). Sectors in which certification is relatively common are coffee (8% of global exports was certified in 2009), tea (7.7%), cocoa (1.2%), bananas (20%), and forestry (18%). These percentages result from impressive growth of these certified products in the last five years: growth rates range from 63% (for bananas) to 2000% growth (for tea) (Potts *et al.*, 2010)

The market of standard systems is highly dynamic at the moment. It is subject to continuous reforms, due to changes in business, public sector, and civil society. Several recent trends in the arena of standard systems are: internationalization of standards (caused by globalization of agri-food chains), increasing numbers of private standards through imitation, increasing overlap and interlinkage of public and private standard systems, a higher minimum level of acceptance, and an increasing scope of standard systems (i.e. more attributes are included, resulting in less differences between social, environmental and food safety standards) (Henson & Humphrey, 2010).

The multiplicity of standards available has positive and negative influences on the accomplishment of sustainable development (ISEAL, 2010; Mutersbaugh, 2005). The positive side of the increasing number of standards and certifications is that it indicates a growing awareness for more ecologically sustainable and socially just practices. As standard systems may cover different aspects of sustainability, the large amount of standards results in an upward trend towards more awareness for sustainable production (Henson & Humphrey, 2010; Mutersbaugh, 2005, Utz Certified, 2010). The negative side of the story is however, that the multiplicity can also create unwieldy competition between these initiatives, and confusion for consumers as well as producers (Azaglo & Derrick, 2008; ISEAL, 2010; Vermeulen *et al.*

al., 2010). In practice, the multiplicity of standard systems available in the market has led to parallel certifications (i.e. a product is twice, or even three times certified for different standard systems). This parallel certification implies great costs (of the certification process) for producers (Mutersbaugh, 2005).

A possible solution to this negative side of the multiplicity of standard systems is harmonization. Harmonization is the process in which different standards are recognized (by the standard systems initiators) to be interchangeable, or in which they are combined into one standard system (Mutersbaugh, 2005; Van Beuningen & Knorringa, 2011). Mutersbaugh has investigated the potential results of harmonization of standard systems. The main difficulty in harmonization is the objective of different initiators of standard systems. While *'NGOs advocate an expansion of (...) standards under an open, public standard, (...) corporate actors prefer to privatize social accountability in 'sustainable contracts' that protect retailer power'* (Mutersbaugh, 2005, p. 2048). Harmonization is therefore considered an extremely complicated process.

To conclude, the trend of standardization is subject to much criticism regarding its functionality for sustainable development. The following paragraphs will focus on the functionality of individual standard systems in general, for upstream supply chain actors as well as primary smallholder producers.

Sustainability standard systems have been used since the 1980s, though the last decade has shown an impressive growth rate of the use, and the number, of sustainability standard systems. The multiplicity of standard systems on the market creates momentum to the standards, though it is also a source of unwieldy competition and confusion. Harmonization of standards, which declines competition and confusion, is hampered by conflicting objectives of standard initiators.

Functionality

Standard systems can promote sustainable production by means of product differentiation and transparency. Private standards can be used for product differentiation *'to substitute for missing or inadequate public standards, to differentiate their products to compete with the traditional sector, and to provide an incentive to producers to increase quality'* (Reardon et al., 2009, p. 1719). For firms that participate in the standard system, standard systems can act as 'club goods'; standard systems can cause differentiation between products, create niche markets and thereby increase the competitive advantage of certified products and companies that participate in the standard system (Fold & Gough, 2008; Henson & Humphrey, 2010; Lee et al., 2010; Vermeulen & Ras, 2006; Wang, 2007). In addition, providing consumers more information about the production process can increase their *willingness to pay* for specifically produced products.

The increased competitive advantage can increase income (profits) for participants, it can decrease market risks, and it stimulates qualitative development. Firstly, a higher price can be demanded for the product, which increases profits. These profits in principle result in benefits to suppliers, in terms of inputs and credit (Reardon et al., 2009). Secondly, through being contracted for a *specific* supply chain, market risks of transactions can decrease for suppliers. Products for which no local market exists may now yield income. Thirdly, in contrast to traditional markets, *quality* differentiation is rewarded in these product chains. Productivity is thereby qualitatively stimulated, instead of solely quantitatively. This can pay off indirectly in the productivity of other products (Reardon et al., 2009).

Smallholder producers in developing countries

While the above-mentioned benefits are not restricted to specific actors in the supply chain, it is doubtful whether the benefits are equally spread among the supply chain

actors. The benefits originate predominantly from the ability to demand a higher price for the product. Benefits will therefore be most noticeable at the upper part of the supply chain (close to the consumer). It is doubtful whether actors on the lower part of the supply chain (the primary producers), will receive as much benefits as the actors closer to the benefits. Besides this allocation of benefits, primary producers face complementary difficulties for complying to the standard.

Griffon (2001) identified several problems in market efficiency in developing countries. These problems are: (1) market access difficulties; (2) supply rigidity; (3) price instability; (4) price inequity; (5) frauds on input quality; (6) poor productivity; and (7) few possibilities to improve quality (Griffon, 2001, in: Markelova et al., 2009).

As mentioned above, standard systems can be seen as a market incentive for quality improvements. Developing countries are less probable to grasp opportunities for such development, due to their institutional system. Barrett (2008) emphasized the importance of institutions and endowments (i.e. the '*physical [e.g., road, electricity] and institutional infrastructure [e.g., extension services, contract enforcement and police protection, grades and standards, market information services]*' [Barrett, 2008, p.301]) for the ability to adopt market-based development. As developing countries normally have difficulties in their institutional system, they face extra barriers in participating to standard systems, and to using these systems to induce more sustainable production (Barrett, 2008; Drost et al., 1996; Jongwanich, 2009; Tellman et al., 2011).

In addition, difficulties arise from the differences between the Western world, and developing countries. Standard systems are normally initiated by the Western world, though they have to be applicable in developing countries. According to Azaglo & Derrick (2008), the applicability of standard systems should be carefully assessed. Also, the system should be communicated in an understandable, and valuable way (Azaglo & Derrick, 2008).

There are several articles available on the effects of standard systems on participants. Most documents are positive about the impact of participating in a standard system, regarding farmers' welfare. However, these outcomes are normally under specified conditions. Victor et al. (2010) for example state that benefits can be obtained, though only in combination with supporting governmental regulation and subsidies. Other articles have pleaded that farmers only benefit from participating in a standard system if there is sufficient financial and technical assistance (Henson et al., 2011; Minten et al., 2008), or even imposed leadership (Dolan, 2010). Farmer's ability to experience benefits can therefore be said to be predominantly reliant upon external support.

Other articles have compared standard systems. Ruben & Zuniga (2010) have assessed the benefits of FairTrade, Rainforest Alliance and Cafe Practices, in the Nicaraguan coffee sector. They plea that while FairTrade provides better prices, the other two labels result in increased yield and quality, and are therefore considered more sustainable options for engagement. Other comparative studies are limited to analysing the standard systems and their differentiation in terms of subject, scope and methodologies (see for example De Vries & Haase, 2008; Dorr, 2009; Gulbrandsen, 2004; World Wildlife Fund, 2007).

Standard systems can lead to increased profits, decreased market risks and a stimulus for quality development. For (primary) smallholder producers however, participation can be difficult, mainly due to the institutional context and their capacities. Differences between the Western world (often the initiator) and Southern (developing) countries are frequent barriers to a high applicability of standard systems. However, in case of sufficient support structures, participation to standard systems is believed to be beneficial for smallholder producers.

2.3 Gap in literature

The previous paragraphs have explored the available information on standard systems. What is apparent is that despite the general assumption that it is likely that smallholders cannot participate in standard systems (and thereby become excluded from supply chains demanding these standard systems), there is not much information that appoints exactly *what* the difficulties (or success factors) are for smallholders, in participating to a standard system. Available literature (with its large amount of impact-analysing studies) has predominantly had a retrospective research approach.

This research will differentiate itself from previous studies, by researching the current circumstances of sustainability standard systems, and identifying the barriers and success factors for smallholder participation in these systems. Given the limited information available on this topic (and with this approach), the research can be considered exploratory research.

Chapter 3 - People 4 Earth

In order to acquire an on the spot participative observation, a cooperation was agreed upon with People 4 Earth. This is a global non-profit organization focused on stimulating more sustainable business practices in *global* supply chains. The organization is developing a system that assesses the sustainability of production processes, throughout all stages of supply chains. The system measures sustainability performance by means of a list of indicators. Thereby it resembles standard systems to some extent (see characteristics of standard systems in section 2.1). Comparison of standard system practices may therefore provide useful insights for the development of the People 4 Earth system. In the following paragraph, a description will be given of the system, its objectives and its development.

3.1 A Sustainability Accounting and Management System

The system is called the 'SAMS' (Sustainability Accounting and Management System). The SAMS is designed as a means to acquire an increased knowledge base of production processes, which is the prerequisite for transiting to more *sustainable* practices (Hogan et al., 2002, in: Richey et al., 2010). It is a cross-sectoral system, that measures sustainability by means of social and environmental criteria divided into four pillars: fair, pure, life and renew (see figure 3.1).

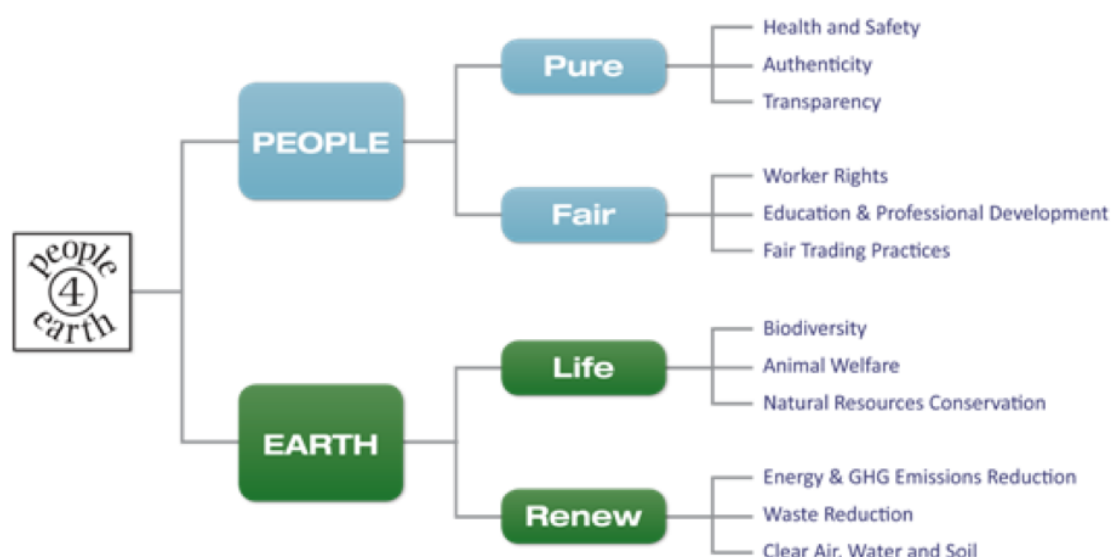


Fig. 3.1: The People 4 Earth Framework (Source: Website People 4 Earth, 2011).

The pillar 'Pure' addresses 'the quality of a product in relation to its impacts on the user and local communities' (People 4 Earth^a, 2011). It concerns of health & safety, authenticity (truthful representation/communication of the product), and transparency (public availability of information regarding the product's impacts). Examples of questions from this pillar are: 'Is there a significant risk that (traces of) harmful substances may be present in/on the product?', 'Is a list of the products ingredients and/or materials disclosed?' and 'Does your company make its legal structure and organization publicly available?' (People 4 Earth^a, 2011). Most questions are followed by a question like 'If yes, what is included?' (and subsequently boxes with options can be ticked).

The pillar 'Fair' concerns 'the treatment of people working in the product chain' (People 4 Earth^a, 2011). It includes worker rights, education and professional development, and fair trading practices. Examples of questions addressed in this part

of the system are: ‘How many workers does your company employ?’, ‘Does your company contribute to the local community’s educational or economic opportunities?’ and ‘Does your company pay a premium on top of the regular contract price?’ (People 4 Earth^a, 2011).

The pillar ‘Life’ concerns ‘natural resources in the product and in the product chain’ (People 4 Earth^a, 2011). It is divided in biodiversity, animal welfare and natural resources conservation. Examples of questions are: ‘Does your company have a biodiversity policy?’, ‘Does your company or a third-party test the product, or any of its ingredients on animals?’ and ‘Has your company conducted an inventory of material use for this product?’ (People 4 Earth^a, 2011).

The pillar ‘Renew’ concerns ‘the impact that products have on the environment’ (People 4 Earth^a, 2011). It addresses energy and greenhouse gas emissions reduction, waste reduction, and clean air, water and soil quality. Examples of questions are: ‘What part of the total energy used in product production is comprised by renewable energy?’, ‘Is hazardous waste generated during the product’s production?’ and ‘Does your company track emissions in the product lifecycle?’ (People 4 Earth^a, 2011).

Five key elements

The design of the SAMS is based on five key elements. Firstly, the system is **comprehensive**, in that it includes (besides the criteria of the framework) additional indicators from sustainability standard systems. The objective is to establish a system that includes all relevant criteria for sustainability. Secondly, the system is **sector specific**, which means questionnaires will contain industry specific questions. This makes the use of the system more efficient for the user. Also, a reduction of questions to be answered occurs, if the user is certified by a standard that is incorporated in the SAMS. Thirdly, the system will be **modular**. Different questionnaires are designed for different actors in the supply chain, i.e. primary producer, manufacturer and trader. Fourthly, People 4 Earth aims to develop a system that assesses production practices while simultaneously informing or **educating** users of the system with information on best practices of specific issues. Fifthly, the SAMS is a **self-assessment** system. The SAMS is designed for organizations that *want* to improve the sustainability of their practices, or of the entire supply chain. The system is not meant to provide a judgement, in spite of that, it is meant to provide information on sustainability, and indicate points where sustainability can be improved. The system is designed as a self-assessment of individual organizations. It can be used in all stages of the supply chain. Therefore, (end)buyers of the supply chain (e.g. retailers) that want to know the sustainability of the product or supply chain, can require that all actors in the supply chain do the assessment. For this, all supply chain actors should be known¹.

The objective of People 4 Earth is to make this self-assessment system functional through a peer-pressure methodology. Reports of SAMS assessments will be published in a database, to put companies on the spot (mainly to compliment good practices, though possibly also to shed negative attention to bad performing organizations). In case of dishonesty of reporting, it is likely that the organization will be criticized, as peers can review the information that is given by the participant. As the system is based on self-assessments, the system should be used by companies that *genuinely* want to improve their sustainability.

To add, the SAMS is designed as an online tool, with English as the primary language. The online application has the advantage of omitting questions that during the assessment turn out not to be relevant. For example, when a company does not

¹ It is assumed that upstream supply chain actors that want to have the assessment done can demand (pressure) the supply chain actors to do the assessment (if trade relations are to be continued).

have any policy for waste reduction, no further (detailed) questions about that will be asked.

Key elements of the SAMS:

- *social and environmental criteria*
- *a supply chain scope*
- *comprehensive of major sustainability standards*
- *sector specific questionnaires*
- *modular questionnaires*
- *educational method (best practices)*
- *self-assessment*

The system is a support tool for organizations that want to improve their sustainability. If organizations want to improve sustainability of the supply chain, information about supply chain actors is required, and possibly pressure on suppliers is involved.

Advantages for users

As mentioned above, the main incentive of the system is to provide information about production processes. The information given by the users will not be used to judge participants, but to act as a stepping-stone to improving sustainability. After the assessment, a report will be provided, in which users 'distance' to several standard systems (or certificates) is appointed², and what their weak points are according to several standard systems. By using the system, participants can obtain more knowledge of their position in the market (among certificates of standard systems). The previous chapter explained that increasing sustainability of production practices (and especially by becoming certified), actors could obtain a better position in the market. Finally, the educational method maintained in the question framing, can provide the users with knowledge on best practices in their field.

Development

The development of the SAMS has started in Europe and the system is currently based on supply chains of the West. The goal of People 4 Earth is however, to establish a system that stimulates *global* supply chain sustainability, including smallholder producers.

The assumption is that large differences exist between developed and developing country supply chain parties and their capacities. Therefore, in order to make the SAMS suitable for *global* supply chains (GSCs), this 'gap' between developed and developing countries needs to be bridged.

The participation of smallholder producers to the system depends on two issues: the ability of smallholders to *meet the criteria* of the system, and the capacities of smallholders to *use* the system, i.e. the applicability of the system for them. This research will not be focused on the extent to which smallholders are performing sustainable business according to the SAMS, but on the extent to which the system is applicable for smallholders. The methodology that is maintained in this research, as well as the explanation of the cooperation with People 4 Earth, will be explained in the next chapter.

² The assessment report can provide an overview of the sustainability framework, and the participants' score on that framework. Subsequently, it can show to what extent the participant complies to certain standards, and thereby it shows the 'distance' that farmers yet have to overcome to become certified.

3.2 Value of the research

This research contributes to the development of the SAMS in two ways. First, the identification of factors that are influencing smallholder participation can provide input for the development of the system, regarding facilitation of smallholder participation. Second, the experiences of the field work will provide valuable information regarding the potential applicability of the methodology of SAMS (according to the five key elements described above). In the field, also a number of questions of the prototype 'SAMS South'³ (which is made to test the system in Southern countries) will be tested on its applicability. A list of questions that is tested in the field is given in appendix V.

³ This prototype includes questions that are incorporated especially for southern countries, given the assumed differences in national and cultural context (for example a different level of development, and different priorities, like more emphasis on economic aspects of production, instead of sustainability).

Chapter 4 – Methodology

This research is performed in cooperation with People 4 Earth. Cooperating with an organization that is developing a system to assess smallholder producers offered the opportunity to do field research and perform on the spot observations. Due to strategic choices of People 4 Earth, the selected supply chain for this study is cocoa. Field research has taken place in Ghana. This country is selected because it is the world's second largest cocoa exporter. Ivory Coast is the world's largest cocoa exporting country, but given its current politically difficult situation, this was not an option.

This research had two objectives: (1) to identify barriers and success factors to smallholder participation in sustainability standard systems, and (2) to provide recommendations to People 4 Earth, with regards to the development of a sustainability measuring system. In this chapter, an explanation will be given of the research stages and the methods applied.

4.1 Introduction to the research phases

To recall, the main research question of this study is: *What factors determine participation of smallholder producers in sustainability standard systems?*

This question will be answered by means of a two-phased research, divided in available (earlier) experiences (research in the Netherlands), and field work experiences (in Ghana). The *first phase* consisted of (a) an in-dept study of the sustainability standard systems, and (b) of identification of barriers and success factors through expert interviews. The *second* phase consisted of field work, in which smallholder producers were questioned on the barriers they experience. The list from phase 1 is used as a framework to question the smallholders in phase 2. Figure 4.1 (on the next page) visualises the research process.

The first phase can be seen as a **deductive** manner of identifying barriers and success factors to smallholders. Available information from standards-systems and experts will be used to create a perspective on the smallholder situation. The second phase of research is more an **inductive** approach. In this phase observations (and interviews) will be used to create the perspective *from* the smallholder perspective.

It was not assumed that the barriers identified by the two different perspectives meet. The differences between the two perspectives (i.e. the problem perceptions *for* smallholder producers [by experts], and the problem perception *of* smallholder producers) are reviewed in the reflective table in chapter 7.

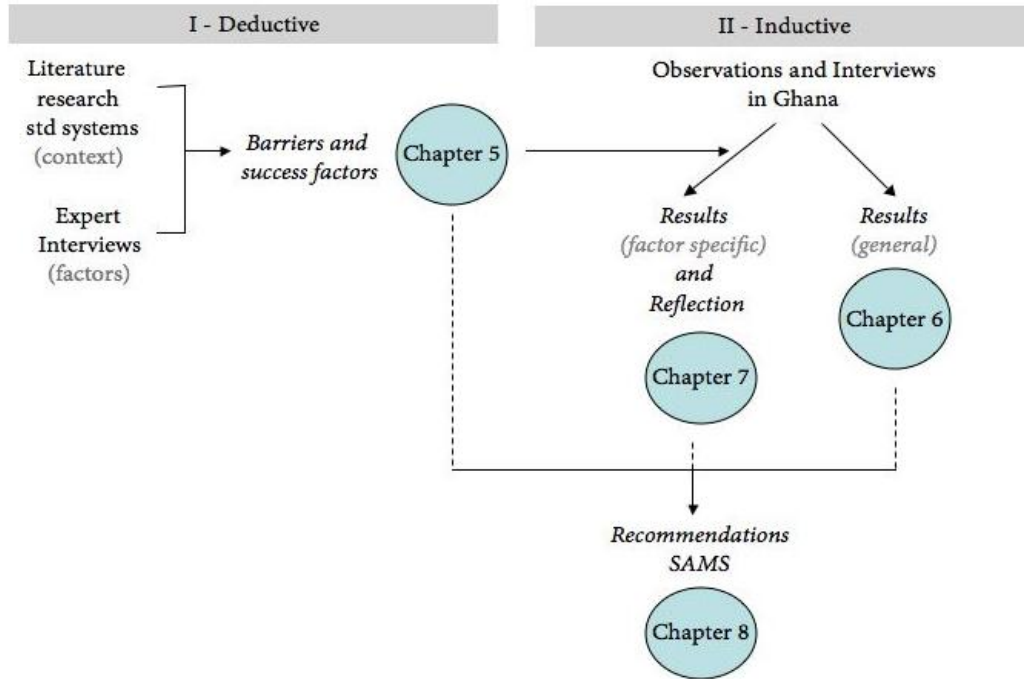


Figure 4.1: The research phases

4.2 First Phase - Literature research of sustainability standard systems

The first phase consists of two parts: an analysis of sustainability standard systems, and expert interviews. This section explains the first part.

The analysis of sustainability standards-systems serves to provide useful information on general practices in standard systems. It is meant to describe the context in which smallholders are supposed to operate, with regards to sustainability standard systems. To acquire the most accurate information on common practices, study will be done by analysing only major, commonly used sustainability standard systems.

The study had two objectives. Firstly, the study is used as a context description of the situation in which smallholders are situated. Because of this purpose, only major, commonly used sustainability standards will be used. These commonly used systems largely determine the general procedures of sustainability standard systems for smallholders. Secondly, the study is used to draw lessons on the use of standard systems as a means for more sustainable production. The selected systems are relatively settled in the market, and it is therefore assumed that these systems have experience in what methods are applicable, and which are not.

The following research question was leading this first research part:

Q1 - What systemic requirements do sustainability standard systems set for smallholder producers?

The focus lies on the methods that major, commonly-used sustainability standard systems apply, the processes that are specially designed to stimulate smallholder participation, the tasks and actors that are involved in the certification process, and the extent to which smallholders are expected to perform tasks independently from help of external organizations.

Q1 - What systemic requirements do sustainability standard systems set for smallholder producers?

Selection of the standard systems

The selection of the reporting instruments or standard systems to study was based on multiple aspects. Obviously, as it is the aim to draw lessons from the systems, the systems should have some weight in the market, to draw useful lessons and insights from it. Other requirements concern characteristics that are similar to that of the SAMS, in order to provide recommendations to the development of the SAMS. The systems were therefore required to concern *environmental and/or social* impacts. Also, the systems should concern *production* processes, due to the facts that the SAMS aims to include (smallholder) producers in its reporting system the objective of drawing lessons from the systems, the third requirement was that the systems should be commonly-used. The selection of research objects includes: GlobalG.A.P., UTZ Certified, Rainforest Alliance, BSCI (Business and Social Compliance Initiative) and FLO (Fairtrade Labelling Organizations International).

The standard systems should be commonly-used, with a focus on environmental and/or social impacts of production processes

The assessment framework of the standard system analysis

The assessment of the standard systems focuses on the systemic side of requirements to farmers, i.e. the processes and organizational requirements of the systems. In the following paragraph, an explanation will be given of the framework of questions that is set up, to shed light on the systemic side of the selected systems.

The first set of characteristics focussed on the purpose of a system. The extent to which the systems are comparable to the SAMS, determines the extent to which lessons from these systems are applicable for the SAMS. In chapter 2, the categorizing characteristics were described. The scope of the system is especially important. The two system characteristics that are relevant to consider are therefore: (1) subject scope (environmental and/or social issues) and (2) chain scope.

(1) *Subject scope* addresses whether a system includes environmental issues, social issues, or both. Sustainability was historically focused on environmental issues. Social issues are increasingly taken into consideration in sustainability. Systems that focus on social sustainability are more probable to take smallholder producers into account than only environmentally focused systems.

(2) *Chain scope* addresses to what supply chain actors the system is limited. While some systems are limited to the practices only at the farm, others also include trading, processing and transporting stages, and are therefore directed at a broader range of actors.

The second set of system characteristics concerns the **types of certification** provided by the system. This issue is aimed at the extent to which smallholder farmers specifically taken into account in the design of certification options. Preliminary research has shown that *individual certification*, as well as *group certification* are common options. Individual certification might not always be viable for individual, small farmers. The option of group certification may facilitate small farmer participation. Also, the *types* of farmers that can apply for certification are important. Therefore, a higher amount of certification options (for different types of farmers) might increase chances of smallholders finding an accessible option for them.

The third set of system characteristics concerns the required **procedures** for certification. If group certification can be applied, what organizational and informational requirements does the system have for these groups? Or what organizational, managerial and informational requirements are in place for individuals? What tasks have to be performed to get certified? Certification implies

financial costs, but also capacities. What capacities are needed to be able to comply to the system's requirements?

Points of assessment

1. Purpose; subject and chain scope
2. Types of certification (group and/or individual)
3. Required procedures

4.3 First Phase – Expert interviews

The second research part of phase 1 concerned a number of expert interviews. This research served to acquire more (objective) information about the context in which farmers are situated. The interviews provided more in-depth information about the situation of smallholders in developing countries. This information was used to identify possible barriers and success factors, as mentioned in the interviews. The following research question was leading in this research part:

Q2 - What factors, identified by expert interviews, influence smallholder participation to sustainability standard systems?

Participants to the interviews were based upon contacts of a research partner for People 4 Earth, Jennie van der Mheen. As she is familiar in the world of development professionals, several experts in the field of sustainability standard systems were identified and contacted. In total, eight experts were interviewed⁴. All experts are working in organizations or institutes aiming to stimulate (sustainable) development in developing countries.

The preferred option was to do interviews face-to-face. Due to circumstances, some interviews took place through telephone. The interviews took place in a one-to-one setting. Given the limited amount of information available in advance, the structure of the interview was relatively open. For each interview, a list of topics to address was established in advance. During interviews, notes were made, and interviews were taped by means of a voice recorder. None of the participants had trouble with the use of voice recording. After the interviews, notes were worked out to reports, which were sent to the experts for confirmation or adjustment.

Q2 - What factors, identified by expert interviews, influence smallholder participation to sustainability standard systems?

This phase concerned face-to-face interviews with experts selected by network connections. Results are processed from voice records to reports.

4.4 Second Phase: Observations and Interviews in Ghana

The second research phase concerned the bottom-up perspective on the certification procedures for more sustainable production. Leading in this research phase was the following question:

Q3 - What experiences do smallholder producers have with sustainability standard systems?

In operational terms, this stage involved observations of, and especially interviews with smallholder producers in Ghana, on their experiences with (sustainability) standard systems. Also, parts of the SAMS South prototype were tested on Ghanaese smallholder producers. Thus, two issues are studied: experiences of smallholder

⁴ A list of the interviewed experts is provided in Annex II.

farmers with major, commonly-used standard systems, and the applicability of the SAMS South prototype.

The information gathered from the expert interviews was used to guide the interviews. Questions were aimed at farmer engagement during the whole process to certification; from the start of farmer participation in a standard system, to the maintenance of engagement to the system, or to reasons for quitting engagement. Appendix V gives an impression of this question framework. Questions of the SAMS South prototype concern environmental and social practices. The SAMS South prototype questions for small farmers are given in appendix VI.

In advance of the field work, a literature study was done to acquire basic knowledge of the context of the Ghanaese cocoa marketing sector. During the field research, more information was acquired of the situation, which was used to complement the literature study in advance of the research. The description of the research context will be given in Chapter 5.

For the field research, two methods were applied: observation and interviewing. Both methods will be explained shortly in the chapter 3.3c. First, a description of the research sample will be given in the following section.

Q3 - What experiences do smallholder producers have with sustainability standard systems?

This stage concerned field work, in which smallholder farmers are observed and interviewed. The results of the expert interviews are used as a framework for the interviews. Also, the applicability of the SAMS was tested (by means of the SAMS South prototype).

The research sample

Ghana was chosen as the case country, as this is globally the second largest producer and exporter of cocoa, after Ivory Coast ([World Cocoa Foundation, 2010](#)). Ivory Coast was not considered an option, given the current politically difficult situation.

In Ghana, cocoa-production can be found in the following regions: Brong Ahafo, Ashanti, Eastern, Volta, Western, Central, and Greater Accra. Urbanization (which is higher in the regions close to the capital Accra) has brought development to neighbouring villages. These villages may be subject to more development projects (e.g. education, water provision, infrastructure). The urbanization can therefore be of influence on the capacities and levels of understanding of farmers, regarding improving their (agricultural) practices. Therefore, to obtain the most representative sample possible, the field research has taken a **multi-region approach**, aiming to visit farmer communities in geographically varying locations. Farmers in the Western, Central and Eastern regions have been visited. Figure 2 (next page) presents a map of Ghana with the visited locations appointed on it.

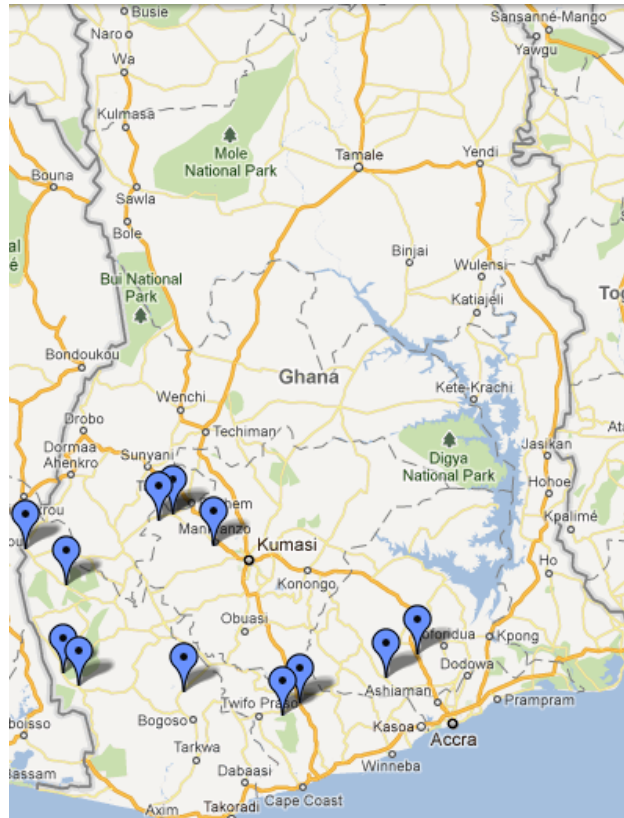


Figure 4.2: Map of the geographical research area in Ghana

First thing to notice when arriving in Ghana is that Ghana's level of development is very different compared to Europe. Roads are often not bituminized, and people in small villages live in clay houses with thatched roofs. The research sessions/interviews were taking place in local villages, situated in the shade of a tree, in a school building, or another shaded place available. While English is the official language in Ghana, many people only speak a local language⁵. Usually only a few people in the village speak English. Also, illiteracy is still a problem. According to UN statistics, 67% of the adult population (i.e. aged 15+) is literate, and 80% of the youth population (aged 15-24) ([United Nations Statistics Division, 2011](#)). It is often the people able to speak English, who are also literate.

Due to the language barrier, all farmer visits were facilitated by a local guide. They were agricultural consultants, or working in the cocoa sector. They arranged the farmer visits, by getting in touch with group managers, or talking with local people. The consultants were instructed to keep in mind the importance of visiting different groups, in order to get different perspectives on the barriers and success factors.

In total, 15 farmer visits were done. In all of these visits, farmers performed as individual producers. The number of farmers present during the visit ranged from 1 to 18. During the visit, it became clear that the differences between certified farmers, and farmers who were undergoing training (but were not yet certified), were very minimal. Finding farmers that had stepped out of the certification programme was rather difficult. This might be due to the professional background of our contact people and guides. The guides that arranged the visits to the 'engaged' farmers were involved with Utz certification programmes. They might therefore have limited contact with farmers that had stepped out of a certification programme. However, the lack of contact with farmers that have stepped out might also be due to the current

⁵ There are 56 local dialects in Ghana, with ten of these languages being the 'major languages' (often used languages, the rest is mostly spoken by only a few people) ([Website Ghana Embassy, 2011](#)).

state of the certification processes. Because certification programmes are still relatively new, not many farmers have long-term experience with the programmes. All farmers involved in certification, were only in their first or second year of certification. It might therefore be that the amount of farmers that has stepped out, is simply very small.

With regards to the representativeness of the sample, it is important to note that all visited ‘engaged’ farmers were part of an Utz Certified-certification programme, an organic certification programme, or a Rainforest Alliance certification programme. Results of this research can therefore only provide information regarding these certification programmes, and no other programme.

Table 4.1: Research Sample

Type of Farmers	Where?	Number of farmers	Entrance organization⁶
Non-engaged	- Enchi (3 visits)	1+2+5	- Resigha
	- Aboaggeano	14	- Resigha
	- Susan	7	- Resigha
	- Asempanaye	8	- Resigha
	- Yamatwa	7	- Resigha
	- Abuagya	7	- AHANSUCOFA
	- Atteibu	4	- Yayra Glover
	- Kofyja	7	- Yayra Glover
	- close to Assin Focu	11	- Conservation Cocoa Alliance
Engaged	- Abuagya	18	- AHANSUCOFA
	- close to Mankranzo	5	- AHANSUCOFA
	- Atteibu (organic)	5	- Yayra Glover
	- Kwaonartey	14	- Yayra Glover
	- Aboabocamp (to become certified)	16	- Conservation Cocoa Alliance

15 farmer visits were done, arranged by the guides of the field trip. In this selection, there were groups engaged with a standard system, as well as conventional (non-engaged) farmers.

Observing and interacting with farmers

Visits to farmer communities were generally organized and accompanied by a member of the management of an organization. These people were normally also trainers. Therefore, some visits to farmer communities were combined with a training session. The research during those sessions started with an observation of farmer behaviour during those trainings. Other meetings started directly with the interaction with the farmers on the research issues. While the SAMS questionnaire consists of a written questionnaire, it was considered most efficient to do the assessment of the farmers’ practices by means of verbal communication, due to the low level of literacy. The low level of English-speaking people made interacting with local people only possible when using an interpreter. In the following paragraphs, the observation and interviewing will be explained in more detail.

⁶ Resigha is an organization that buys cocoa residues. They buy from certified as non-certified and/or conventional farmers. Yayra Glover Ltd. is a licensed buyer (to be explained in Chapter 6). They are specialized in organic cocoa. AHANSUCOFA is a farmer group aiming at producing according to the Utz Certified standard. One of the group’s managers arranged the visits with the farmer groups.

Observations took place in two ways, during interviews, and during training sessions. Observing these trainings provided a lot of information regarding the application and suitability of a standard system's method. During observation, the emphasis was on the following aspects: difficulties in understanding the problem of traditional practices, in understanding new practices, number of people involved in the training, frustration/satisfaction in participation in the certification programme, and the time needed for the training.

Other observations were made during interviews. These observations served to obtain confirmation of barriers and success factors, as well as to obtain new insights regarding the user's experience with sustainability systems (commonly-used systems, as well as the SAMS). Due to the use of an interpreter, interactions contained a round of translation, which may have affected the formulation of questions, as well as the interpretation of responses. Being aware of this in advance, during observations and interviews, close attention was paid to the body language of the participants, to interpret the statements as good as possible. When misinterpretations of the questions or of the answers were suspected, the question was reformulated and asked again.

Interviews were held in a group setting. Individual meetings were aimed at in the beginning, but that turned out to be almost impossible as other people were really interested and very eager to give their opinion and tell their story. For visits that only concerned interviews, the guides therefore tried to assemble only a small number of farmers. The advantage of the small number of farmers is that more detailed information can be obtained, regarding the (personal) situation. Visits that included a training encompassed a larger number of farmers. The larger groups during the trainings provided a better picture of the regular behaviour during training sessions, than small groups would have done.

The interviews started with general questions about the farms of the participants, their cooperation with other farmers, the training they received, experienced difficulties, and other rather general questions. In the second part of each interview, questions of the SAMS were asked to the farmers.

During observations and interviews, the information was reported by taking notes. These notes were processed to a more detailed report as soon as possible after the visit.

Visits included interviews, sometimes preceded by (training) observations. All interviews were in group-sessions, facilitated by an interpreter.

4.5 Recommendations for the design of sustainability (standard) systems

After the three phases of research, the results are analysed. The barriers and success factors are identified, and in addition, the results of the field work have given input to answer the fourth research question, which was:

Q4 - What recommendations can these experiences yield for the design of sustainability systems?

It is estimated that the situation in the Ghanese cocoa sector is representative for countries with a similar marketing system. The results of the analyses regarding the barriers and success factors (and all other information withdrawn from the field work) are used to provide a perspective on the issues for improving sustainability in primary production of developing countries. In specific, there is reflected upon the system of People 4 Earth: the SAMS.

Q4 - What recommendations can these experiences yield for the design of sustainability systems?

Chapter 5 – Earlier experiences: Barriers and Success Factors

This chapter describes the results of the first research phase. The objective of this phase was to provide a contextual description regarding the barriers and success factors for smallholder participation in standard systems. The first section (5.1), describes the results of the analyses of major, commonly used standard systems. Only the conclusions of these analyses are given. The detailed version of the analyses is to be found in annex I.

The second section (5.2) consists of an identification of barriers and success factors. This is based on expert interviews, complemented with literature found through the expert interviews, or during the standard system analysis.

The final section of this chapter (5.3) provides an overview of the hypothesized barriers and success factors influencing the participation of smallholder producers in certification programmes.

5.1 The process to certification

This section explores the processes and systemic requirements of commonly used sustainability standard systems. A thorough understanding of these processes and requirements will result in a better understanding of the context in which smallholder farmers are situated.

In this analysis, sustainability standard systems have been carefully selected, according to the objectives of the SAMS of People 4 Earth. The standard systems had to be commonly used, with a focus on environmental and/or social impacts of production processes.

Fundamentals of the standard-systems

The systems analysed are GLOBALG.A.P, UTZ CERTIFIED, Rainforest Alliance, Fairtrade Labelling International (FLO), and the Business Social Compliance Initiative (BSCI)⁷. These five initiatives are all designed to improve production practices on environmental impacts and/or social impacts, with varying scopes. GLOBALG.A.P intends to provide a standard for good agricultural practices, regarding product safety, labour and environmental standards ([Website GLOBALG.A.P, 2011](#)). Rainforest Alliance aims at ‘*conserving biodiversity and ensuring sustainable livelihoods*’ ([Website RA, 2011](#)). UTZ CERTIFIED aims at establishing sustainable agricultural supply chains, and focuses on social as well as environmental impacts ([Website UTZ CERTIFIED, 2011](#)). Fairtrade Labelling International focuses on alleviating poverty and establishing sustainable development for small producers in the South, and thus has a far more social approach ([FLO¹, 2009](#)). Finally, the Business Social Compliance Initiative aims at improving ‘*the working conditions in the global supply chains worldwide*’ ([Website BSCI, 2011](#)).

GLOBALG.A.P, UTZ CERTIFIED, Rainforest Alliance and FLO have a similar approach, in which *certification* is considered as the end-goal of the processes that farmers go through. BSCI has a different approach. Its end-goal is not certification, but only a report of performance. Also, it is organized in a top-down manner; the buyer is responsible for assessing his supplier(s). The processes of the other four systems preceding certification have shown to be very similar in design. The next section will therefore elaborate on this common practice in standard systems.

⁷ Several of these systems have separate procedures for different products. For those systems, the cocoa-related documents are used for analysis.

Common procedures required for certification

Standard systems usually provide several options for certification, such as individual and group certification. Group certification usually originates out of the recognition that the certification process normally requires considerable time, '*financial, information, and network resources*' (Lee et al., 2010). Individual certification is therefore often not viable for individual producers. Certification of a group can reduce these cost and time investments needed per individual producer. The four systems mentioned above, have all created the opportunity for group certification.

The participants that are allowed in the group differ. While some systems allow only smallholder inclusion (the producers whose sales venue is lower than the costs of certification), other systems maintain the criterion that groups are homogeneous, thereby also including larger plantations (Rainforest Alliance 2004; Website FLO-CERT, 2011). While entrance requirements for *group certification* are often loose, requirements on *individual certification* are often strict, leaving not many smallholders able to participate in this option. This section will therefore (from now on) focus on the group certification option.

The procedures of group certification are highly similar among the standard systems. While the names of the actors may differ, as well as the (sequences of) required processes, in general systems apply the same procedure that smallholder farmer groups have to go through to acquire certification. The first requirement for smallholders to become certified is to be in a group. A group can be established in multiple ways, for example through already existing cooperations, through a trade union or through exporter relationships.

Subsequently, the four systems require that the group be internally controlled. The system of procedures and regulations for quality management within the group is normally called an Internal Control System (ICS). Within this ICS, all participating farmers have to comply to the rules that are agreed upon by the group. Depending on the requirements of the system, these rules are either defined by the system, or adjusted to local circumstances.

The management of the ICS is responsible for compliance to the rules by the total group. Internal assessments, inspections or internal audits are executed to check compliance among the members. Reports of these internal assessments have to be provided to an *external* certification body. Usually, this body is authorized to perform this external certification by an Accreditation Body. This organization can be at the service of the standard-setting system, or independent of the certification system.

The total control process preceding certification is depicted in figure 5.2 (on the next page).

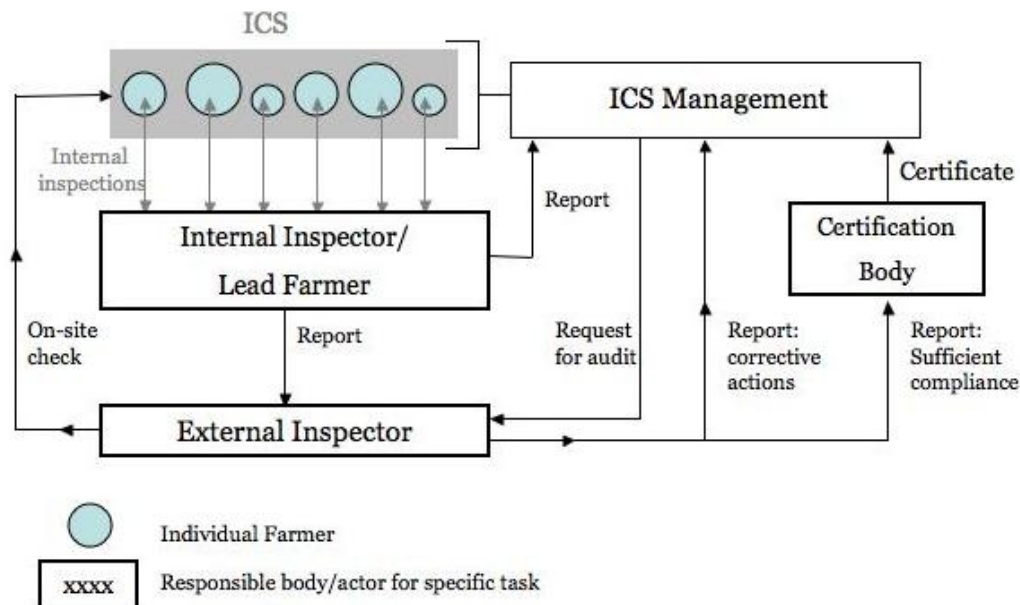


Figure 5.2: General group certification process

Ambiguities

Despite the many similarities in the systems, a considerable amount of information remains unclear from the descriptions. In the following paragraph, the most important information gaps are explained. The focus here lies on the independence of the farmers; what tasks are required to be done by the farmers?

One central issue was the definition of the group's management. Responsibilities are relatively loosely defined. Terms like 'certificate holder', 'central administration and management' or 'group administrator' are used for the management. This results in a low understanding of the systemic requirements at the farmers' side. It remains unclear what management activities are required to be performed by the farmers, and what activities are left for external guidance. Possibly, these loose definitions are constructed intentionally, to provide farmers with as much possibilities of independent operating as possible, while also leaving space for external organizations to provide support, thereby facilitating participation of less capable farmers in these systems.

Related to these loose definitions of management, are unclarities in requirements on documentation at the farmers' side. Normally, a considerable amount of documentation is required to be maintained. Sometimes this should be done by the group management, while in other systems, this task is appointed to the farmers themselves. Also, the exact information that has to be documented is unclear. Some systems define the necessary policies and plans detailed. However, as the people of the management are so loosely defined, it is not clear to what extent farmers are involved in the making and especially the handling of these documents. Therefore, it cannot be estimated to what extent farmers are able to cope with (requirements of) written documents.

As many systems have their documents available in multiple languages, this seems to be an advantage in the certification programme. As mentioned above however, the extent to which the documents are read by the farmers is unclear. Therefore, the only conclusion that can be drawn is that translating documents in the most common languages for agricultural producers (e.g. English, Spanish and French) might be beneficiary in communicating the requirements of a standard system down the supply chain.

Finally, a reflection upon the group certification option might be in place here. While group certification has reduced some of the tasks that individual farmers have to perform, the need for the establishment of an ICS in the group certification procedure has resulted in new requirements and demands for producers. The documentation obligation and the inspections that are required for establishing an ICS may not match the available capacities of smallholder producers, and thereby become substantial barriers to participation in standard systems. Therefore, group certification might be reducing access barriers like financial investments, though it has created other access requirements (barriers).

Issues that remain unclear after the standard system analysis are: the systemic requirements for the farmers, the amount of written documentation required, the function of multiple languages and the convenience of group certification.

5.2 Barriers and Success Factors identified from Expert Interviews

Following on the analysis of the standard systems, expert interviews have been conducted, to achieve a better understanding of the situation that smallholder farmers are dealing with, and to identify barriers and success factors in the process towards certification. Eight experts were interviewed. As mentioned in chapter 3, interviews were semi-structured, leaving much room for story telling by the experts, thereby revealing much knowledge. In addition, some information on the barriers and success factors was found during the standard system literature review, and resulting from the interviews (literature that the experts recommended to read). These factors were included in this analysis, complementing the information from the expert interviews.

From the interviews, a certain consistency could be discovered in the revealed barriers and success factors. Therefore, this section serves as an assembly of these barriers and success factors. The following paragraphs will discuss the factors in the order of occurrence during the ‘engagement cycle’: starting with the certification programme, factors in working towards compliance, and factors influencing maintenance of engagement.

5.2a Starting with the certification programme

There are several factors that influence the decision of farmers to become engaged in a certification programme. The factors influencing this motivation are: the understanding, and the perception of necessity and use. The following paragraphs will explain these factors.

Understanding costs and benefits

Dominant among the experts was the idea that farmers are very willing to change, and invest time in something, if that provides benefits to them. However, standard systems’ requirements and processes can be unclear to farmers. Standard systems are sometimes not able to communicate their content sufficiently. Not only the content, but also the cost-benefit ratio of participating to a standard system is often indistinct to farmers (GLOBALG.A.P, 2008; Van Beuningen & Knorringa, 2009). Farmers often do not understand what benefits a certificate brings them, or do not feel that the benefits of a certificate weigh up to the investments that are necessary. Farmers may not possess the necessary language skills to understand international documents about standard systems, or about market information and consumer preferences (Van Beuningen & Knorringa, 2009). Farmers may therefore only have a limited understanding or overview of the market and its demand. Farmers (especially small farmers) may not have the capacity to do international market analyses that reveal

the value of having a certificate. Farmers may therefore not recognize price motivations related to having a certificate. Besides, certification is a very costly procedure, which farmers often do not have the financial resources for.

In addition, if a reasonable price is paid for the product on the market (either by governmental influence or not), there is little motivation to change. Generally, when prices are low, the promise of higher prices is a motivation to change. When prices are high, motivations to change or to cooperate with others, are low. In the latter case, quality improvements may be a motivation to become engaged. In case of low incomes, short-term thinking may play a role in the motivation to remain engaged. While the costs of engagement are to be made from the start, the benefits of engagement may be experienced only in a later stage. Also, *income dependency* may decrease farmers' ability to live up to contracts with buyers. Their need for money may decrease chances of successful engagement in a certification programme.

Due to this lack of information, it was considered important to make farmers aware of market demands, as well as on standard systems. Sensitization for a specific programme that brings the farmers to certification should explain the certification standard, the functionality of its requirements, its procedures, necessary (time and financial) investments, and the value of the certificate in the market (customer requirements) (GLOBALG.A.P, 2010). This information/knowledge can create a higher understanding of the purpose of the programme, and the benefits of the certificate for the farmers. It is the basic information with which farmers can make a careful, conscious decision whether it is possible and worthwhile for them to participate in the programme, as well as for them to develop realistic incentives and expectations (GLOBALG.A.P, 2010; GTZ, 2010). The involvement of external parties in this awareness raising, is seen as a positive influence on farmer participation.

Related to developing realistic prospects, is the relevance of identifying support structures and buyers in advance of the programme (GTZ, 2010). In this, close cooperation with upstream supply chain actors was valued, given the possibilities for (financial) support and allocation of costs and benefits, and the facilitation of effective implementation of changes (i.e. to maintain sustainability throughout the product chain) (GLOBALG.A.P, 2010; GTZ, 2010). A difficulty in this, which is mentioned in literature, is that smallholders generally lack overview of the supply chain, for which identification of partners for support can be difficult (Markelova et al., 2009; Van Beuningen & Knorringer, 2009).

Group cooperation

Besides understanding the standards beneficiaries and its intentions, the procedural requirements of a standard may influence farmers' motivation to engage. As mentioned in the standard systems analysis, many standard systems only offer smallholders the possibility to become engaged through group certification. Group certification was commonly recognized by the experts as a possibility to reduce (financial) costs of becoming certified. In a group, smallholders experience benefits of transaction costs, access to inputs, market information and new technologies (Markelova et al., 2009). Also, it was recognized that the 'group feeling' can stimulate improvement and compliance to the standard. However, it was also recognized that group certification can cause possible barriers to farmers.

Most of these barriers related to group formation. It was stated in literature to be highly important to invest in careful group selection, and group capacity development (GTZ, 2010). Group cohesion is crucial for working effectively towards certification (GTZ, 2010; GLOBALG.A.P, 2008). Smaller groups are more likely to have a high internal cohesion, since it is easier to know and monitor other members (Coulter et al., 1999, in: Markelova et al., 2009). Group cohesion can be enforced through training, though also through *participatory* development of the programme, its rules or the quality management system (QMS) (GTZ, 2010; GLOBALG.A.P, 2010). The quality management system (QMS) functions to ensure compliance and

participation of all members of the group. Development of this system by the group itself (or at least with some involvement of the group) increases understanding and the feeling of ‘ownership’, and may therefore increase group cohesion as well as motivation to adhere to the system (Markelova et al., 2009; Van Beuningen & Knorringa, 2009). However, the additional time investments and documentation that are required for group cooperation, might be a barrier for farmers to participate in a group. Also, farmers may have negative historical experiences of working in a production group. Farmer production groups, or cooperations (‘coops’) have been promoted and imposed in developing countries very firmly in the past. Thus, it is possible that this method of production (or even the definition ‘cooperation’ only) can provoke negative feelings. Their negative experiences with working in a cooperation might therefore refrain them from working in a group.

Also, the *composition of the group* may raise barriers. Cooperation of farmers in a group has some requirements on member characteristics, creating barriers for farmers that do not match those characteristics. One of the characteristics is the geographical proximity. Group certification is considered most functional when members are in geographical proximity, given the opportunities of social pressure created by that. Farmers at more geographically distant locations might therefore not ‘fit’ the group. Due to administrative requirements for certification, small farmers were also said to be more difficult to include in a ‘certification’ group⁸. Larger farmers may have better administration. However, the experts recognized that the accuracy of such administration is still doubtful. The discrepancy between Western market demands and Southern perception of relevancy creates barriers, also in administration. This will be discussed in the following section.

In case of an already-existing group, there might be resistance to changing practices according to the requirements of the system. Changing an existing group’s mindset and practices is considered more difficult than changing individual mindsets and practices.

At the start of engagement with a certification programme, it is considered necessary to have accessible and accurate information about consequences (costs and benefits) of engaging in a certification programme. Group certification can facilitate as well as hinder progress towards certification. Group formation should be guided.

5.2b Working towards compliance

Once farmers are engaged to a programme, and organized in a group, the programme starts to make farmers compliant to the specific standard. In this process, experts identified several factors influencing the progress. These can be divided in: understanding, support, and financial issues.

Understanding use and necessity

In understanding the standard’s use and necessity, a frequent issue is farmer recognition of issues addressed by the standard. Issues addressed in the standard might not match issues that farmers are dealing with in daily practices. Their perception of relevancy of issues (and subsequently the necessity) can therefore be different.

The attitude of the government regarding of addressing certain issues, may also affect this perception of necessity, urgency and use. If a government does not maintain regulation concerning issues that a standard system addresses, farmers may perceive these issues as irrelevant. Too little government support may therefore result in little stimulation of farmers to act consciously in their farming practices. At the other hand, a very low level of government support may motivate farmers to

⁸ I.e. a group that is working towards acquiring a certificate.

engage with certification programmes, as that may give them the feeling of working towards improvement of their situation (living conditions).

Due to a lack of information, farmers may also not know what processes are required, what actors are available on the market, and/or what prices are demanded for what services. Therefore, they do not know what actions are required, or what external actors they can involve for services. For example, organising trainings after an (initial) audit, and organising external audits, are two aspects considered to be potential barriers for farmers in their process towards certification. Going through the standard systems' process towards certification can be very difficult. However, it was recognized that once farmers are engaged in a group, it is relatively easy to receive training and guidance for going through the certification programme.

Standard systems are known for using cryptic concepts, which results in multiple interpretations of the standard. It can create misunderstanding among the users of the standard. Farmers may not have the right understanding of what is asked for, reducing the extent to which farmers actually become more sustainable in their attempts to become compliant to the standard. Also, cryptic concepts might again decrease their perception of necessity and use of the standard, due to too little understanding. The communication of requirements in accessible language is therefore considered an important influence on farmer participation in the process. This communication may involve a translation of the requirements by means of operationalising the definitions to the local situation.

Support

The process towards acquiring a certificate involves many barriers for primary producers. Support from other organizations, is therefore considered very valuable for farmers.

One of the supporting tasks can be assigned to trainers. Trainers can be of great help in bridging the information gap farmers are often facing, when considering improving towards more sustainable practices. Trainers can provide assistance in communicating standard requirements to accessible language, as well as leading the group through the procedural requirements of a standard system. Locally arranged support is considered very valuable, as local professionals have both the professional as well as local knowledge, to bridge the gap between standard systems and primary producers. Also, fares are often lower for locals than for non-local experts. Lastly, enforcement of contracts is relatively easy through social pressure resulting from the geographical proximity. Furthermore, three valuables with regards to training were identified: training of local people, a capacity development-focus, and communication.

Firstly the training of local people is perceived as a cost-effective training method. Possibilities are 'training of trainers' (ToT), and the internal inspector and auditor training. In this method, local people are educated to give training, perform internal and external audits, relatively. Benefits of training locals are related to their knowledge of local habits and language, as well as lower costs compared to hiring external people (GTZ, 2010).

Another successful training and improvement approach is a focus on capacity development, for implementing changes (starting improvement from the group's own capacities and strengths). There should not be focussed on achieving compliance to the standard, but on increasing the capacities of participants. In a group cooperation, this capacity development should focus on the individual level, and group level. A 'Plan-Do-Check-Act' cycle is essential in implementing changes (Van Beuningen & Knorringa, 2009).

Communication is considered crucial in the process of improvement. In case of non-compliances, the points of improvement should be discussed with the farmers. In case of allowed non-compliances, for example due to politically difficult

situations (e.g. war or political suppression of a population), the reasoning behind the allowance should be communicated, to avoid misunderstanding in the future.

Regarding trainings, it is important that the level of efficiency is high. Ergo, while sufficient time and resources should be (made) available, training issues and participants should be clearly defined (GLOBALG.A.P, 2010). It is also important to create realistic expectations about the process, that meet the capacities of the farmers, and their entry level at the start of the project (Van Beuningen & Knorringa, 2009).

Besides training, there are several other means to reduce the problems resulting from farmers' lack of capacities. Centralization of operations is one means. For example, documentation should be arranged at group level, to diminish problems of illiteracy, technical capacities and limited resources (GLOBALG.A.P, 2010). However, centralization of operations requires some management of the group, involving also decentralized decision-making. Decentralized decision-making can be difficult, as farmers are not used to this, and are often not sufficiently prepared for it (Van Beuningen & Knorringa, 2009). Therefore, some managerial capacities are involved in the change process required in working towards certification (Van Beuningen & Knorringa, 2009).

Another means of facilitating the process for farmers, is to provide guidance on marketing issues and in decisions on content-related changes in production, are of positive influence on farmer's progress towards more sustainable practices. NGO's, that often have on-the-ground knowledge, can help in providing the training of trainers, as well as performing thorough inspections that reveal actual practices Western inspectors are unlikely to uncover.

Within the group, staff should be selected on competences (literacy and technical competences), for specific tasks and responsibilities. In case of a lack of competent people, external people should be included (GLOBALG.A.P, 2010). Choice of external people, or organizations (like the Certification Body, or external auditor) to be engaged or hired, should be done carefully. Costs and availability should fit the needs and capacities of the group, and the method of working should be understandable and agreeable for the group. The certification body, that eventually decides on certification or not, is especially important. In case on insufficient compliance, this should be communicated to the farmer group, for them to understand the decision of not providing certification, and to be able to further improve towards compliance. A lack of understanding of decisions of the certification body might yield a lack of trust (Van Beuningen & Knorringa, 2009). Barriers in this are the hiding of audit reports and use of difficult language in reports. Another difficulty might be emotional reluctance of farmers to deal with the conclusions on non-compliances or weaknesses (Van Beuningen & Knorringa, 2009). With regards to acting upon audit reports, the presence of external trainers is recognized as a positive influence, as well as continuous adaptation of expectations, and prioritization of corrective actions (Markelova et al., 2009; Van Beuningen & Knorringa, 2009). Also, *internal* auditing should be linked to the management, in order to ensure acting upon those findings before starting external audits (Van Beuningen & Knorringa, 2009).

Financial resources

As mentioned before, certification is known as an expensive process. Some experts stated this as a barrier for farmers, while others did not. In the following paragraphs will follow firstly an explanation of the possible *barriers* that the costs pose to farmers.

Group certification reduces the costs per individual farmer. However, financially restrained farmers still face financial investments as a barrier. Firstly, little capital to invest limits one's ability to change practices (Laven, 2010). Secondly, by engaging with a certification programme, farmers may need to commit to sales-

agreements. These agreements can include a pre-set date of selling the yield. However, farmers may have little financial resources, and may be in need of money at certain moments. Waiting for selling the produce (to a specific actor) as agreed upon, may not be a viable option for those farmers.

On the other hand, *some* experts stated that these costs are borne by upstream companies or development aid organizations, which invest in the group so that it can meet the requirements. Financial resources are then not an issue for primary producers.

Related to this was the recognition that *defining market relations in advance of the programme* is beneficial. It can ensure financial support (e.g. for financing the costs of the certification programme), as well as ensure return on investments for the farmer (group) (i.e. they have a certainty of selling their produce as certified and therefore receiving a higher price). To ensure returns on investments, *sales agreements* should be made in advance of the certification programme. When supply is higher than demand, the suppliers do not obtain the foreseen benefits, resulting in a different balance of costs and benefits. Investing in a certification programme (i.e. by changing practices, making time and financial investments) is usually done only when demand for certified produce is considered high enough to counterweigh the investments. Not being able to sell certified produce is recognized as an important barrier for farmers, in their motivation to engage with a standard system. Tuning supply and demand is therefore very important in the relatively narrow (niche) market of certified products.

Financial support from donor organizations or buyers is another issue. While this is beneficial for the farmer group, this is a risky activity for the supporting organization(s). Once certified (or producing sustainably), the group may decide to sell its produce to different buyers. Reasons for this may be the income dependence mentioned above. Loyalty in trade and support relations is therefore an issue for investors (buyers) as well as farmers. Indirect investment-relations are a suggestion to reduce risk of no returns on investments, while simultaneously offering farmers a chance of financial support. Indirect investments in the farmer group (for example from a *group* of investors, to a pool of farmer groups) spread the chances of profiting from investments as well as the chances of not receiving benefits of investments due to disloyalty of farmer groups.

In working towards compliance, there are three important points to address: farmer understanding of use and necessity, support, financial resources.

Understanding of the use and necessity of the issues of a standard can facilitate progress towards compliance. Difficulties to this understanding lie in governments' attitude and standard's inability to communicate requirements to farmers.

Support is crucial for smallholder farmers. Important issues are: training, communication, guidance in marketing and staff selection

Smallholder farmers are normally financially restrained, for which financial investments can be a barrier. Identification of financial support and loyal relationships are important elements.

5.2c Maintaining engagement

Once a group is certified (or yet to become certified but already receiving training) maintenance of engagement and motivation is essential for farmers in maintaining sustainability in production. Once a certificate is obtained, the group has to maintain good practices, to prevent expiration of the certificate. Besides the abovementioned benefits of having a certificate, the motivations for group members to remain engaged with certification, rely on the practices of the management of the group.

The group's management plays a big role on the participation of group members. Bad management practices may reduce the motivation to become, or to

remain engaged in the group. Functionality of a farmer group can be hindered by: a lack of transparency of the management, a lack of leadership, and too much steering by local or regional politics. Fraud in the management, such as withholding a portion of the profits, fraud in weighing practices, or too much influence of a fraudulent Board on the management, can negatively affect the relationship between farmers and the management. Also, financial management is often a weak point influencing group functionality. Financial management often suffers a lack of financial planning and a lack of risk management (Van Beuningen & Knorringa, 2009). Competition between member farmers may also occur. In case of unequal treatments of members by the management, this may be a demotivating factor for group members to participate.

What might also hinder functionality of the group is a lack of implementation capacity, a lack of progress indicators, shortage of communication, and weaknesses in monitoring of improvement. Farmers' lack of attention to product quality, is contributing to a lack of progress indicators (Van Beuningen & Knorringa, 2009). Also, farmer groups may have difficulties in negotiating arrangements with buyers (Lundstedt & Pärssinen, 2009). Finally, it occurs frequently that farmer groups cannot live up to contractual agreements (Van Beuningen & Knorringa, 2009). Short-term liquidity problems are a frequent motivation for selling on the roadside, instead of through contracts (Van Beuningen & Knorringa, 2009).

Maintenance of motivation is crucial for improving sustainability. Management functionality, and the improvement process are crucial.

5.3 Hypothesized barriers and success factors

The previous sections have explained the barriers and success factors that were identified. The following table summarizes these factors that influence smallholder farmers' participation in certification programmes. The factors are grouped by the specific topic they concern. Factors that positively influence farmer participation to certification programmes are indicated with a '+'. Factors that negatively influence farmer participation are indicated with a '-'. Factors that can influence farmer participation both negatively and positively are indicated with a '±'.

Table 5.1: Summary of the identified barriers and success factors

Starting the certification programme	Working towards compliance	Maintaining engagement
<p>Motivation:</p> <ul style="list-style-type: none"> ± prices - little information about markets and consumer demands (and little capacities to handle information) - little information on costs & benefits - multiparty arrangement may be unclear - little government support in technical issues - risk avoiding behavior (selling yield at multiple times, possibly to multiple buyers) results in little long-term commitments - income dependence/short term thinking <p>Careful decision-making:</p> <ul style="list-style-type: none"> + sensitization + good understanding of the standards' requirements + participant performs a cost-benefit analysis <p>Difficulties in understanding the standard:</p> <ul style="list-style-type: none"> + standard written in local/understandable language - little recognition of subjects - little understanding of the use and necessity - little understanding of required qualities <p>Group formation:</p> <ul style="list-style-type: none"> - time consuming and requires certain procedures - geographical distant farmers more difficult to include - smaller companies more difficult to include 	<p>Understanding of the standards' requirements:</p> <ul style="list-style-type: none"> - unnecessary complexity meant for highly specialized production - cryptic concepts/descriptions - different jargon - little overview of required processes and actors to involve <p>Organising actors (like trainers, auditors, certifiers):</p> <ul style="list-style-type: none"> - farmers have little oversight of available actors - costs of the certification (programme) are for the farmers ± little government support in technical issues <p>Selecting competent staff:</p> <ul style="list-style-type: none"> ± managerial capacities required to change processes + perform internal inspector and auditor training + include externals + use local people + careful choice of the certification body <p>Capacity development:</p> <ul style="list-style-type: none"> + on group selection and development + individual and group level + on collective issues (not on pure certification) + adjusted to the capacities of the farmers (accustomed programme) + sufficient time and resources 	<p>Group functionality:</p> <ul style="list-style-type: none"> - competition between member farmers - bad-functioning management (corruption, fraud, lack of transparency) - no fair payment <p>Progress:</p> <ul style="list-style-type: none"> - too little communication - lack of internal control and quality management - lack of implementation capacity and progress monitoring - lack of functioning improvement cycle - slow processes <p>Contractual issues:</p> <ul style="list-style-type: none"> - little farmer loyalty - lack of negotiation skills - difficulties living up to contracts <p>Motivation:</p> <ul style="list-style-type: none"> - too little benefits experienced (e.g. too little yield sold as 'certified')

<ul style="list-style-type: none"> - negative historical experiences <p>Identification of financial and technical support:</p> <ul style="list-style-type: none"> + identification of an international buyer assures market access + relations with supply chain operators to provide: <ul style="list-style-type: none"> + (better) allocation of costs & benefits + longer term support + relations with exporters 	<p>Higher efficiency of progress:</p> <ul style="list-style-type: none"> + communication of audit reports + thorough understanding of the QMS + defining training issues and trainers + identify support services + documentation at group level + centralization of operations + monitor progress <p>Group cohesion:</p> <ul style="list-style-type: none"> + training + participatory programme development 	
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Chapter 6 – The Ghanaese side of the Cocoa Production Chain

In Ghana, the government has a large regulatory role in the cocoa sector. Previously, the government was in full control of the cocoa marketing. Since 1984 however, market reforms have taken place, and the government has allowed a number of private organizations on the national market as well (Lundstedt & Pärssinen, 2009). In Figure 6.1, the actors in the Ghanaian cocoa supply chain are shown. The sections of this chapter will provide information on the Ghanaese cocoa supply chain, the practices of standard systems in Ghana, and give insights in using a questionnaire to measure sustainability of production.



Figure 6.1 – Cocoa supply chain actors in the Ghanaian market (own design)

6.1 Production for export

Cocoa production is of great importance to the Ghanaese economy. Cocoa is a commodity with little added value, produced primarily for export. Processing facilities in Ghana are extremely minimal; only two processing plants are to be found. These plants process cocoa only for pure Ghanaian chocolate (Fofie, 2011). Cocoa export is a large source of income of the Ghanaese economy, accounting for 28,5% of all foreign exchange earnings in 2005/2006 (Breisinger et al., 2007; Laven, 2010). The following paragraphs will explain the structure of the Ghanaese cocoa marketing sector in more detail.

A Marketing Board System

Currently, Ghana's cocoa market is regulated by means of a marketing board system. In the past, the cocoa market was purely government regulated, though since 1947, a liberalization process has started to take place. This liberalization has known several periods of relapse, in which the government monopsony⁹ system was reintroduced. Since 1993 and up to now, the multiple buyer system is in function (Lundstedt &

⁹ A monopsony system is a system in which there is a single buyer in the market. The so-called 'monopsonist' has 'power over price through control of quantity' (Boal & Ransom, 1997).

Pärssinen, 2009). However, the government still plays a major role in the Ghanaian cocoa sector.

There is a governmental body (the COCOBOD) in place that engages in research, extension, internal and external marketing (including handing out licences and controlling private companies), quality control, and processing (Lundstedt & Pärssinen, 2009; Norde & Van Duursen, 2003; Laven, 2010; Website Ghana Cocoa Board^{a&b}, 2011). Besides, the COCOBOD has set a quality standard on cocoa, and controls all exported cocoa on its quality. As such, the COCOBOD buys all cocoa produced in Ghana that meets this standard. Of all exported cocoa, minimally 70% is exported through the COCOBOD. The organization buys the cocoa from *buying companies*, which are organizations that are legally allowed by the COCOBOD to buy cocoa on the local market. At the moment, there are around 27 *private* buying companies (also called Licensed Buying Companies, abbreviated to LBCs) on the market, and one *public* buying company (the PBC). The PBC's tasks are similar to the tasks of private buying companies (Lundstedt & Parssinen, 2009). The buying companies employ agents and so-called Purchasing Clerks (PCs) to buy the cocoa on a local level (Lundstedt & Pärssinen, 2009).

In a free market, '*prices are defined by a supply/demand relationship, quality of service, responsiveness in case of problems, insurance terms and available volumes*' (Norde & Van Duursen, 2003, p. 20). The COCOBOD however, has engaged a system of fixed producer prices, set at the beginning of each year. This is a minimum price that LBCs have to pay to the farmers, per bag of cocoa. The price is based on the following factors: estimates of the World Price of cocoa for the coming year, plus costs related to marketing, extension services, and taxes (Norde & Van Duursen, 2003; Pereira Leite et al., 2000). These latter costs (marketing, extension services and taxes) make the price of Ghanaian cocoa higher than cocoa from other countries. This surcharge is called the 'Ghanaian premium'.

The committee that determines the price, is called the Producer Price Review Committee (PPRC), and involves people from the Ministry of Finance, farmer representatives, various business groups, and people from the COCOBOD (Website Ghana Cocoa Board^a, 2011). The determined price is maintained in cocoa sales all year. Besides the *producer* price, the PPRC also determines a yearly *purchasing* price, which is the price that LBCs receive from the COCOBOD for their cocoa. Expenses like transportation costs and commission to purchasing clerks are covered in this margin.

Currently, the COCOBOD states to provide the farmers with 70% of the net FOB price of cocoa¹⁰. The other 30% is divided amongst stakeholders in the cocoa marketing chain (i.e. amongst others the COCOBOD, the LBC, agent, and PC)¹¹ (Fofie, 2011). The distribution of the cocoa export revenues is visualized in Figure 6.2. The division maintained in this graph is an estimate, as the percentages of taxes on the gross FOB are indistinct. Data of 1995 indicated taxes amounted around 37% of the gross FOB, no more recent data could be found (Norde & Van Duursen, 2003; Pereira Leite, 2000).

¹⁰ FOB stands for 'Free on Board'. The FOB price is the price paid by the international buyer. The costs of the goods (e.g. transport and loss of goods or damage) are for the seller, until the goods are loaded on the ship (in the agreed upon condition). Once loaded on the ship, the price for the goods is to be paid by the buyer, and the responsibility for the goods is transferred to the buyer (Incoterms, 2000).

¹¹ The stakeholder share (30%) of the net FOB is divided in government revenue, several departments of the COCOBOD (amongst others the CRIG [Cocoa Research Institute Ghana], CSSVDCU [Cocoa Swollen Shoot and Virus Diseased Control Unit], SPU [Seed Production Unit]), LBCs, haulage companies, and other programmes playing a role in the Ghanaese cocoa marketing and trade (Kukubor, 2011).

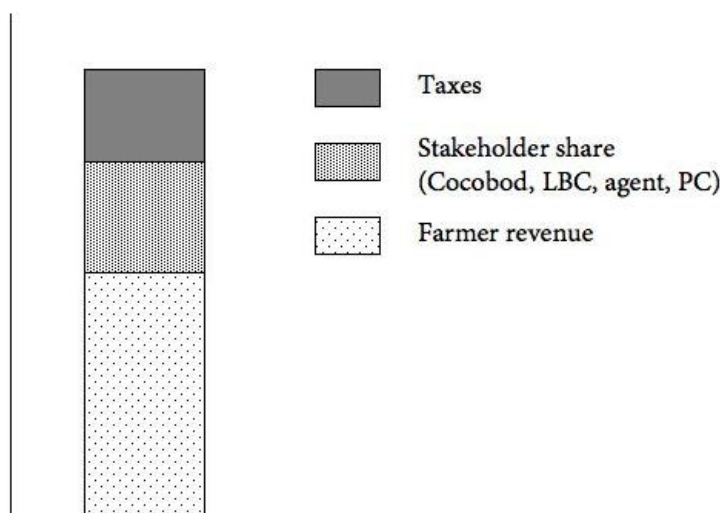


Figure 6.2 – Division of the gross FOB

At the end of the year, a calculation is made of the actual FOB price and the costs made, compared to the projected FOB. When there is a surplus, this money should be redistributed to the farmers, as a 'bonus' (Fofie, 2011; Norde & Van Duursen, 2003). The bonus is announced in the papers. In times of deficits, the COCOBOD covers these costs (Atiemo, 2011; Lundstedt & Pärssinen, 2009).

In comparison to the income of farmers in countries with a less state-regulated cocoa market, Ghanaese farmers receive a far lower percentage of the FOB price. Factors influencing this difference might be market transparency, the applied pricing mechanism and costs of quality assurance mechanisms, and export taxes (Norde & Van Duursen, 2003).

The income of LBCs is volume-dependent. Every LBC receives the same purchasing price from the COCOBOD (see above). In practice, there is little price competition among the LBCs in buying cocoa from farmers. LBCs normally compete with complementary assets, such as payments in cash, provision of inputs, small loans, or presents (e.g. pens, soaps, machetes, books) (Lundstedt & Pärssinen, 2009; Norde & Van Duursen, 2003). Loans are a special difficulty for cocoa farmers in Ghana. Given the variable income from cocoa (due to price fluctuations, natural influences on the yield, and management practices), financial institutions are often hesitant to provide farmers with a loan (Laven, 2010, Norde & Van Duursen, 2003).

Export

The Cocoa Marketing Company (CMC), a department of the COCOBOD, is the only company legalized to export cocoa. According to current legislation (set up 2004), LBCs are supposed to be able to get an export permit (Ghana Cocoa Board, 2004). This has however not happened yet. The reason for this is that shortly after the reforms, LBCs were reliant upon the CMC in exporting, and did not proof able nor interested exporting cocoa. All cocoa export is therefore arranged through the COCOBOD (Fofie, 2011).

Export of *certified* cocoa is slightly different from conventional cocoa exports. Some LBCs have shown interest in exporting their certified cocoa themselves. In those cases, the COCOBOD has made 'arrangements'. Organizations producing certified cocoa have signed a memorandum of understanding (MOU) with the COCOBOD. The organization (producing the certified cocoa) finds a buyer itself, on the international market. The organization negotiates with the buyer about the premium the buyer has to pay for the certified produce. This premium is paid on top of the 'Ghanaian premium'. The amount of the premium received for *certified* cocoa

is unclear. While the COCOBOD argues the premium is around 10\$ per bag of cocoa, managers of producer organizations stated the premium being \$1,50 per *ton* of cocoa (which is 16 bags of cocoa), while research has indicated 144 GHc per ton (in that time around \$97 per ton) for Rainforest Alliance certified cocoa, as well as \$150 per ton for FairTrade certified cocoa (Victor et al., 2010; Website International Cocoa Organization, 2011).

After having identified a buyer willing to pay the premium, the organization reports this to the CMC. Subsequently, the cocoa is exported to the buyer. The buyer pays the premium directly to the organization, which distributes it to the farmers (Fofie, 2011; Opoku, 2011). Examples of LBCs that are following this exporting procedure are Kuapa Kokoo (directly exporting their Fairtrade cocoa to 'Divine Chocolate', their buyer), Cocoa Abrabopa, Armajaro, Yayra Glover Ltd, and Olam.

COCOBOD farmer support

Until 1998, the COCOBOD Services Division was responsible for education, and information and input provision of the farmers. In 1998 however, the CSD merged with the extension directorate of the Ministry of Food and Agriculture, for costs saving and efficiency reasons. This has reduced the quality and quantity of services provision substantially (Norde & Van Duursen, 2003). Currently, the COCOBOD employs the following means of supporting the farmers; (1) subsidizing fertilizer and agrochemical spraying, (2) training, and (3) investments in road improvement and health care facilities (Fofie, 2011).

The most well known service of the COCOBOD among farmers is the subsidizing of fertilizer, and provision of spraying to the farmers (so-called 'spraying gangs'). The COCOBOD does not have enough capacity to spray all farmers according to the amounts recommended by the CRIG (the Cocoa Research Institute Ghana, one of the divisions of the COCOBOD and one of the most important cocoa research institutes in Ghana). Therefore, farmers were given a choice; their land would be sprayed, or they would receive the recommended agrochemicals for free. The recommended amount however, exceeds the COCOBOD budget, resulting in the fact that farmers need to buy and spray agrochemicals themselves if they want to reach the optimal (recommended) amount of spraying. The recommended agrochemicals are sold in local shops. Another problem has occurred here, as chemical sellers have engaged in active (or 'aggressive') marketing of chemicals. As a result, not only COCOBOD-recommended chemicals are sold, but also other chemicals, some of which are inconform to International legislation (Norde & Van Duursen, 2003). COCOBOD aims to decline the sales of these chemicals through warning farmers of these chemicals in trainings. However, due to budgetary constraints and insufficient knowledge of the farmers (i.e. farmers buy cheaper, not-recommended chemicals), increasing the sales of recommended chemicals is very hard (Fofie, 2011). Besides the regular pesticides, COCOBOD also provides organic spraying (the spray is called Pyrethrum). Through the cocoa extension programme, the COCOBOD has mapped farms and their acreage, to determine the type and amount of spraying needed (Quaque, 2011).

Another service of the COCOBOD is training. The COCOBOD has a decentralized training structure in which local people employed to train in their community or district. The training curriculum concerns good agricultural practices for cocoa production. With help of a Cocoa Calendar (provided by the COCOBOD), these people (called 'agric officers') know when to train, and on which topics. The COCOBOD has a system of Department Deputies, which are responsible for specified districts. Trainings are organized at district level (Fofie, 2011). The amount of agric officers available is estimated at one per 3000 farmers (Norde & Van Duursen, 2003). At a training, around 200 farmers come together to be educated and made aware of good cocoa practices. Main topics are child labour and disease control. The CEO of the COCOBOD recognizes that there are a lot of different trainings in

operation. The COCOBOD therefore supports an initiative of the German Development Organization GIZ, which aims to develop one training curriculum for Utz CERTIFIED, Rainforest Alliance and Fairtrade certification (Fofie, 2011).

Regarding the third category of farmer support from the COCOBOD, the investments in infrastructure and health care facilities, no information was found that directly linked funding for these projects to the COCOBOD.

Ghana's cocoa sector functions in a marketing board system, in which the government plays a considerable role. The governmental COCOBOD engages in research, extension, marketing (including price setting), quality control and processing.

6.2 Practices of standard systems in the Ghanaian cocoa sector

The use of standard systems for cocoa production is increasing in Ghana. During the field research, various groups of farmers engaged in certification were visited (see chapter 3). Also, non-engaged, or conventional farmers were visited. Visits to engaged farmers were organised through the management of the group, or through an agent to which the group was selling its cocoa. This might have led to a biased perspective; the role of the management or other actors standing 'above' the farmers in the supply chain (like PCs, agents and buying companies), always came to the front.

The following paragraphs present a description of the practice of standard-systems in Ghana, from the perspective created by the interactions with group managers, agents, NGO staff, and farmers.

Start of the certification programme: Sensitization

Farmers can receive a certificate, when they are compliant to certain standard's requirements. The knowledge of farmers of (the existence of) standard systems is strongly limited by access to information. Farmers do not have an overview of the standard systems that are available for cocoa on the international market. If farmers do have knowledge of standard systems, that knowledge is normally restrained to *one* standard system, and caused by involvement with that standard system. In practice, farmers only become aware of a standard through 'sensitization' for a specific standard system. These sensitizations are done to engage farmers in that standard-specific certification programme. Certification programmes include the whole process of training, setting up internal auditing, and arranging external audits, with the final goal of certification of the farmer group for a specific standard. The initiators of the certification programme, which are normally embodying positions in the management of the group, are responsible for leading the farmers to certification. The field research showed that farmers' tasks are limited to training (solely attending or also providing training to member farmers), implementing changes on their farm land, performing internal inspections, and sometimes doing administration.

Sensitization makes farmers aware of a specific standard system, to which they normally become engaged with to work towards certification. Therefore, farmer knowledge of standard systems is highly constrained by external sensitization efforts.

Certification (and sensitization) programmes can be initiated by several parties. Most regular are the programmes initiated by NGO's. This was the case in the groups of AHANSUCOFA and Conservation Cocoa Alliance group. However, it can also be initiated by business, i.e. by existing LBCs, or entrepreneurs that see market opportunities for certified cocoa (as in the case of Yayra Glover Ltd.). Solidaridad, a Dutch NGO that operates (amongst others) in Ghana, organizes a yearly meeting for LBCs, to appoint them the possible benefits of trading certified cocoa. It thereby aims

to increase the amount of LBCs in favour of certified cocoa, which could stimulate farmers to engage in a certification programme.

Sensitization for a standard system can occur in two ways: by creating a new farmer group, and by approaching an existing farmer group.

Firstly, there are the sensitization programmes that approach farmer communities to create a new farmer group. The farmers are not yet cooperating or educated in a group. Sensitization starts with assembling the farmers for a meeting, in which the objectives of the programme are explained, and farmers have the possibility of signing up to the programme. By signing up, farmers become member of the group.

Second, there is the possibility of approaching farm groups of an existing (other educational) programme. Farmers are already assembled in a group and receive education on specific issues (hygiene, business administration, agricultural practices) in a group setting. While they are accustomed to participating in educational programmes, they need not produce together. The initiator (NGO or business actor that is will provide the training for that specific standard system) can approach the programme management to sensitize the group for the standard system and start a certification programme.

The content of sensitization programmes varies. The standard systems are explained in very different levels of detail. In most of the groups visited, initial sensitization consisted of a meeting, organised by the initiator, in cooperation with village chiefs and/or lead farmers. Normally all (cocoa) farmers of the village are assembled, right before the meeting started. In this meeting, the standard and its objectives are explained superficially to the farmers, e.g. 'the objective of the standard is to improve the livelihood of cocoa farmers'. Also, farmers are made aware of the training they would receive, and sometimes of the benefits created by participating to the programme, and of having the certificate, eventually.

These first sensitization meetings were followed by a registration meeting (either directly after the meeting, or at a later date, e.g. the next week) in which all farmers willing to participate, must subscribe and give some primary information about their farming practices (i.e. name, land size, land owner or worker, number of workers). After this registration, the programme started by training the farmers. Only then the content requirements of the standard were explained to the farmers. Initial sensitization, and knowledge of farmers at the start of the programme, can therefore be described as rather superficial.

Training

Training happens at several organizational levels. While in some groups, training occurred rather top-down (i.e. from the group management to the farmers), in other groups, members of the farmer group (like lead farmers) received training to provide instruction to their fellow member farmers¹². Members of the group appeared more autonomous and independent of the management. In these groups, employees of the initiating organization attended meetings once in a while, to check upon training methods and contents. Some initiators called upon external extension officers

¹² Groups that had a rather top-down structure were the group in Atteibu, Kwaonartey and Aboabocamp (the first two groups belonging to the Yayra Glover Ltd. group, the third to Conservation Cocoa Alliance). groups that had more autonomy were the group in Abuagya and the group close to Mankranzo (both part of the AHANSUCOFA group). The AHANSUCOFA management can therefore be said to train the farmers in autonomous improvement, while Yayra Glover Ltd (an LBC) and Conservation Cocoa Alliance (an NGO) create less independency. There is therefore no consistency to be discovered from this sample, in the relation between the nature of training organizations (NGO, or business actor), and the extent to which autonomous improvement is taught.

(sometimes educated by the CRIG), when farmers had to be educated difficult topics, or topics where the NGO employees did not have sufficient skills in.

Meetings (or trainings) normally took place in a shadowed place in the village (i.e. a school, under a tree, or in a cocoa farm land). The NGO that engages the farmers provides the training material to the farmers or to the lead farmers (trainers). During the trainings that were observed, posters were used as training material. Pictures, plus small texts were used to explain farmers what the recommended (required) practices are. Every issue is discussed in much detail, with questioning used as the main method to educate the farmers on the issues. Farmers are asked about their knowledge of the issue, and complimented in case of good answers, and gently corrected in case of (slightly) wrong answers. The atmosphere during trainings is very positive. Farmers laugh a lot, and stated they are very happy with the meetings. However, the observed meetings were usually attended only by a percentage of the group. The size of farmer groups ranged between 15 and 50 farmers. The observed meetings were attended by 5 to 13 farmers. Sometimes missing farmers were said to be busy with their farming practices or due to sickness. Part of the low attendance in the group can be explained by the communication of meetings. Trainings or visits were sometimes relatively unexpected, being announced only a few hours to a day in advance¹³. However, trainers have stated that it is often preferential not to have all group members attending the trainings. The amount of attendants should not be more than 30, for the sake of efficiency of the training (i.e. more interactions with the individual farmers and therefore a higher learning potential). As most trainings are repetitive, it is not necessary for farmers to attend all training sessions.

The frequency of trainings varied considerably, with differences between farmers yet to become certified, and already certified farmers, maintaining their certificate. The farmers that are yet to become certified normally received training once a week to once a month. Twice a month was most common. Farmers that already had been certified received training normally less frequent. A frequency of once a month was common, though sometimes also once in two months was mentioned. It is important to note that cocoa farmers have limited free time. Some farmers could not join the programme, as they could not combine their farming practices with attending the trainings. Therefore, trainings have to be given efficient. The observed trainings took about one to two hours time, what was stated to be quite representative for a normal training session.

Auditing

Auditing of farmer groups normally takes place through a system of internal auditing followed by external auditing. Internal audits are performed by people from within the farmer group. Normally, these people are lead farmers, Internal Resource Persons, or executive farmers. These farmers normally have a leading role in the community, for example by their capacities or advanced production methods or skills. External audits are performed by an external organization, and involve financial costs. Therefore, external audits are usually only applied for when sufficient compliance is estimated from the internal audits. Sometimes an external audit is preceded by a pre-audit. Such pre-audits are also performed by an external organization, though they are less profound and time-consuming. Pre-audits are used to identify weak points, and as an estimate of chances of receive a certificate after

¹³ For the farmers, the meetings were normally an extra training in addition to the normal training schedule. The visits were announced normally to the village chief, or to the lead farmer, who assembled some of the farmers. For that, these trainings normally came unexpected, which can explain the (low) attendance level. The regular trainings however, are also not that strictly planned (not scheduled by day and hour, normally simply in terms like 'in two weeks', or 'at the end of the week'). Therefore, while these trainings are little less unexpected, they might still have a similar amount of attendants.

external auditing. All group managers stated that the number of pre-audits was determined by the square root approach (i.e. taking the square root of the total amount of farmers included in the group, and that amount should be visited for a pre-audit). Farmers had little knowledge about the method that auditors maintained for this.

During the talks with group managers, it was generally stated forcefully that results of the audits were communicated to the farmers, especially in case of non-compliances. Observing and interacting with farmers however, resulted in the impression that the knowledge of farmers about their compliance to the standard was sometimes fairly limited. A very remarkable case was a farmer who complained during the visit about the certification programme¹⁴. He stated to have registered for the certification programme and having attended trainings and having changed his practices, though not receiving any certification. The group manager explained that that specific farmer apparently had not reached sufficient compliance to undergo external certification. Due to insufficient capacity of the organization, such farmers are left 'dormant' until the capacity of the organization allows inclusion of more farmers in the certification programme. This one case showed that not all non-complying farmers are adequately informed about their progress in the certification programme.

Normally, the managers as well as the farmers stated that complying to the standard was fairly easy. However, some non-compliances occurred during audits. Sometimes these resulted from a lack of knowledge on those issues, while in other situations, farmers knew these issues already as being their weak points. Performing corrective actions was not a barrier for farmers, particularly not if the reasons underlying the need for correction were properly explained.

Corrective actions need not always be controlled by a physical visit of the external auditor. Depending on the extent of the non-compliance, improvements may sometimes be proved through a report, pictures, and/or video material.

When the external auditor determines the practices of the group as sufficiently compliant to the standard's requirements, the group receives the certificate approximately three months after the external audit.

Returns on investments

None of the visited farmer groups gained substantial financial benefits from being certified. Most of the certified groups were only certified for less than a year, and, as the financial benefits on certified produce are paid out at the end of the year, none of those recently certified groups could have received their benefits already. Other groups (like the organic certified group in Atteibu, from the Yayra Glover Ltd. group) had been certified for a longer time and therefore should have received the financial supplement for certified produce. This premium however, is normally paid to the group organization, which determines what it will be used for. Often, these are community-level investments, such as water pumps. Therefore, farmers do not receive individual financial benefits (for example according to the amount of certified produce they are delivering).

Farmer engagement in a certification programme starts with sensitization, followed by subscription to the programme. Subsequently, the trainings start, with a frequency of once in two weeks, to once in eight weeks. Internal audits are done by group-members and provide an estimate of the level of compliance. In case of sufficient compliance, farmers are added to the group of farmers ready for the external audit, which is performed by an external organization. Financial benefits are normally not directly distributed to the farmers, but to the group management,

¹⁴ This farmer lived in Kofyja. The certification programme to which he signed up was part of the Yayra Glover Ltd. programme.

6.3 Measuring sustainability by means of a questionnaire

The second part of the field interactions always consisted of an assessment of the sustainability of farming practices, according to the SAMS questionnaires. The following paragraphs will provide an explanation of output that sheds light on the viability of the SAMS questionnaire to measure sustainability. Recommendations for the SAMS design will be given in chapter 8.

Applicability of a questionnaire

First of all, the level of development in Ghana was too low to use computers for the assessments. Villages normally do not have electricity, for which farmers have no computers available, nor do they have the skills to work with a computer. Also, the amount of literate and English-speaking people was low, for which assessing production practices through a written questionnaire was not considered efficient for the research. The assessment of the farmers' practices was therefore done by means of verbal communication. Posing the questions verbally brought the opportunity of rephrasing questions with difficult language, and leaving out irrelevant questions. Rephrasing was sometimes necessary as some questions were estimated not to be understood by the farmers. This was caused by contextual differences, as well as a lack of understanding of concepts used in the questions.

Context

The context is very important for evaluating the responses to the questions. For example, in Ghana the level of written agreements is minimal, compared to the Western level of written agreements. Asking a small farmer about contracts with workers is therefore not relevant, as it is very unlikely that there is a contract between the farmer and the worker. The lack of a written contract however, does not need to be an indicator of bad working conditions for the workers. In Ghana, it is very common to use verbal agreements, enforced through presence of a witness. In case of any conflicts, this witness may be called upon to ensure fair practices. Also, community relations might function as social control, again enforcing the functionality of verbal agreements in this country, compared to the need for written contracts. In this case, it was doubtful whether the presence of contracts actually was an indicator of 'good practices'. Other issues that resulted similar problems were maternity and sick leave. These issues are dealt with very different in Ghana, compared to Western (or at least Dutch) habits. An example concerns 'paid sick leave'. Normally, a landowner only hires men as workers (or caretakers) for his land. They get paid at the end of the year, and normally receive 1/3 of the profits of the land. The landowner himself earns also 1/3, and the other part is used for maintenance of the land. In case of sickness, the worker still receives that same share of the profit. His only risk is that if he is sick too often, the landowner might not hire him for the next year. There is therefore no 'paid sick leave'. Maternity leave is another example. Women are normally not hired as workers, but they sometimes do work on the cocoa land, to support their husbands. In case of pregnancy, the women work less, and if possible, they take their children with them while working. Paid maternity leave, as we know in the western world, is therefore not applicable.

To conclude, indicators that are (in the Western world) perceived to provide information on the sustainability performance may not fit the context of the primary producer in the South.

Understanding

Another issue was the understanding of questions. Firstly, farmers sometimes did not understand what the question was aimed for. Problems normally occurred in series of questions about *details* of one subject. Farmers did not understand the necessity of details, for which they did not understand the significance of multiple, questions about one topic. This indicates that farmers did not understand what the focus of a question was, and what relevance it has.

Secondly, understanding of ‘commonly-used’ sustainability concepts is an issue. In the questionnaire, concepts were used that are common in (Western) sustainability discussions. Farmers may have a *different* understanding of concepts (e.g. ‘sustainable’), or they completely lack understanding of the concept (e.g. terms like ‘greenhouse gas emissions’). Sometimes farmers asked for clarification when they did not understand a concept. In other instances, farmers assumed to understand the concept, and answered according to their interpretation, which resulted in information other than the question was intended to provide.

In general, a difference was observed between certified (or engaged) farmers, and non-engaged farmers, in the understanding of questions. Certified farmers (or farmers engaged with certification; i.e. becoming compliant to the standard’s requirements) were normally able to understand questions and topics, while non-engaged farmers usually needed more explanations for understanding the same questions. It is highly probable that this is caused by the fact that certification is achieved normally after a specific training programme, set up for achieving certification of the farmers.

Capacities and honesty

Another implication of the higher knowledge level of certified (or engaged) farmers, is the knowledge of what is desirable. This can influence the honesty of answers, or the amount of socially desirable responding. Socially desirable responding can be defined as ‘*the tendency to give positive self-descriptions*’ (Paulhus, 2002, p. 49). As farmers know what is desired by sustainability standardizing systems (or on the market), they may be tempted to answer the questionnaire according to that.

Farmers often have no drive for being honest. Their production practices are sometimes the lowest on the ladder of good practices, and therefore, lying is always more beneficial than giving the truth. Companies in the West are frequently driven to honesty by peer reviews (i.e. in a system where reports or results are published, peers can verify the truthfulness of answers based on their knowledge of the company). Farmers however, who are applying the least good practices, have more to win by lying, then they have to lose by being honest.

The phrasing of the questions was strongly influenced by the objective to provide users with information on best practices. Questions included best practices, sometimes showing the preference of these practices compared to others. The questions were therefore rather leading. For example, questions like: ‘*Do you guarantee that all workers are treated equally?*’ or: ‘*Do you guarantee that there is no sexual harassment taking place within your organization?*’ (People 4 Earth^b, 2011). This resulted in the tendency of farmers to answer such questions with ‘yes’, as they perceived that to be the socially desired answer¹⁵. When socially desirable

¹⁵ It must be noted that the transformation of multiple choice questions to open questions may have given participants *more* possibilities of socially desirable answers. An example of a transformation of a multiple choice question is:

‘*Does your organization ensure that your/their workers: (a) have free access to protective equipment, (b) have been trained about the dangers and the proper use of the chemicals, (c) use good quality sprayer that does not leak*’

[To three open questions:] ‘*Does your organization ensure that your/their workers have free access to protective equipment?*’ and ‘*Does your organization ensure that your/their workers have been trained about the dangers and proper use of the chemicals?*’ and

responses were suspected, more questions about the issue were posed by the interviewer. Some farmers then either gave a short answer, or a description of the situation, which made clear that the actual practice was *not* similar to the 'good' practices. Especially in questions on social issues, this was a problem.

The extent to which this educational method of phrasing was actually teaching the farmers on what they should do, is doubtful. Farmers understood that the practices mentioned were 'good practices', though it is susceptible whether they would remember these practices after the questionnaire, or at a later moment when working on the issue.

Difficulties in using a questionnaire to measure sustainability:

- *Format: written, in English*
- *Sustainability indicators are context dependent*
- *Lack of understanding of necessity/use*
- *Lack of conceptual understanding*
- *Lack of motivation to be honest*
- *'Educative questioning' results in socially desirable answers*

Chapter 7 – Experiences of Ghanese smallholders

Chapter 6 has described the practice of standard systems for Ghanese cocoa producers. This chapter provides more information about the practices, with a focus on the barriers and success factors identified in chapter 5. At the end of this chapter, a reflection on the hypothesized barriers and success factors can be found.

In this chapter, the structure of chapter 5 will be maintained. To recall, the success factors and barriers were divided in three categories, namely factors in:

- starting with the certification programme (section 7.1)
- working towards compliance (section 7.2)
- maintaining engagement (section 7.3)

This chapter is about the *validation* of the hypothesized barriers and success factors, in light of the research findings. Hypothesized factors (of chapter 5) can be present or not, in the Ghanese cocoa sectors. If they are present, then a *judgement* should be made whether or not that occurrence is an *influencing* factor (a barrier or success factor). It does not always have to influence the farmer participation, it can also be a contextual factor.

The barriers and success factors identified in chapter 5 are based on the assumption that smallholders have knowledge of the existence of standard systems. The barriers and success factors are therefore only applicable to farmers who have this knowledge of standard systems.

7.1 Starting with the certification programme

In chapter 5, it was recognized that the main issues in starting with a certification programme were motivation, and group cooperation. There will be started with describing the issues in farmer motivation, as experienced in Ghana.

Motivation

Hypothesized was that the main motivations to engage with a certification programme was the understanding of the system and its benefits. Factors influencing farmer understanding of the programme were awareness (knowledge) of the certification programme, of the standard, of the functionality of its requirements and procedures, and of the value in the market. In the field research, it became clear that the main factor here is *access to information*.

Field research showed that knowledge of (the existence of) standard systems, and of certification programmes, is not as common as one might expect. The amount of farmers that is *unaware* of the existence of standard systems is dominant over the amount of farmers *aware* of standard systems. *Access to information* is the main barrier for farmers without awareness of standard systems. To acquire information, farmers are reliant upon external sources, such as NGOs, LBCs, government extensionists, and other farmers. Farmers therefore only participate in certification programme *in response*, never as the initiator. After having obtained awareness of a standard system, the farmers are still to acquire *access to a certification programme*. NGOs and LBCs are possible gateways to a certification programme.

Farmers that were working towards certification were involved in a certification programme (set up by an NGO), which involves training. This brings them in a state of progression. They are receiving training, and guidance in the processes towards certification, resulting in (a feeling of) improvement. Farmers that were *not* involved in a certification programme and were therefore not working towards certification, were situated in a more stationary situation. Though they might also be attempting to make progress, their information was far more limited, due to

the fact that they rely primarily on traditional information from ancestors, and governmental information.

Besides the lack of knowledge on standard systems, farmers also had no knowledge of the international demand, possibly due to the Ghanaian cocoa marketing system. Because the COCOBOD buys all cocoa that is of sufficient quality, farmers have a certain assurance of selling their yield. This decreases motivation on acquiring knowledge of (international) market or consumer demands.

The price setting system also reduced price competition between LBCs. Therefore, farmers are only motivated to get knowledge on LBCs when interesting *complementary services* were offered. The LBC provides the farmer some extent of support, and the farmer is in turn loyal to the LBC, in selling it his or her produced cocoa beans. Farmers were therefore normally in a steady relationship with an LBC.

A third effect of the Ghanaese marketing system was that farmers had little focus on quality differentiation, besides the required quality of the COCOBOD. In contrast, all farmers stated not to be satisfied by their yield. To improve their yield, they stated to desire training.

Limited information is the main barrier for farmers to increase their yield. Governmental support for good agricultural practices in cocoa farming was generally considered as too little. Only some of the visited communities received training from the COCOBOD extensionists, yet this service was mostly irregular and therefore perceived as an uncertain provision. This lack of government support has definitely increased farmer eagerness to receive training, and to participate in certification programmes.

Sensitization programmes explained the benefits of the standard system on a very basic level (i.e. 'to improve the livelihood of cocoa farmers'), and stated the farmers would receive training on good agricultural practices. Normally, this was sufficient to make the farmers sign up for the programme. No explanations are given about the standard's subjects, or about changes that needed to be made by the farmers. The standard is not reviewed by farmers, for which aspects like the requirements on processes and actors, and the language, are not of influence on the farmers' decision to become engaged in the programme. To conclude, it can be stated that no careful decision-making is involved in becoming engaged with the certification programme, nor do farmers have a choice in *which* certification programme to engage with.

Mentioned above was the effect of the Ghanaese cocoa marketing on farmer's motivation to acquire knowledge of the market. Additionally, the price setting was perceived as a pressing effect on farmer *income*. Farmers knew that the prices for cocoa were higher in neighbouring countries. Accordingly, the combination of the low regular prices and the chances of receiving a higher price for certified cocoa, made the price a stimulus for engaging in a certification programme. However, prices were mostly not the main incentive to become engaged. Most farmers stated that the possibility of an improved livelihood was their main driver to become engaged with the programme. The improved livelihood included amongst others a higher income (possibly from higher prices, but dominantly from an increased yield), and a healthier environment. Most farmers engaged in a certification system emphasized their increased awareness of environmental and health issues.

Among all interviewed farmers, no farmer stated that fear of long-term commitments was deterring them from engagement. The commitment to the certification programme normally left farmers the option of selling to their own LBC (as conventional cocoa, not as certified cocoa). Farmers were not forced to end relationships with LBCs they previously sold their cocoa to. Therefore, loyalty to investors (i.e. LBCs) is not hindering participation in a certification programme.

Also, risk avoiding behaviour (i.e. selling to multiple buyers) and price dependence (i.e. need for money at a certain moment in time) are no issues in the

Ghanese cocoa sector. Farmers can sell their cocoa several times a year to their LBC, and that also applies in the sector of certified cocoa.

Normally, the management of the group made arrangements with an LBC, which agreed to handle the cocoa as certified cocoa, implicating separation of regular cocoa. To obtain the price premium on certified cocoa, certified groups have to negotiate the premium on their cocoa with the international buyer themselves. It is therefore their own responsibility to ensure a more equitable cost-benefit allocation of certified cocoa. The Ghanaian marketing system has room for these allocations. As was shown in the field research, the close contact with the international buyer can substantially support the farmer group in covering the costs of the certification procedure.

Sometimes, the multi-party arrangement was explained during sensitization programmes. Nevertheless, farmers had no difficulties with multi-party arrangements that were sometimes in place, whether they were informed on the arrangement or not.

Apparent was the lack of market information among the Ghanese farmers. Combined with the stable price and market of uncertified cocoa, farmers had little motivation to excel their cocoa quality. Sensitization programmes are a gateway to participating in standard systems: they offer (superficial) information on standard systems, and access to the certification programme. There is no careful decision-making process. Main motivations to become engaged in a certification programme are: dissatisfaction of the yield, too little training (e.g. from the government) on agricultural practices, and chances of a better livelihood.

Group Cooperation

While group formation was estimated to be a barrier to become engaged, this was not reflected in the field research. This can be explained mainly by two contextual factors.

From the analysis in chapter 4, the conclusion was that most standard-systems apply group certification. Group certification was understood as close cooperation between farmers. However, during the field research, it became clear that groups, as tolerated (and set up) by the NGOs, did not have such close cooperation. While all farmers are operating in a group structure, they perceive themselves as individual producers.

Groups were managed by a central management, usually from an external organization (a training organization, or LBC). This management usually included several farmer communities in the group, which could lie geographically apart from each other. This resulted in little contact between the different communities. The contact that *was* present between the farmers, was contact between farmers that were member of the same community/village. That contact was not considered different than before engagement with the certification programme. Group functionality was limited to attending trainings and social pressure for compliance to the standard. The participation to the certification programme had not changed that besides from a higher interaction-rate caused by the trainings that are organised at village level. As production and sales of produce is still performed on an individual level, farmers did not have the feeling of loosing any independence. They did not perceive themselves as part of a group production system. Therefore, farmers do not have resistance to working in the group.

In general, the farmer group consisted of members of the same village, or closeby villages. While this was only out of convenience, no geographical distant farmers were intentionally excluded. The only case in which farmers at geographical distant locations had more difficult to include in the group, was in the case of organic farming. As no contamination from neighbouring farm fields may occur, it is beneficial for the participating farmers to have their farm lands bordering on each

other. Farmers that had their land further away from the organic lands, and close to conventional cocoa farm lands (that were being sprayed), therefore had more difficulties in accessing the certification programme.

In chapter 5, it was identified that farmer participation in the design of the certification programme, and in the design of the Quality Management System (QMS), was of positive influence on farmer participation in the programme, as it creates a feeling of ownership. However, certification programmes and their trainings are based on the standard's requirements. Therefore, there is normally no opportunity for farmer participation in the design of the training programme. The QMS however, is to be developed by the group itself, for which farmers (normally lead farmers or farmers involved in the management of the group) are involved. The feeling of ownership and commitment was sensible among these lead farmers.

Group formation is not an issue on farmer level, as all farmers of the group still feel and act like individual producers. A certified group normally consists of several groups of farmers, the latter assembled by geographical proximity (community-level). Management of the certified group is normally done by an external organization.

7.2 Working towards compliance

The commitment to a certification programme showed little strictness. While farmers were mostly engaged to complying to the requirements, some farmers worked towards compliance 'at their own pace'. In case of non-compliance in one inspection round, a farmer often had the option of being involved in a second round of inspection (although those were sometimes one year later). This confirms the finding that receiving training and support is the main incentive for farmers to become engaged, with the certificate being only a complementary asset. Also, it appoints the fact that engagement in a certification programme is not such a rigorous change in farmers' practices as it might seem.

Understanding of use and necessity

During the farmer visits, it became evident that farmers do not need to read the standard. The initiator of the certification programme forms the bridge between the farmer and the standard system. These organizations (initiators, i.e. NGOs or business actors) sensitize the farmers for the programme and they explain the requirements of the standard and train the farmers on that. Issues with jargon, cryptic definitions and complexity are therefore not in place. As explanations are generally based on a very low level of knowledge, all farmers can intellectually access the trainings.

Commonly, when farmers are engaged in a programme, their understanding of that specific standard system, its requirements and purpose(s) is considerable. However, knowledge of *other* standard systems is normally not existent.

Support

The initiator (which might be an NGO or business actor) starts the certification programme, which leads farmers towards certification. The amount of systemic requirements for account of the farmers is therefore fairly limited. Although some programmes engage farmers also in group management issues, farmers are today still 'led' towards certificates by a management consisting of ('external') people outside of the farmer group or community. The training organizations, which are normally embodying positions in the management of the group, are responsible for steering the farmers to *decentralized decision-making*. The managerial (or systemic) tasks to be performed by the farmers are: the internal inspections, and management positions

farmers are sometimes involved in, in cooperation with the training organization. The amount of systemic tasks for farmers can therefore be described as limited.

Internal inspectors are selected from within each village community. The level of detail of internal inspections is obscure. Mostly this is the lead farmer, who voluntarily performs this task. The lead farmer is normally appointed democratically by his community members, or exists naturally within the community, without being appointed. The internal inspectors were trained by the training organization. Internal inspectors appeared confident of their task, for which the trainings seemed fruitful. In practice, their performance consisted of instructing member farmers on good practices according to the standard. Also, they answered questions of member farmers with regards to practices. The extent to which they perform on-site inspections of other farm lands, is unclear. It might therefore be doubted to what extent all farmers actually comply to the standard. During the visits however, it was noticed that social coherence is an incentive for farmers to comply to agreed-upon regulation (such as adhering to a standard). Group performance is the main incentive for farmers to adhere to the standard's requirements. The task of the lead farmer is therefore to advise member farmers, and to determine when the group is ready for external certification. The fact that compliance to the standard was necessary for *all* group members is therefore the main incentive for individual farmers to comply to the standard.

The trainings during the certification programme are organized by the initiator of the programme. Normally, the initiator also gives the trainings (to all farmers, or only to the lead farmers). The trainers were in general living in another city, though frequently visited the district or community, and therefore had knowledge of the local language, habits, etcetera. For some topics, external trainers were hired. Normally, these were government extensionists. A certification body was decided upon by the training organization, and this was usually AfriCert, an international certification organization. The farmers had little input for this decision. No information was found on the practices during external audits, the knowledge of the auditor of local habits, or other detailed information regarding the auditing.

In chapter 5, it was identified that the communication of audit results is crucial for a good-functioning improvement cycle. During the field work, ambiguous results were found with regards to the communication of results. In some groups, farmers were aware of the audits, and had knowledge of the results of the audit, and how they should to act upon it. However, there were also groups found in which farmers took a more subservient role, and simply implemented what they were told. The impression was that these farmers did not understand thoroughly why the implementations were necessary. Also, some cases of non-communication were found, which resulted a more dependent position of the farmers on the management. It can therefore be concluded that communication of the audit results is indeed important. It can create more understanding of farmers for their objectives and progress towards that objective, thereby contributing to farmer autonomy in the improvement process.

Hypothesized in chapter 5 was that *capacity development* is a good means of training farmers in the process towards compliance. The witnessed trainings were on issues that were pre-defined by the standard system. Farmers therefore had no involvement in the design of the training outline. While the issues of the trainings were standard-related, the baseline of the issues was explained carefully, thereby making the education focused on fundamentals of good agricultural practices, instead of solely the standard requirements. Trainings were given to the group of farmers, and focussed on general farm practices, not on individual situations. This however, was thought of as being an efficient method of training.

The ambiance of the trainings was very positive, with much compliments and joy. During most of the visits therefore, the impression was that the trainings were

adding to the group feeling, and increased motivation of the farmers to comply to the standard.

With regards to efficiency of trainings (as addressed in chapter 5), the feeling is ambiguous. On the one hand, trainings were efficient, with great participation (interaction) of the farmers. On the other hand, it sometimes took quite some time for the training to start. Sometimes trainers were delayed, which caused farmers waiting at the agreed upon place. Other times, trainers arrived, and farmers had yet to assemble at the central place, causing some waiting time for the trainers. However, neither of the delays seems problematic or in any case a barrier for farmers to participate in the trainings.

The frequency of trainings, however, was sometimes considered too low. Farmers sometimes stated trainings had not occurred for a few weeks, though they were supposed to meet every two weeks. Trainers admitted to have limited time available for giving training. Although this training frequency was not an incentive for quitting the programme, it resulted some demotivation, and the training frequency can therefore be seen as a point of improvement of some certification programmes.

There are little processes that farmers have to arrange themselves in a certification programme. The initiator of the certification programme is the bridge between the farmers and the standard system. Therefore there are no language or jargon barriers. Initiators usually give the trainings. Trainers are Ghanese people who are familiar with local habits. Trainings are based on issues of the standard, instead of on (group) capacity. However, they are contributing to the group cohesion, due to the positive atmosphere during the training sessions. In a farmer group, the only group activities that farmers are involved in, are training and internal control. Farmers therefore still perform largely as individual producers. Working towards compliance to the standard is not always strictly time-bounded, and therefore offers farmers time to change, which strengthens farmers' feeling of independence. Farmers would sometimes like more frequent trainings. Also, communication of audit reports is not always sufficient.

Financial resources

As stated in the paragraphs above, a training organization offers a certification programme to the farmers. Normally, such an organization covers the expenses of certification, which are normally to be covered by the sales of certified produce. Therefore, financial investments for certification programmes are normally no barrier for farmers. Sometimes, the training organization identifies a buyer for the certified cocoa in advance of starting a programme¹⁶. This provided benefits in cost-coverage of the certification programme. There seemed no uncertainty of selling produce as certified, the demand for certified produce was larger than the supply, and therefore farmers had certainty to sell their cocoa for the premium price.

Another issue concerned changing of buyers (LBCs), due to provisions of inputs by buyers (LBCs). Farmers were often loyal to their LBC, resulting in *only a part* of their yield being sold as certified cocoa. However, certified produce is often sold to a different LBC, as the training organization makes agreement for selling certified produce. If part of the yield is still sold as uncertified, the total certified group has a lower sales volume of certified cocoa, yielding a lower income. This farmer loyalty then decreases returns on investments of investors of the certification programme (such as the training organization). Indirect investment relations were not identified during in the field visits.

¹⁶ This was the case with the Yayra Glover Ltd. group, which identified a market for organic cocoa and then started the certification programme.

The income-necessity, understood as the need for money at a certain moment in the season, is also no barrier. The Ghanaese cocoa market provides the opportunity for farmers to sell their yield (conventional or certified) very frequently.

The group management is normally in charge of the finances of the group. They cover for the certification costs (normally with the certification premium received on products), and allocate remaining revenues in community/group projects. Identification of buyer relationships in advance of the certification programme provides benefits to cost-coverage.

7.3 Maintaining engagement

Once farmers are working towards certification, it is important they maintain committed to the programme. This was hypothesized as being subject of four issues: group functionality, progress, contractual issues, and returns on investments.

Group motivation was said to be negatively influenced by competition between member-farmers, bad-functioning management, and unfair payments. None of these factors was reflected in the field research. Farmers stated (and behaved like) they were all satisfied with the programme.

There was no unequal treatment of farmers resulting in competition between farmers. Also, while there was a limited level of transparency of the management, farmers normally were not interested in management activities. There was in general a great gratitude and belief in the management of the group. The management normally brought the training to the group, which was for free, and provided the farmers more knowledge of social (health & safety) and environmental issues, and sometimes a better yield.

As weighing practices were performed by LBCs, no fraud in weighing practices would be performed by the management. No signs of corruption were shown, nor addressed by the farmers. Generally, farmers simply felt benefited by being included in the group, and had no bad feelings with regards to the management.

Another beneficiary of involvement was the feeling of having more bargaining power, by being in a group. This was not only stated by the farmers that were engaged in the programmes, but also by non-engaged farmers, who wanted to become engaged because of that better bargaining position. There should be noted that this bargaining power normally did not concern beneficiaries like higher prices paid for the cocoa beans, but elements like training, support and other complementary assets.

Unfair payments cannot be recognized as a barrier. Normally, farmers were not promised a higher price in exact amounts, thus justifying the very low increase in price, as well as the usage of extra income for community projects.

Progress was generally monitored by means of internal inspections and compliance to criteria. However, little group-specific progress indicators were identified during the interviews. This showed the dominance of the standard as the yardstick for progress. Interactions showed that improvement occurred through a feedback system linked to the internal and external inspection-rounds. It can therefore be concluded that farmers were taught an improvement cycle through the structure of internal inspections and external audits, as required by the standard.

In general, little information was revealed about the improvement process of the groups. Some occasions of little communication of audit results were shown. Farmers then had received little explanation of the decision not to certify them, or to put them on the list for external inspection (after internal inspection). Therefore, some farmers had little trust in the management of the group. These farmers however, were normally abandoned from the group (even without them knowing). Most of the groups however, had a clear communication structure, which

constructively led farmers through the improvement process to compliance to the standard.

In the improvement process, some emotional reluctance to change practices was shown. Some farmers did not believe in new measures they had to take. For example, some farmers had difficulties in cutting trees to provide other trees more space to grow. However, after applying it, most farmers experienced (and recognized) the positive results of the implementation.

Expirancy of certificates was not found in the field visits. This may be due to the relative short time of certification on the market. The hypothesis that farmers might step out of the programme, due to experiencing too little benefits, was not reflected in the field visits. Although they had not obtained financial benefits, farmers were generally positive about participating in their certification programme.

Farmers were in general very happy to participate, with little unfair practices decreasing their motivation. Their interest in the management structure and transparency was very limited. Little financial benefits were returned to the farmers, though they did not perceive that as hindering their motivation, as their yield generally increased, as well as their knowledge of good agricultural practices and health and safety topics.

ICS systems stimulate improvement cycles.

Loyalty to previous LBCs reduces the amount of cocoa sold as certified, though the opportunity to still sell to previous LBCs made engagement to a certification programme easier.

7.4 Reflection on the barriers and success factors

Before the start of the fieldwork a perspective on the barriers and success factors for smallholder participation in standard systems was created. The assumption was that smallholders have to cope with many systemic requirements in working towards compliance to a specific standard. Group certification was assumed to reduce certain functions, while giving rise to other requirements, such as group management. Finally, it was assumed that the participation in a group system would considerably limit farmers' independence. The field research showed quite remarkable results to these perspectives.

The biggest barrier that farmers face in participating to sustainability standard systems is access to information and access to certification programmes. Farmers do not have an overview of the standard systems that are in the market. If they do have knowledge of a standard system, the accessibility of that system for the farmer is dependent upon external organizations. Sensitization programmes are the gateway to engagement with a standard system. When a farmer determines to participate, practically all processes towards certification will be arranged (by the initiator of a certification programme). The biggest requirement for farmers is to invest time in the programme, and to be willing to change.

For some tasks, farmers will be trained, instead of hiring external people for it (e.g. internal inspections, training of farmers). Trainings are normally given by the initiator of the certification programme, sometimes with supported of a training organization. Trainers have knowledge of the local habits. The trainings are adjusted to the level of understanding and knowledge of the target group, like all member farmers, or only lead farmers (for internal inspection or administrative issues).

Farmers are in general very willing to contribute to the programme according to their capacities. Lead farmers, for example, are normally very willing to invest time in doing administration together with illiterate group members. Administration is not a difficult task (only basic information about practices is demanded), but it is quite a time investment. Farmers are limitedly interested in management issues.

They seem satisfied with being led by a group management embodied by external people (arranged by the initiator of the certification programme).

With regards to the independency and autonomy, farmers were proud to be individual farmers. Engagement in a certification programme did not change that feeling of being an individual producer. The only group activities concern the trainings and sometimes also administration. Even selling of the yield is done at an individual level. The feeling was that this level of independency fitted well to the attitude of Ghanese farmers.

The following table provides the table of difficulties and success factors, as found in the field research. Factors indicated with an '√' are hypothesized factors that are confirmed to be relevant, by results of the field research. Factors indicated with a '-' are hypothesized factors that were found not relevant. Factors indicated with an open dot, are factors that were not hypothesized, but were found as a relevant factor during the field work.

- √ confirmed relevant factor
- not relevant factor
- o newly found, relevant factor

Table 7.1: Overview of the hypothesized and found barriers and success factors

Starting the certification programme	Working towards compliance	Maintaining engagement
<p>Motivation:</p> <ul style="list-style-type: none"> ○ increasing yield through training √ prices √ little information about markets and consumer demands (and little capacities to handle information) √ little information on costs & benefits - multiparty arrangement may be unclear √ little government support in technical issues - risk avoiding behaviour (selling yield at multiple times, possibly to multiple buyers) results in little long-term commitments - income dependence/short term thinking <p>Careful decision-making:</p> <ul style="list-style-type: none"> ○ sensitization functions to introduce the certification programme - good understanding of the standards' requirements - cost-benefit analysis <p>Difficulties in understanding the standard:</p> <ul style="list-style-type: none"> - standard written in local/understandable language - little recognition of subjects - little understanding of the use and necessity - little understanding of required qualities <p>Group formation:</p> <ul style="list-style-type: none"> ○ procedures required are performed by the management √ geographical distant farmers more difficult to 	<p>Understanding of the standards' requirements:</p> <ul style="list-style-type: none"> ○ training organizations communicate standard requirements to the farmers - unnecessary complexity meant for highly specialized production - cryptic concepts/descriptions - different jargon - little overview of required processes and actors to involve ○ little understanding of measures (emotional reluctance) <p>Organising actors (like trainers, auditors, certifiers):</p> <ul style="list-style-type: none"> ○ initiators of the certification programme coordinate procedures and external actors (like trainers, auditors, certifiers) √ farmers have little oversight of available actors - costs of the certification (programme) are for the farmers √ little government support in technical issues <p>Selecting competent staff:</p> <ul style="list-style-type: none"> √ managerial capacities (required to change processes) are provided by training organization √ perform internal inspector and auditor training √ include externals √ use local people - careful choice of the certification body 	<p>Group functionality:</p> <ul style="list-style-type: none"> - competition between member farmers - bad-functioning management (corruption, fraud, lack of transparency) - no fair payment <p>Progress:</p> <ul style="list-style-type: none"> √ too little communication √ lack of internal control and quality management √ lack of implementation capacity and progress monitoring √ lack of functioning improvement cycle (due to too little feedback after inspection rounds) - slow processes <p>Contractual issues:</p> <ul style="list-style-type: none"> - little farmer loyalty ○ much farmer loyalty - lack of negotiation skills ○ negotiations are usually done by the training organization - difficulties living up to contracts <p>Motivation:</p> <ul style="list-style-type: none"> - too little benefits experienced (e.g. too little yield sold as 'certified')

<p>include</p> <ul style="list-style-type: none"> - smaller companies more difficult to include - negative historical experiences <p>Identification of financial and technical support:</p> <ul style="list-style-type: none"> o management negotiates with an LBC about buying the cocoa as certified √ identification of an international buyer (to provide:) <ul style="list-style-type: none"> √ better allocation of costs & benefits - longer term support √ relations with exporters 	<p>Capacity development:</p> <ul style="list-style-type: none"> - on group selection and development - individual and group level √ on collective issues (not on pure certification) √ adjusted to the capacities of the farmers (accustomed programme) √ sufficient time and resources <p>Higher efficiency of progress:</p> <ul style="list-style-type: none"> √ communication of audit reports - thorough understanding of the QMS √ defining training issues and trainers (done by training organization) √ identify support services (done by training organization) √ documentation at group level - centralization of operations √ communication of audit results √ monitor progress (automatically, through the internal inspection system) <p>Group cohesion:</p> <ul style="list-style-type: none"> √ training - participatory programme development 	
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Chapter 8 – Field work experiences and the SAMS; Recommendations

Field research findings have showed that the applicability of the SAMS South prototype is different from what was expected. In this chapter, the SAMS will be put into perspective by means of the experiences (with the SAMS South prototype) in the field. There are several difficulties, on different levels. At first the problems that the Ghanaese market yields for assessing supply chain sustainability will be discussed. Subsequently, the difficulties of the SAMS in specific will be discussed.

8.1 Market systems like Ghana and sustainability assessments

As stated in chapter 3, the SAMS is a system designed for organizations that want to improve the sustainability of their own practices or of the whole supply chain of their product. For improving sustainability of the whole supply chain, knowledge of the actors of the supply chain is required, and the (end)buyer may need to direct its suppliers to do the assessment (top-down). This however, does not function with Ghanaese (conventional) cocoa farmers. The following paragraph will explain why.

The first option is that an organization (retailer, trader, processor, producer or any other actor in the supply chain) takes the initiative to assess its own practices. For cocoa producers in Ghana, sustainability (i.e. environmental and social) is not the main priority of farmers. Normally, they do not have much knowledge about environmental and social sustainability, and their main concern is their income. Farmers would therefore not start using the SAMS by themselves. This leaves them to the second option for using the SAMS: being instructed to use the SAMS by upstreams supply chain actors (the top-down option).

Being primary producers, the farmers are part of a supply chain for which upstream supply chain actors might desire more sustainability. It is most likely that (end)buyers of the supply chain, situated in the West, demand an increase in sustainability. However, the relationship between (end)buyer and cocoa farmers is often obscure. In conventional cocoa farming, there is no accurate traceability system. International buyers buy their cocoa from the COCOBOD, who buys it from the LBCs, who buy it from farmers. The COCOBOD has a quality control system in place (which however, does not focus on sustainability indicators). With the current market structure of Ghanaese cocoa, it is unlikely that (end)buyers can get in contact with their suppliers. It is therefore hard for (end)buyers, to direct their suppliers to do a sustainability assessment (like the SAMS) to stimulate more sustainable production. The sustainability standard systems for cocoa (e.g. Utz and Rainforest Alliance) do have a traceability system in place. Because of that, certified cocoa can be traced back to its suppliers. However, for those certified suppliers, the benefit of using the SAMS is marginal.

To conclude, a top-down system of assessing sustainability throughout the supply chain, does not function with primary producers from Ghana, as there is too little knowledge about suppliers of individual supply chains.

8.2 Difficulties in the SAMS

This section will elaborate on the difficulties of the SAMS. The following box, which was constructed after chapter 6.3, summarizes the main conclusions on measuring sustainability by means of the SAMS.

Difficulties in using a questionnaire to measure sustainability:

- *Format: written, in English*
- *Sustainability indicators are context dependent*
- *Lack of understanding of necessity/use*
- *Lack of conceptual understanding*
- *Lack of motivation to be honest*
- *'Educative questioning' results in socially desirable answers*

The feedback on the SAMS can be divided in strategic and operational level outcomes. The strategic level outcomes provide feedback on the vision and objectives of the SAMS. The operational level outcomes give feedback on the questionnaire. The strategic level outcomes will be discussed first.

8.2a Strategic level outcomes

On a strategic level, there are three issues that hinder functionality of the SAMS. These are related to: language, honesty (social desirable responses), and motivation.

Language

The first problem that arises in using the SAMS South for Ghanese cocoa farmers, is the language barrier. Many farmers do not speak English sufficiently to read and understand the questions of the SAMS South. This applies to unorganized farmers, as well as to farmers that participate in a producer group. Therefore, the system cannot function as a self-assessment system. The need to find someone able to help them in understanding the questionnaire is a barrier to using the system.

The questions of the system are carefully constructed. If a translator is used for the system, that translator should have a thorough understanding of what is meant with each question, and understand the way in which questions are posed. Questions are designed in a way that educates that participant in best practices, and to reveal the truth. The method of questioning should therefore be maintained in the translation. For this, not just anybody who is able to read English can be used to help farmers understand the questionnaire.

In response to this problem, different methods might be thought of. One might think about using the SAMS for a *group* of farmers, or having an *upstream supply chain actor* using the SAMS for its suppliers. However, these options increase the risk of generalization, while (more importantly) reducing the educative potential of the system. In both cases, farmers themselves are less in contact with the standard, for which they are less likely to learn what the best practices are, since these are processed in the questions of the SAMS¹⁷. Also, using an upstream supply chain actor may decrease the detailedness of responses. Farmers are the ones who know exactly what practices are performed on their land. Upstream supply chain actors (LBCs) usually do not know the farming practices in detail. Therefore, such an assessment may not provide the information that is necessary to appoint possible points of improvement.

Honesty (social desirable responses) and motivation

Two other issues hinder the self-assessment method: honesty and motivation.

Firstly, farmers have little incentive to be honest. Many farmers (who are not engaged in any certification or other training programme) practice the least 'good agricultural practices'. Therefore it may seem attractive for farmers to give social

¹⁷ The educative potential of the SAMS for the Ghanese farmers was already questioned in chapter 6. It is susceptible whether farmers will remember best practices (and thereby *learn* by using the SAMS), and apply those practices. Addressing the questionnaire to upstream SC actors even declines the educative potential.

desirable responses, that give the impression farmers are performing better practices than they actually do.

In the western world, honesty is stimulated by peer review pressure. In Ghana however, there is very limited information and transparency, and peer reviewing is not common for cocoa farmers. Giving false representations of farming practices therefore has no negative consequences regarding reputation or aspects alike.

Secondly, farmers may not understand the purpose of the SAMS and the benefits for them in using it. As was revealed in Ghana, farmers will only use a system if they see sufficient benefits of using it. Certification programmes offer clear motivation for the farmers: receiving (free) training, and better livelihoods. The benefits of the SAMS however, are on a different level: it is about knowledge, market position and *autonomous* improvement (without trainers). As mentioned in chapter 3, the main incentive is not to judge participants, but to act as a stepping-stone to improving sustainability. After the assessments, the system can appoint farmers their 'distance' to several certificates¹⁸. Also, a *potential* advantage of the SAMS could be that it provides access to certification programmes. Knowing their position regarding certain standards, farmers may be stimulated to engage in a standard system. However, the capacity of certification programmes should allow inclusion of these farmers to the existing group, or standard systems should have the capacity to set up new certification programmes.

In the western world, the 'improvement'-objective of the SAMS (that the information given by the participant is used to provide advice on how to improve) might be better understood than in Ghana. Ghanaese farmers generally do not have incentives to acquire information about their market position. Smallholders are therefore likely not to see the SAMS' main benefits. Also, it is doubtful whether a system based on autonomous improvement will function, under current circumstances.

To conclude, there is too little clarity on the advantages of using the SAMS, for (Ghanaese) primary producers. These advantages should therefore be explicated. The following questions are crucial for this: Why is it beneficial to use the SAMS? Is it also beneficial for certified farmers to use the SAMS? And why should farmers start with a SAMS-assessment first, instead of directly engaging with a certification programme (if they have the opportunity to directly sign up for a certification programme)?

An alternative to the self-assessment design of the SAMS should be presented. There can be thought of using upstream supply chain actors, though a focus on educative potential and details should be maintained.

Motivation to use the SAMS should be enforced; its benefits to farmers require deeper consideration.

8.2b Operational level outcomes

The abovementioned feedback on the strategic level can have rigorous implications for the use of the SAMS, which might change its future usage. This section will provide feedback on using the SAMS South in practice, as executed during the field work: verbal assessments.

The main issue in the usage of the SAMS was the understanding of the questions. Questions often did not provide the information that was aimed at with that question. This was due to several factors: (1) sustainability indicators of Western

¹⁸ The assessment report can provide an overview of the sustainability framework, and the participants' score on that framework. Subsequently, it can show to what extent farmers comply to certain standards, and thereby it shows the 'distance' that farmers yet have to cross to become certified.

and Southern countries differ; (2) the aim of questions is not understood; and (3) there is a lack of conceptual understanding.

Indicators

Indicators that might represent sustainable practices in Western perception, differ from sustainability indicators in the South. There are two issues here: unsuitability of indicators of sustainability risks, and the fact that identified risks for sustainability are not applicable in Southern country-specific contexts.

The first issue concerns the fact that indicators of sustainability can be different in the South. Southern systems might be dealing with issues in a very different manner, which is functioning just as well for sustainability. Especially in social practices, the difference in perspective was apparent. Not all *indicators* that are used to measure the sustainability, are therefore applicable.

The questions of the SAMS need to be checked upon the indicators that are used to provide insight into the sustainability of practices. The indicators should be applicable for primary producers. It might be necessary to do a thorough revision of the alignment of indicators and objectives of questions, to improve alignment of the questions with the objected information. In light of efficiency for the development of the total SAMS (for multiple supply chains), it would be most beneficial to find some common indicators for sustainability, applicable for primary producers of multiple supply chains.

The second issue concerns the risk hotspots. In the development of the SAMS South, a list of risk hotspots for sustainable cocoa production (including the South) was created. These risk hotspots were included in the questionnaire. In Ghana however, some risks proved irrelevant. For instance, child labour was not considered a risk, as children were generally sent to school. All farmers recognized the importance of education for their children, and as the costs are very low, children were normally sent to school.

To make the SAMS more efficient, such risk hotspots that prove to be a low risk, can be excluded. To develop such an advanced system that only includes country and sector-specific sustainability risks requires a great amount of research. While a large part of research can be done through desk research, many issues have to be studied in the field. Also, such specific situations should be updated through the years. Due to changes in policy or other contextual factors, risks can decline or arise. Developing such an advanced system therefore requires extensive research throughout the existence of the system, to maintain accuracy.

Understanding

The other causes of inapplicability of the SAMS rise from a lack of understanding. Farmers do not understand the aim of questions, and lack understanding of concepts. Despite the use of an interpreter, (sustainability) concepts were often unknown by the farmers. This lack of understanding applied to farmers engaged in certification programmes, but the more for farmer who were not yet engaged in certification programmes.

When farmers do not understand the essence of questions or concepts, it is likely that their responses will not to provide the objected information. It can also lead to demotivation of the participant. So-called 'participant fatigue' can occur when participants get demotivated to answer questions when participants have the feeling of having too little capacities to understand or answer the questions (Reed, 2008).

To prevent misunderstanding of questions, definitions and concepts should be clearly defined and operationalized into the national context. For example, whom should one consider as one's 'worker', and who not? Also, what is meant exactly with 'sustainability', and what is 'fair trade'? Explaining all concepts makes the questionnaire more extensive, though it will increase chances of getting the desired information.

- Self-assessments (of organized or unorganized farmers) cannot work
- Other assessment methods (group or upstream supply chain actors filling it in for the producer) reduce the educational potential of the system
- Educational questioning resulted socially desirable answers, while educative potential is doubtful
- The alignment of indicators and objectives should be revised
- The questions should be as country and sector-specific as possible within reasonable limits of efficiency for the total SAMS.
- The relevance of questions should be explained, and definitions and concepts operationalized.

8.3 Improving sustainable farm practices in the current situation

The previous paragraphs have appointed the difficulties in the SAMS (methodology) for assessing (and eventually improving) sustainability. The Ghanese smallholder cocoa producers are not able to start working towards more sustainability, by means of the SAMS. What *can* currently contribute to improve sustainability of farm practices?

Certification programmes seem to function well and improve the sustainability of farm practices. Enlarging the scale (i.e. the availability) of certification programmes would therefore be valuable for the sustainability of primary production. Certification programmes however, are costly, due to the involvement of external people (like the trainers and the people embodying the group management). Declining these costs is difficult, as the involvement of external people is in fact what makes certification programmes successful. Systems that leave farmers more independence (such as a self-assessment system) are less costly. However, farmers currently lack the capacity to use such systems. These systems lack the guidance that makes certification programmes successful. Increasing sustainability of smallholder farming practices requires a system that provides sufficient guidance to the farmers, or investments in farmer capacity building.

Increasing sustainability of smallholder farmers in developing countries is limited by a shortage of capacities, as well as limited resources (investments). Increasing sustainability of smallholder farming practices requires a system that provides sufficient guidance to the farmers, or investments in farmer capacity building.

Chapter 9 – Discussion

Before concluding on the research results, it is appropriate to look back upon the research methodology. Some points of discussion can be mentioned.

Representativeness of the sample

The sample of this research concerned firstly the experts interviewed, and secondly the farmers in Ghana. With regards to both, it would have been preferential to have a larger the research population. However, time restrictions influenced feasible sample sizes.

The expert interviews have largely determined the questions of the farmer interviews. Difficulties and success factors mentioned in the expert interviews were used as pillars to interview the farmers on. This may therefore have influenced research results. However, during the fieldwork, and especially during observations of trainings, and talks with managers, a lot of information was gathered about the general practices surrounding certification and standard systems. Information gathered during the field visits was used in following field visits. Therefore, the influence of the relatively small expert sample is considered insubstantial to directing the field visits to certain outcomes.

Process of research

The development of this research is characterised by continuous changes. Not only was the development of the SAMS in a turbulent stage, but also did the research objectives change.

When the research started, the SAMS was subject to heavy reconsiderations. The objective of the SAMS was initially to become a standard for sustainability. The research therefore started as a study into the understanding of smallholder farmers of *written requirements* of standard systems. Smallholder farmers were assumed to have a limited understanding of questions and concepts. The focus of study shifted to studying the systemic requirements of standard systems, as the assumption arose that it was more likely that these requirements were the main barrier to smallholder producers, given their limited (cognitive and informational) skills. Doing this research after standard systems' practices for smallholder producers in developing countries was considered of great relevance for the development of the SAMS. While the research had taken off, the objective of the SAMS changed to functioning as a *measurement* tool for sustainability. This made a study of standard systems less valuable, although it could still provide useful insights, as the SAMS would resemble standard systems in some ways. In addition, field research was considered very valuable to test the functioning of the SAMS as a measuring tool in a developing country. That field research has concluded that self-assessment of the SAMS (one of its fundamentals) is not viable for smallholder producers in Ghana.

It can be stated that while this research has provided very relevant information, it could have been designed more effectively. Careful formulation of assumptions (based on existing information) could have made this research more efficient.

Another issue in the process of research, is the sequentially of research stages. In advance of the field work, the analysis of the standard systems was done. Simultaneously, the prototype of the 'SAMS South' was developed. Experts from People 4 Earth performed this task. Due to time limitations, these processes occurred in parallel. Once the analysis was done and the prototype ready, the field work started.

During the field work, it was revealed that self-assessment is hardly possible. This finding could have been withdrawn from the standard systems analysis. Several ambiguities remained after the standard system analysis, regarding farmer

requirements and capacities. However, the analysis *did* show, that group certification was applied by almost every selected standard system, and individual certification is normally only possible for individual farmers that are large enough to work autonomously to certification. This finding should have been processed in the construction of the prototype. It would therefore have been better to perform the standard system analysis and the construction of the prototype not parallel, but in sequence. Processing the results of the standard system analysis could have resulted a more applicable SAMS South prototype. However, given that the self-assessment is one of the main pillars of the SAMS, reconsideration of this objective would have required large time investments.

Chapter 10 - Conclusions

Sustainability standard systems are increasingly used to stimulate sustainable production. This research has studied the barriers and success factors for smallholder producers in participating to sustainability standard systems. The main research question was: *'What factors determine participation of smallholder producers in sustainability standard systems?'*

The research consisted of three research methods: it has studied the regulations (especially the systemic requirements) of standard systems, it has gathered a perspective of smallholder difficulties identified through expert interviews, and most important, it has studied the smallholder experiences with standard systems in the field.

At the beginning of this research, the assumption was that sustainability standard systems complicate smallholder participation to the systems, by means of their systemic requirements. The limited capacities and resources of smallholders would decrease their ability to meet the requirements.

From the analysis of several standard systems, large similarities were revealed regarding standard systems' practices for smallholder inclusion. Group certification, combined with an internal control system, is common practice. From the expert interviews, it was clarified that these common practices decrease some entry barriers for smallholder farmers to standard systems, yet they raise requirements as well. Identified barriers for smallholders were related to lack of information, understanding of the standard, organizational capacities, group cooperation and motivation (see Table 5.1, pp. 39, 40). Field research has given remarkable results, showing considerable differences to the hypothesized factors (see Table 7.1 on pp. 61, 62).

The research sample included farmers that were engaged in a certification programme, as well as non-engaged (conventional) farmers. Conventional farmers generally have no knowledge of certification programmes or standard systems, and they do not know how to access the certification programmes. These non-engaged farmers are normally in a fixed position of little improvements, due to a lack of information. Farmers that are engaged with a certification programme for a standard system however, are in a state of ongoing improvement. They are trained, and led towards a specific certificate. Initiators of the certification programme (NGOs or actors from business sectors) arrange the processes and involvement of external actors that are necessary in the process towards becoming certified. Certification programmes have avoided the information barrier, and farmers have very little systemic requirements to fulfil. Due to the guidance, lacks of information, understanding and organizational capacities (of farmers) are no longer barriers for the engaged farmers, for acquiring certification for a sustainability standard system.

The certification programmes are experienced very positively. The main issue to extending the range of farmers that are in this state of improvement, is the accessibility of the certification programmes. Accessibility is limited to a selection of communities. Non-selected communities are reliant upon external sources for access to information and access to a certification programme.

To include more farmers in certification programmes, the selection of communities should be extended. Certification programmes however, are very costly, due to the involvement of external people (like the trainers and the people embodying the group management). Declining these costs is difficult, as the involvement of external people is in fact what makes certification programmes successful. More autonomous systems, in which actors are working towards sustainability independently, are valuable in their low costs. However, these systems are not viable for primary producers in Ghana, due to their capacities, priorities and market system. Increasing sustainability of smallholder farming practices requires a

system that provides sufficient guidance to the farmers, or investments in farmer capacity building. Increasing sustainability of production by means of voluntary standard systems is difficult in Southern countries, due to the market situation and the large number of supply chain actors.

Appendices

Appendix I – Analysis of major, commonly-used standard systems

Appendix II – List of the interviewed experts

Appendix III – Research groups

Appendix IV – Question framework for the field work

Appendix V – Questions of the SAMS South prototype

Appendix I – Analysis of major, commonly used standard systems

This appendix provides an overview of the analysis of the major, commonly used standard systems. It focuses on the methods that these standard systems apply for certifying primary producers, and in specific the smallholder producers. As standard systems are increasingly used in the market (see chapter 2), an analysis of these systems can provide useful insights into the context in which smallholder producers are situated. In the following sections, the five selected sustainability systems will be assessed according to the framework explained in chapter 4. References of this appendix are given in the bibliography, under a separate heading.

II.1 GLOBALG.A.P

GLOBALG.A.P aims at establishing ‘ONE [capitals in original text, ed.] global standard for good agricultural practices’ (Website GLOBALG.A.P^a, 2011). It started in 1997 as a private initiative of retailers who reacted to the increasing consumer concern regarding product safety, labour and environmental standards. The group decided to harmonise their own, often different, standards (Ibid.). The resulting standards for Good Agricultural Practices (G.A.P.) gained global significance. The members of this standard-system are ‘retailers, food service members, producers/suppliers and associate members, like consulting firms and certification organizations’ (De Vries & Haase, 2008, p. 27).

The scope of the system is on the farming process. The standard covers all steps included in production *before* the product leaves the farm (a so-called ‘pre-farm-gate standard’). GLOBALG.A.P includes five standards, for different sectors: integrated farm assurance, compound feed manufacturing, animal transport, plant propagation material, and risk assessment on social practices.

II.1a – Certification requirements

GLOBALG.A.P applies 4 certification options, divided in individual certification (option 1 and 3) and group certification (option 2 and 4). While option 1 and 2 concern assessment of the farmer (group) performance to the GLOBALG.A.P standard, option 3 and 4 concern a benchmarking assessment (see Table II.1). In these benchmarking options, already acquired certification is assessed on its equivalence to the GLOBALG.A.P standard. Through these benchmarking certification options, farmers may acquire access to GLOBALG.A.P markets without necessarily changing production and/or reporting practices. It is therefore expected to reduce costs and time. Many smallholder farmers, however, will not have any significant certificate, and can therefore not benefit from the benchmarking option. This study will therefore focus on the ‘regular’ certification options (i.e. option 1 and 2).

Table II.1: GLOBALG.A.P certification options (adopted from Will, 2010)

	Individual Certification	Group Certification
GLOBALG.A.P	Option 1	Option 2
Benchmarking	Option 3	Option 4

All standard-modules consist of *major musts, minor musts and recommendations*. To acquire GLOBALG.A.P-certification, producers need to comply to all of the major musts and 95% of the minor musts (GLOBALG.A.P², 2008). Improvement of practices is steered through the requirement of improvement projects in the QMS (De Vries & Haase, 2008, p. 28).

The assessment and certification process of GLOBALG.A.P starts with registration of the group by a ‘Trustee’. Trustees are understood as the Certification

Body (for individual farmers) or the group organization, for farmers in the 'propagator group' (GLOBALG.A.P², 2008). For group certification, the involved farmers have to cooperate in an Internal Quality Management and Control System (ICS). A considerable amount of documentation is required for this system. First of all, written contracts should be available between each group member and the 'legal entity', as the group is called. All group members have to be registered at GLOBALG.A.P. The group composition (e.g. only smallholders, only plantations from one owner, or another composition) is not strictly defined. Information that has to be provided in the QMS only concerns the relation of the site to the legal entity, the location, the product, and the growing/production area of the product (GLOBALG.A.P³, 2011).

Second, the ICS should be embodied in a Quality Management System (QMS) and in a Central Administration and Management system (CAM). The QMS is an administrative organ documenting the organizational management structure. In this documentation, all agreements with farmers and external actors (such as private service providers) have to be indicated, including the provision of technical support and other external support mechanisms. Other required documentation concerns a quality manual, GLOBALG.A.P operating procedures, work instructions, recording forms, and relevant external standards (GLOBALG.A.P³, 2011). The CAM is responsible for the implementation of the control and sanctioning systems (GLOBALG.A.P³, 2011).

II.1b – Assessment procedure

GLOBALG.A.P's certification procedure includes internal inspections as well as (external) audits. Internal inspectors check and report upon farm practices. Auditors check the QMS of the group, as well as the internal inspection reports. A Certification Body finally audits the group upon compliance, based upon the internal inspection and audit reports. Internal inspectors need to participate in a one-day practical inspection course, auditors need to participate in an auditor-training course (16 hours minimally) related to QMS. The CB has to be approved by an Accreditation Body, and is required to be ISO 65 qualified¹⁹ (GLOBALG.A.P³, 2011).

Besides those qualification requirements, GLOBALG.A.P also requires that the auditor has knowledge of the native or working language (GLOBALG.A.P³, 2011). Trainers of auditors have to be qualified for the training respectively auditing, though they may be members of the community or living in the local area (GLOBALG.A.P⁴, 2010). Auditors, however, do have to be independent of the area being audited (GLOBALG.A.P³, 2011).

II.1.c – Approaching local farmers

To improve the accessibility and functionality of the GLOBALG.A.P system for smallholder producers, the organization has invested considerably. GLOBALG.A.P has four approaches to facilitate participation of smallholder farmers: (1) group certification, (2) smallholder manuals, (3) feedback opportunities, and (4) smallholder implementation guidelines. The group certification option will be elaborated upon in the next section, the other options will be described shortly first.

The smallholder manual is an English-written document concerning information of all requirements of the standard; the QMS (the systemic organizational/group requirements) and Control Points and Compliance Criteria. The latter are the environmental and social aspects that farmers have to take into account in production and have to document about. A fictional group is used in this manual to explain the documentation requirements (GLOBALG.A.P¹, 2006). While all original documents are written in English, translations are made to facilitate

¹⁹ ISO 65 accreditation ensures independence, transparency, quality and equality of audits (Wikipedia; 'ISO 65 Accreditation', March 2011)

understanding of the standard by producers. In order to acquire the status of a normative document, the translated documents are subject to a thorough translation review (GLOBALG.A.P², 2008).

Smallholders are given the opportunity to provide feedback on the GLOBALG.A.P-standard through workshops. In these meetings, people from different countries in which GLOBALG.A.P is operating, are involved to reflect upon the system and appoint points of improvement. Several reports have resulted from these meetings, identifying difficulties for smallholder producers. One recommendation was to create locally adjusted versions of the standard, by the National Technical Working Groups, in a language that is understandable to the farmers. The Smallholder Implementation Guides mentioned above, might have been a result of this recommendation, since those were created in 2010, after the workshop report was publicized. The outcomes of these projects will be included in chapter 5, which concerns the barriers and success factors identified in literature.

Smallholder Implementation Guidelines aim at creating more understanding of the demands of the standard. It *'provides guidance on how smallholders can comply with the standard in simple and effective ways'* (GLOBALG.A.P⁵, 2010, p. 1). The guidelines are developed in 2009, in the GLOBALG.A.P smallholder project ('the Africa Observer') in cooperation with the UK Department of International Development and GTZ (Website GLOBALG.A.P^b, 2011). It consists of photos and short phrases, that explain the *'practical tools and global best practice guidelines'* (Ibid.). The document indicates which control points are explained in the document.

The main benefit that smallholders acquire through a GLOBALG.A.P certificate is the access to specific markets. These markets can yield higher product prices, as well as other market benefits. GLOBALG.A.P does not interfere in market prices; there is no guarantee of a price premium (Will, 2010).

GLOBALG.A.P organises international workshops and projects to reflect upon the system and appoint possible points of improvement in the GLOBALG.A.P system.

II.2 UTZ CERTIFIED

The aim of UTZ CERTIFIED (Utz) is to achieve sustainable agricultural supply chains, through creating an open and transparent marketplace for agricultural products. It is focused at building capacities of farmers in order to make them able to implement good practices, the base for sustainable supply chains (Website UTZ CERTIFIED, 2011). The system is based on international ILO standards and the EurepGAP protocol for good agricultural practices for fruit and vegetables (Utz Certified¹, 2008). It started in 1997 under the name Utz Kapeh (which means 'good coffee' in the Mayan language Quichu), and changed into Utz Certified 'good inside' in 2007. The organization has set up standards for coffee, cocoa, tea and palm oil (Website UTZ CERTIFIED, 2011). Besides the Code of Conduct that has been established for environmentally, socially and economically responsible practices, Utz has also set up Chain of Custody criteria. These criteria concern traceability of the product chain (Utz Certified², 2010). Utz therefore not only addresses sustainability at the primary producer, but also at other SC actors, which increases the connectedness of primary producers with other actors in the SC through a shared goal of more sustainable production.

II.2a – Certification requirements

There are four options for certification available: individual, multi-site, group and multiple group certification (Utz Certified³, 2010). Multi-site certification applies to different plots of land of the same owner. Group and multiple group certification apply to organised groups of producers. Groups are not required to have homogeneity in production size or geographical proximity. In fact, heterogeneity is believed to be a possible beneficiary for the group (De Lange, 2011).

In group certification, a ‘certificate holder’ is responsible for the (group’s) compliance to the Code of Conduct. The task of certificate holder can be fulfilled by ‘*an individual producer, a group of producers (organized in an association or cooperative) or another entity (such as a processor or exporter) that buys the product from the producers and organizes contracts and/or trains the producers according to the UTZ CERTIFIED Code of Conduct*’ (Utz Certified³, 2010, p. 8). The certificate holder is responsible for implementation of practices, management of documentation, technical advice on agricultural and environmental practices, compliant procedures and corrective actions, producer training, emergency/medical care, traceability and product separation (Utz Certified⁴, 2009). The certificate holder should have an organizational chart showing the division of responsibilities (Utz Certified⁴, 2009). In general, systemic requirements are to be performed by the certificate holder.

The Utz standard, like GLOBALG.A.P, requires an Internal Control System (ICS), to ensure quality management within the group. The requirements on the ICS include a division of tasks and responsibilities, a list of member producers, the contracts/agreements between producers and the certificate holder, an explanation of the internal audit system and results of internal audits, and an internal standard. The internal standard is a translation of the Utz Code of Conduct, acquainted to the situation of the farmer group. The amount of control points of the Utz Code of Conduct is in this document reduced to the *applicable* control points for the farmer group. All farmers should be able to understand this standard, i.e. pictures and/or local language can be used (Utz Certified⁴, 2009). The ICS should also define the rules of inclusivity of producers, the management structures, the compliant procedures and educational programmes in an operational, understandable manner (Utz Certified², 2010; Utz Certified⁴, 2009; Utz Certified⁵, 2009).

The standard (Code of Conduct) knows mandatory and additional control points. Compliance is reached when all mandatory control points are met, and a specified (chapter-dependent) number of additional control points. The number of additional points that has to be met is indicated after each chapter. The assessment system covers four years, in which the number of mandatory and additional control points increases yearly.

II.2b – Assessment procedure

The assessment procedure starts when a certificate holder applies for certification. The next step is the collection of records that are required, from all producers. Subsequently, the certificate holder will judge if producers are ready for an external audit. In case they are, the documents of the last three months prior to the audit are sent to the Certification Body (CB). The CB reviews the self-inspection documents and determines whether an (external) auditor can ‘*meaningfully perform the audit*’ (Utz Certified⁴, 2009, p.8). The auditor verifies the requested records.

Utz demands an extensive construction of auditing actors in place. Firstly, *internal inspectors* are needed to undertake the audits of individual group members. The group management is responsible for the neutrality and necessary competences of the internal inspector(s). Subsequently, a field audit should be performed, in which a producer sample is audited, and the ICS is evaluated. This field audit is to be done by an *auditor*. Auditors are part of a Certification Body (CB). A CB must be approved by Utz (Utz Certified², 2010). The CB’s are responsible for training the auditors according to the UTZ Code of Conduct (Utz Certified³, 2010). Auditors are required to have post high school training in agriculture or a food related discipline, knowledge of production and processing systems, and have completed HACCP²⁰ training.

²⁰ HACCP is the abbreviation of Hazard Analysis and Critical Control Points. It is ‘*a management system in which food safety is addressed through the analysis and control of biological, chemical, and physical hazards from raw material production, procurement and*

Auditors are not required to possess certain languages (Utz Certified³, 2010). The auditors report to *lead auditors*. Lead auditors are the people that, within a CB, are responsible for ensuring qualifications of auditors, and for conducting the audits according to the UTZ certification Protocol. They make the final decision for certification, and ensure appropriate handling of documentation. Lead auditors are required to have a post-high school education in an agriculture or food related discipline, they need to be trained in application of the Utz codes and protocols, completed an ISO 9000/9001²¹ training, an HACCP training, a food hygiene training, and experience in auditing or training ICS. Also, leading auditors have English or Spanish as working language. (Utz Certified³, 2010).

II.2c – Approaching local producers

Documents of the Utz standard are provided in English, supplemented with translations into languages relevant for the UTZ CERTIFIED activities, such as Spanish, Portuguese, Vietnamese and Japanese (Utz Certified⁶, 2009). Utz also aims at providing national annexes, which explain what the Code of Conduct means in the national context. These are established by means of stakeholder workshops, for which various parties that work with the Utz system, are invited to participate in²².

Utz does not interfere in pricing policies. The price that producers receive is dependent upon the price negotiations between buyer and seller. The rhetoric of Utz is however, that certified produce ‘*adds value for buyers in terms of sourcing, risk management and communication opportunities*’ (Utz Certified⁷, 2008, p. 1). Therefore, certified produce is likely to receive a premium price. To facilitate chances of receiving this premium, Utz states to provide market information to its members. Information about average premiums paid and volumes sold in the country are available in the Member Portal, an on-line system only accessible for UTZ CERTIFIED members (*Ibid.*). The seller can fill in the negotiated premium in an on-line UTZ CERTIFIED system. The data is intended to provide transparency to sellers about reasonable price negotiations.

Utz also provides an on-line training centre. This website is the result of a partnership between Utz and development organization Solidaridad. The aim of the website, available in English and Spanish, is to support farmers in meeting the Utz requirements. There are several documents available for downloading. Firstly the Code of Conduct and the Chain of Custody, checklists for inspections, lists of banned crop protection products, lists of definitions, and also support documents. These support documents concern issues like (setting up) the ICS, training methodologies, and implementation guides. All these documents are written in relatively easy language (English or Spanish).

II.3 Fairtrade Labelling Organizations International (FLO)

Fairtrade Labelling Organization International (hereinafter called FLO) is an organization that has created a standard for Fairtrade. FLO has defined Fairtrade as their ‘*strategy for poverty alleviation and sustainable development*’ (FLO¹, 2009, p.3)²³. The purpose of the organization is to ‘*create opportunities for small producers in the South, who have been economically disadvantaged or marginalized by the*

handling, to manufacturing, distribution and consumption of the finished product’ (Website U.S. Department of Health & Human Services, 2011).

²¹ ISO 9000 is one of the standards of the International Organization for Standardization (ISO). The ISO 9000 series concerns ‘*international consensus on good quality management practices*’ (Website ISO, 2011).

²² These include parties like development aid partners of Utz, local trainers, national extensionists, agricultural institutes, cooperations and NGOs (De Lange, 15/04/2011).

²³ ‘Fairtrade’ is the name of the specific strategy for certification and labelling by FLO. ‘Fair Trade’ is the term used to ‘*refer to the Fair Trade movement as a whole and the organizations that abide to the high principles of Fair Trade*’ (Website FLO^a, 2011).

conventional trading system' (Ibid., p. 3). The Fairtrade-strategy started in 1988 under the Dutch Fairtrade label Max Havelaar, which marked coffee produced without exploitation of coffee pickers. Several other Fairtrade labels came into existence in the following years. In 1997, Fairtrade Labelling Organizations International (FLO) was established, in order '*unite the labelling initiative (...) and harmonize worldwide standards and certification*' (Website FLO^b, 2011). Since 2002, FLO has split off their certification and inspection division. These tasks are now performed by FLO-CERT. FLO is still responsible for the standard-setting and producer-support. In 2007, ISEAL recognized FLO as one of the highest standards on ethical trade (Ibid.).

FLO certifies production as well as trading practices²⁴. The generic standards are product a-specific. The standards are based on four pillars: social development, socioeconomic development, environmental development and labour conditions (Ibid.). Complementary to these generic standards are the product-specific standards.

II.3a – Certification requirements

There are two distinct sets of standards, for smallholders, and for workers. According to this division, there are three production standards; for Small Producers' Organizations, for Hired Labour Situations, and for Contract Production. In this study, the focus will be on the first; the Small Producers' Organizations standard, since the focus is on the production of individual farmers (who own a farm), not on employees.

Smallholder farmers can acquire certification if they have formed producer organizations (a cooperative or another democratic organization) (Website FLO^b, 2011). There are several requirements on these producer organizations.

Firstly, these producer organizations should consist for a majority of smallholder producers²⁵. Within the definition 'smallholder producers' a distinction is made between smallholders of (high) labour dependent production, and not (high) labour dependent production. Cocoa is subject to the latter category.

Secondly, the standard emphasises that the producer organizations have to be *democratically* controlled by their members, for the benefits of Fairtrade to reach the members. This requirement is operationalized by requiring an annual General Assembly, in which all members can take part. In this General Assembly, the Board of the group is elected and a Development Plan is presented, discussed and agreed upon. The Development Plan concerns an annual business plan, employment policy, cash flow prediction plans, and strategic plans. As these plans and policies may concern highly technical, or issue-specific information, the organization is required to provide training to facilitate understanding of business administration as well as understanding of the Fairtrade Standards. By including the producers in this assembly, the aim is to create a sense of ownership among members of the organization (FLO¹, 2009; FLO², 2010).

Some sections of the standard are only applicable when '*a significant number of workers are employed by the organization or by a member*' (FLO², 2010, p. 14). These are requirements for administrative staff, workers in processing facilities and

²⁴ No further details of the standards for trading practices will be mentioned in this report, given the focus of this study on smallholders.

²⁵ Smallholder producers are defined according to four principles. Firstly, '*the producer's labour and that of their family member constitutes a significant proportion of the total agricultural labour undertaken on their farm*' (FLO¹, 2009, p.3). Secondly, '*Most of the producer's working time is spent undertaking agricultural work on their own farm*' (Ibid.). Thirdly, '*revenues from the producer's agricultural activities constitute the major part of their total income*' (Ibid.). And fourthly, '*the capital, assets and infrastructure required for agriculture are such that collective marketing is necessary in order to sell to the target market*' (Ibid.).

workers directly involved in crop production. The term ‘worker’ is used for all people working at the farm, except the family member of the producer that work unpaid (e.g. belonging to the same household) (*Ibid.*).

The standard is divided in general, minimum and progress requirements. In order to become certified, a producer must meet all general requirements *at the moment it joins Fairtrade*. All minimum requirements should be met to get certified. Progress requirements are sometimes given a strict time frame (i.e. after an x amount of years), while other progress requirements must be demonstrated over time (i.e. ‘*the organization establishes or improves...*’, or ‘*programmes are in place to improve...*’ [FLO¹, 2009, pp. 9,10]). As of May 2011, FLO is working towards a new strategy, in which farmers can ‘*achieve their own development goals*’ ([Website FLO², 2011](#)). Requirements will be divided in ‘core’ (all requirements are mandatory) and ‘development’ (only partial compliance is mandatory). In this system, farmer groups should have more opportunities to develop from the organization’s capacities and objectives (*Ibid.*).

II.3b – Assessment procedure

Assessment and certification are performed by FLO-CERT, which is ISO 65 certified. One ‘certification cycle’ covers three years. Producers receive certification in year 0, and have to apply for recertification at the end of year 3. Compliance to the standard is ensured through annual surveillances (desk or on-site audits) and an on-site audit in year three for recertification ([FLO-CERT¹, 2011](#)). The certification cycle for smallholder producers constitutes six years, due to the fact that progress requirements sometimes have a time span of six years ([FLO-CERT², 2011](#)). In case of non-conformities, sanction will be followed, and possibly even decertification ([FLO-CERT², 2011](#)).

The assessment procedure always starts with application. In this phase, it is checked whether the applicant falls under the scope of the system. Certification happens for specific products and countries²⁶. Each certificate applies only to a specific product ([Website FLO-CERT, 2011](#)). In the application phase, the applicant is also made aware of the standard and of the certification procedure.

The next step towards certification is the audit. Prior to the audit, the auditor sends a letter to the producers, to make them aware of the audit procedure and necessary documents. The audit includes an opening meeting, a document review, interviews with different actors in the producer group, a site visit to the central office and processing facilities and a closing meeting in which the strengths and weaknesses of the company are discussed, and suggestions for corrective action are provided by the auditor. The producer group itself has to decide on the corrective actions to be employed. A report of the audit is sent to FLO-CERT, where the report is evaluated. Only when all non-conformities are solved, the operator report is evaluated by a certifier. This certifier cannot be involved in the audit or evaluation process.

FLO-CERT works with a group certification model, in which random checks of the individual farmers are conducted. The amount of checks is based on the square root approach (this standard practice in group certification, also used by Utz). The sample of visited producers should make up a proper representation of the group composition. The audit can take up four days to seven weeks, depending on the complexity of the producer organization ([Website FLO-CERT, 2011](#)).

II.3c- Approaching local producers

FLO has several means of assisting producers to participate in the system.

²⁶ FLO-CERT certified companies in countries in Africa, Asia, America and Oceania. The products range from fruits, vegetables, coffee, and tea to seed cotton and sport balls ([Website FLO-CERT, 2011](#)).

Firstly, there is a Producer Services and Relations Unit, which supports producers by: *'providing training in local languages, offering guidance on certification requirements, helping producers to gain access to new markets, [and] facilitating relationships with buyers'* (Website FLO^d, 2011). The unit is managed by five regional managers, assisted by seven regional coordinators. These coordinators are in turn supported by liaison officers, who are responsible for providing information, advice and training to the producers. The amount of liaison officers is however limited, with officers normally covering more than one country (Website FLO^e, 2011). It is therefore doubtful what services these liaison officers and regional coordinators can bring the farmers.

Secondly, FLO's standards are available in English, Spanish, French and Portuguese. Also, as of May 2011, FLO has started reforming its standards and its standard documents, aiming at more clarity to farmers. The new structure should also facilitate benchmarking with other standards (Website FLO^e, 2011).

Thirdly, farmer organizations can apply for a start-up fund, a grant used as a co-financing mechanism. Producers can receive a grant covering maximally 75% of the certification fee. Only producers for who the certification fee is larger than 10% of their net profit of the previous year, can apply for the grant (FLO³, 2011). For application, an application form needs to be sent, providing information about the organization, its exports, finances (i.e. profit and loss, and assets) and a motivation for the application (FLO⁴, 2011).

Fourthly, FLO aims to protect its producers from market instabilities. For this purpose, it has established a pricing policy, which includes minimum prices and premiums. Producers receive a Fairtrade Minimum Price, with which the costs of sustainable production should be covered. In addition, *'members or workers of a certified small producers' organization (...) receive a Fairtrade Premium'* (FLO⁵, 2010, p. 3). The costs of sustainable production are determined from information received from a panel. This panel should (in the case of small producers' organization) be embodied by members of the organization, and selected by a local facilitator. Information that should be provided concerns: farm size (destined for the product in question), yield, costs of production, harvesting, and processing of the product, and the crop's life cycle (if applicable) (FLO⁵, 2010). Full price research is required minimally every eight years, with regular price reviews every 2 years, on a case-by-case basis (FLO⁶, 2010). In 2011, the Fairtrade Minimum price in Ghana concerned 2000 USD/MT for conventional cocoa beans, and 2200 USD/MT for organic cocoa beans. The Fairtrade premium was established at 200 USD/MT (Website FLO^f, 2011).

The price setting system seems carefully applied, due to the thorough explanations of procedures in multiple documents of FLO's available documents. However, recent developments in the coffee market have led to a lower Fairtrade price for coffee (including premiums) than the regular market price (Alternet, 2011). Many articles have questioned the beneficiaries of the FLO system for producers (see for example Levi & Linton, 2003; Moore, 2004; and Reynolds, 2002). Some sources have stated that the stable Fairtrade price provides benefits to the farmers by increasing their chances of receiving a loan, and thereby facilitates access to market incorporation (Ruben & Zuniga, 2010). Therefore, the price mechanisms in place in FLO are (only) *indirectly* benefiting the producer.

II.4 Rainforest Alliance

Rainforest Alliance (hereinafter called RA) is an organization that aims to *'conserve biodiversity and ensure sustainable livelihoods by transforming land-use practices, business practices and consumer behaviour'* (Website RA^a, 2011). They focus on environmental protection, social equity and economic viability, in four sectors: Agriculture, Forestry, Tourism and Forest Carbon.

RA aims to link business (that meet certain environmental and social standards) up to the global marketplace for sustainable goods and services (Ibid.). There are two RA consumer logos available: RA certified and RA verified. Only the first applies for agriculture. RA certifies over 100 products (amongst which cocoa, flowers, tea and vegetables), in Africa, Latin America, Asia and Hawaii (Website RA^b, 2011).

The RA certified logo is used on products that are compliant to the standard of the Sustainable Agriculture Network (SAN). This is a *'coalition of NGOs that strive to improve commodity production in the tropics'* (Website RA^c, 2011). They have a network of partners in Latin America and they are building up a network of partners also in Africa and Asia (Resak, 2011). Their standards comply to the ISEAL Code of Good Practice for Setting Social and Environmental Standards (Ibid.). The Sustainable Agriculture Standard (of the SAN) addresses 'whole-farm sustainability'. This means that once farmers are certified, *'they can sell all eligible crops as RA certified'* (Website RA^b, 2011).

Besides the logo, RA also has a database of certified suppliers ('RA Marketplace'), to facilitate networking between sustainable farms and companies (Website RA^d, 2011).

II.4a – Certification requirements

RA works with group certification, divided in five types of groups that can apply: (1) membership groups or private farm organizations, (2) multiple farms of a single owner, (3) traders and suppliers, (4) communal lands, and (5) a federation of groups. RA does not distinguish in size of the participating farmers (RA¹, 2010). Groups qualifying for group certification are required to be 'relatively homogenous' in terms of production systems, geographical location, farm size and natural factors on the farm (i.e. climate, ecosystems, and soils) (RA², 2004).

In all group certification options, a *group administrator* has to be appointed. This administrator can be embodied by the management of the group, by the company or landowner, by the trader, or by the federation. This group administrator signs the certification contract with RA and is responsible for maintaining an Internal Control System (ICS). The ICS is a group administration system, that includes *'policies and procedures that allow the group administrator to verify member farm compliance to the SAN standard'* (RA², 2004, p.9). Besides this ICS-requirement, the farm (group) should also implement *'permanent or long-term activities to comply with the standards through various (training and educational, ed.) programs'* (SAN¹, 2010, p. 17). In order to ensure efficient execution, these programmes should have defined objectives, activities, timelines, divisions of tasks and responsibilities, maps of the projects and infrastructure, and recordkeeping (SAN¹, 2010).

The Sustainable Agriculture Standard (SAS) consists of 100 control points, of which 15 are critical criteria to which every farm has to comply. These criteria are divided among SAS' ten guiding principles for farms: (1) a management system, (2) ecosystem conservation, (3) on-farm monitoring of wildlife, (4) record keeping of water usage, (5) good working conditions, (6) occupational health and safety programs, (7) good community relations, (8) integrated crop management, (9) soil conservation, and (10) integrated waste management (Website SAN^a, 2011).

II.4b – Assessment procedure

The process towards certification starts when RA identifies market potential for certified produce. They approach their local network partners, who are in contact with farmers. If farmers willing to start working towards certification are found, the first step to be taken is to perform a *'diagnostic'*. A diagnostic aims to identify the risks of non-compliance of the farmer group, according to the local (and farmer) situation. This diagnostic is done by available trainers, and it provides the basis for

the design of the subsequent training process that is to be implemented (Resak, 2011).

Once the diagnostic has taken place, the training programme will start. RA has contact with local trainers, and NGOs and processors or traders, who employ extensionists and trainers. These trainers will train lead farmers of the farmer group, who will reach out to the community and train the member farmers. To check on what is learned, extensionists perform on-site checks. Internal inspections have to be performed, to check individual compliance of all member farmers. In case of non-compliance, corrective actions need to be determined, including a specific time frame. The group administrator applies for an external audit when the group is compliant to the standard. RA usually outsources auditing to a private auditing company, like IMO or AfriCert (Resak, 2011). Use of these external auditing companies can ensure independency of the audits, while communication between the auditor and the farmers can simultaneously be facilitated through the auditor's knowledge of the local situation, norms, habits and aspects alike. Subsequently, the audit report will be evaluated by Sustainable Farm Certification Intl., the company that the SAN engaged to do independent decision-making on certification (Website RA^e, 2011).

To become certified, a farmer group needs to comply to all critical criteria, at least 80% of the total applicable criteria, and at least 50% of the applicable criteria of each principle²⁷. The system is progressive in that the amount of requirements that has to be complied to, increases yearly.

RA distinguishes between major and minor non-conformities of requirements. In case of major non-conformities, the requirement has been complied to for <50%, whereas in case of minor non-conformities, >50% of the requirement is complied to. If non-conformities are identified, corrective action plans have to be developed, including a timeframe. This will be checked maximally four months after the certification audit. The certificate is valid for three years, starting from the first certification audit. Yearly audits are performed to ascertain compliance (SAN³, 2009).

II.4c – Approaching smallholder producers

The standards and other documents regarding requirements, are provided in English. RA also develops Interpretation Guidelines, in order to facilitate the implementation of good agricultural practices according to the SAS. There are two types of interpretation guidelines; generic (providing guidance on how to implement SAS), and local (to facilitate understanding of the SAS-criteria in the local context). The latter are provided in the official local language (English, Spanish or Portuguese). These guidelines are developed by a local Workgroup, in which a diverse range of stakeholders is involved. Local people are asked which criteria are difficult to interpret in the local context, and why these are difficult to interpret. The local definitions range from specific local formulations to lists of locally endangered species (Resak, 2011).

RA does not interfere in trading relationships; it does not set prices, provide subsidies or trade restrictions. Their philosophy is that when farmers are able to control costs and improve production processes and crop quality (due to their RA-certification process), they will become more economically prosperous in the long term, due to the ability to demand higher prices, negotiate good terms of trade,

²⁷ Two sets of rules of compliance are available. For groups of maximally 16 member farmers, all member farmers have to comply to the standard as mentioned in the text. For groups of more than 17 member farmers, rules are a little more loose. Maximally 20% of the audited sample of group member farms is allowed to have only 70% compliance *at the first audit*. Critical criteria however must be complied to, plus at least 50% compliance to the criteria of each principle. The farmers that complied for 70-80% are obliged to comply fully to the standard in the next audits (SAN², 2011).

working conditions, foster community relations and environmental conservation. The costs of the audits and the certification are for the farmer group to pay. RA states that, as the audits are often performed by local organizations (or local employees of international auditing companies), these costs are lower than in other certification systems ([Website RA^e, 2011](#)).

II.5 Business Social Compliance Initiative (BSCI)

The Business Social Compliance Initiative (hereinafter called BSCI) has been established in 2002 by the Foreign Trade Association, in reaction to the multiplicity of social codes of conduct created by individual companies ([FTA, 2009](#)). The aim of the system was (and is) to create consistency and harmonization of social codes of conduct (relating to global supply chains). In 2004, the system was established and became implemented worldwide ([Website BSCI^a, 2011](#)).

Unlike the previous four standard-systems, BSCI does not certify. The BSCI demands end-producers to assess their suppliers ([Website BSCI^b, 2011](#)). This initiative therefore has no option for smallholder producers to get audited in a group, and only audits individual companies. It is a system that aims to stimulate (social) responsible behaviour through providing transparency of production practices. The system maintains a Code of Conduct, to which all companies that are member of the system, are assessed. The Code is based on '*the most important international labour standards protecting the workers' rights*', like the ILO, the OECD Guidelines for multinational enterprises, and the UN Global Compact ([Website BSCI^c, 2011](#)). Through this Code, the companies are supported to make efforts to improve the supply chain from an ethical perspective ([Website BSCI^d, 2011](#)).

The BSCI applies to all companies including labour-intensive production processes in their product chain. BSCI has identified a list of 'risk countries', in which violations of workers' rights are likely to occur. Risk countries are situated in Africa, Asia, America, Europe and Oceania ([BSCI¹, 2010](#)).

To become a member of BSCI, companies have two options: regular and associate membership. To become a regular member, companies should be situated in non-risk countries, and should have an active role in the supply chain (i.e. retail, brand, trading and importing companies). These companies are '*actively participating in auditing and integration of suppliers into the BSCI auditing and capacity building programme*' ([FTA, 2009, p. 3](#)). Associate members are companies that support the initiative, though which do not have an active role in the supply chain (i.e. they are not part of the retail supply chain). They therefore do not implement the BSCI process ([Ibid.](#)). Factories or producers cannot become members of the BSCI. If they are producing for a BSCI member, that member is their main contact to the BSCI process ([Website BSCI^e, 2011](#)).

As BSCI places responsibilities at the upstream SC actor(s), smallholder producers are not involved in organizational issues that are addressed in the standard. Therefore, the next subsection will continue directly with the assessment procedure.

II.5a – Assessment procedure

The BSCI system attempts to establish improved working conditions for employees through the power of its members, i.e. the end-producers of a supply chain. The system applies a 'peer pressure' system, publishing audit reports in a database.

End-producers of a supply chain can become *regular* members of BSCI, which are the responsables for the assessment process. Regular members are provided with tools and guidelines to implement BSCI's Code in their supply chains. The assessment process consists of five steps.

The first step in the assessment process is awareness raising at the supplier site. Secondly, an Internal Social Management System (ISMS) should be created. For this, a social policy should be constructed based on the BSCI Code. This policy should

include specific social issues of the farms and production units. Two-thirds of the farms and all processing units must be assessed, to prioritize the social issues that are most urgent in the production chain. The constructed social policy subsequently needs to be agreed upon, and be made accessible to employees.

The third step concerns self-assessment. The BSCI member provides farms and production units with self-assessment forms, which should be completed within six months. The self-assessments should provide the member with an overview of the organization's social performance. They can be used as a basis for designing improvement plans. For suppliers, this assessment may introduce them to the *'practicalities of the BSCI Code and prepare them for the audit'* ([Website BSCI^f, 2011](#)).

The fourth step consists of internal audits, managed by the BSCI member. All processing units, and two-thirds of all farms, need to be audited. Based on the results, Corrective Action Plans (CAPs) should be developed. These CAPs should include the measures to be implemented, and the timeframe for these implementations ([Website BSCI^f, 2011](#); [Website BSCI^g, 2011](#)).

After the internal audits, an external auditor should assess the companies' social performance. The external audit consists of a document review, an on-site inspection, and interviews with a sample of employees. In case of non-compliances, CAPs will be provided for by the auditor, and a re-audit must be done within 12 months after the initial audit. Though no formal terms are set for compliance to the BSCI Code (only time limits for re-audits), BSCI members are advised to reconsider supplier relations if no measurable improvement is visible. CAPs include the social audit report, and are officially binding. These reports are uploaded in the BSCI database. BSCI audits need to be conducted every three years.

II.5b – Approaching smallholder producers

BSCI has placed considerable responsibility at the (regular) members, for including their suppliers. On their website, an e-learning section is available, divided in information for primary producers, and member companies (still in development). The information for primary producers is available in English, French, Spanish, Portuguese and Chinese, and includes a slideshow of the assessment process, as well as a more detailed training tool on the BSCI implementation process ([Website BSCI^g, 2011](#)).

Appendix II – List of the interviewed experts

De Lange, A. (UTZ Certified)
Field Coordinator Africa

Harmsen, J. (Max Havelaar)
Product and producer relations (development policy)

Motz, M. (Fair & Sustainable Advisory Services)
Consultant value chain development and CSR

Resak, K. (Rainforest Alliance)
Technical Coordinator (Africa & Asia) Sustainable Agriculture Division

Schoenmakers, M. (FAQ; Fair Access to Quality)
Owner of FAQ, an organization that helps set up fair and sustainable trade relations.

Uit de Bosch, H. (FairMatch Support)
Director of FairMatch Support, an organization that matches producers from developing countries to western importers

Van Beuningen, C. (Hivos)
Researcher

Verbraak, G. (Tropical Commodity Coalition)
Program Officer

Appendix III – Research Groups

This appendix provides information about the visited farmer groups, that were engaged to a standard system. The groups are: AHANSUCOFA, Yayra Glover Ltd. and Conservation Cocoa Alliance (CCA).

AHANSUCOFA

AHANSUCOFA is the abbreviation of Ahafo Ano North and South Utz Cocoa Farmers Association. It is a farmer group that is initiated by Solidaridad, an NGO that gives training on Utz Certification. The group has a partnership with Armajaro (an LBC), which has agreed to buy and treat cocoa as certified cocoa (including traceability and separation of certified cocoa from conventional cocoa). Up to now, the group has sold 3000 bags of cocoa as certified cocoa. The price for 1 bag of cocoa (64 kg's) is 200 GHC.

Currently, the group consists of 810 farmers. The objective is to have 1000 farmers engaged at the end of 2011. The farmers are spread amongst ten communities; five in Ahafo Ano North, and five in Ahafo Ano South. At the moment, 273 farmers are ready for external inspection. These farmers are estimated to comply sufficiently to the Utz standard.

Yayra Glover Ltd.

Yayra Glover Ltd is an LBC that started when Mr. Glover identified market demand for organic cocoa, in Switzerland. It is a licensed organic cocoa producing and buying company. The company operates in Eastern and Volta region, given the high amount of cocoa farms in these regions. The company is involved in orientation, training, technical supervision, and sales.

Currently, the group consists of 550 organic farmers, and 257 farmers that produce organic and residue free Utz Certified cocoa. The Utz Certified farmers originate from 18 communities. Yayra Glover Ltd. is the certificate holder for both (separate) groups.

The certification programme started very ambitious, engaging more than 3000 farmers. Due to limited capacity, 2700 of those registered farmers are left 'dormant'. These farmers will be included as soon as the capacity (of supporting the farmers) allows it.

Conservation Cocoa Alliance

Conservation Cocoa Alliance (CCA) is department of Conservation Alliance, a non-governmental environmental organization that operates in Africa. CCA is specialized in cocoa agroforestry. The organization is supported by WAFF (West African Fair Fruits, an NGO that is supported by many organization, amongst which Solidaridad). CCA is not focused on one type of standard system; it aims to connect its farmers to the market. The visit farmer group was being trained for Utz certification.

The CCA-group currently consists of 800 farmers in total, of which 300 are engaged to becoming Utz Certified. These 300 farmers are spread over 23 communities. CCA would become the certificate holder of the group. The certification programme has started in October 2010. The farmers are not sufficiently compliant, and are therefore still undergoing training. No external inspections have occurred yet.

Appendix IV - Question framework for the field work

This appendix serves to show the framework of the farmer interviews. At the start of the field work, six groups were identified as interesting research groups. The following table shows what these six groups are.

Table IV: Types of farmers to Interview

Types of farmers to interview
1. A group of certified smallholder farmers
2. A group of smallholder farmers preparing for certification
3. Individually certified farmers
4. Uncertified/Conventional farmers
5. Individual farmers, certified or 'becoming certified'
6. Farmers who have stepped out of certification

Questions to the different groups were based on the identified barriers in the interviews, and based on the general understanding of standard systems, obtained from the standard system analysis. For each group, checkpoints were identified. Relevant questions were worked out accordingly. During the field work, the questions were often not posed literally from the established question list. Sometimes farmers told their story, which provided enough information. Sometimes also, more cumbersome questions were required, to it understandable to the farmers what information was asked for. The question framework was only *leading* in the topics that had to be addressed during the interviews. Therefore, only the checkpoints for each of the six types of farmer groups will be given here.

1. Group of certified smallholder farmers AND 2. Smallholder farmers preparing for group certification responsible/manager of the cooperative:

- *the motivation for becoming certified*
- *the origin of the group*
- *the barriers that they face*
- *the level of support given*
- *the feeling of improving their own situation/ creating more independency*

3. Uncertified/conventional smallholder farmers:

- *incentives for not being involved with certification*
- *barriers in acquiring certification*
- *satisfaction with current situation*

4. Individually certified smallholder farmers AND

5. Individuals becoming certified:

- *incentives for certification*
- *barriers in acquiring certification (→ to what extent is individual certification possible?)*
- *(time) investments needed*
- *required changes & practices of the past*
- *support received*
- *satisfaction with being certified*

6. Smallholder farmers who stepped out of certification:

- *Reason for stepping out*
- *Difficulties due to stepping out (compared to the pre-certification situation)*
- *Experiences with the standard system's requirements*

Appendix V – Questions of the SAMS South Prototype

The following questions concern the questions for small producers, from the SAMS South Prototype.²⁸

SAMS South Prototype – Small Producer		
Products grown		
Please, describe all main processes that take place in your farm:		
How many permanent workers/employees do you employ?		
How many of those permanent workers: - receive a monthly salary? - are being paid on a task/piece rate? - other?		
How many temporary or seasonal workers/employees do you employ in peak time?		
How many temporary or seasonal workers/employees do you employ in low season?		
Does your farm have a person that has knowledge on sustainability related issues?	A B	Yes, please describe briefly (using keywords) No
What is the age of the youngest worker on your farm?		
What is the legal minimum age for work in your country?		
If there are children below the legal minimum age working or helping on the farm, do these children perform only light and safe work?	A B C D E	Yes Handle and spray pesticides Apply fertilizers Carry heavy loads Use sharp farm tools such as machetes
Do all children who are working for your organisation and your members and still have to go to school according to the law, go to school during school hours?	A B C D	Yes, they are going to school No, they are not going to school No, only some are going to school N.A., no children are working on my farm
Regarding the workers and employees, does your farm:	A B C D	Allow workers to leave the farm after work Allow workers to quit and leave the farm if they give reasonable notice? Immediately return ID-cards, birth certificates to the workers? I don't have workers
Do you guarantee that all workers are treated equally?	A B C	Yes No In most cases

²⁸ This question framework is property of People 4 Earth. For further information, please contact Till Loeper (Till.Loeper@people4earth.org).

Are women fired when they are pregnant?	A B	Yes No
Do you guarantee that there is no:	A B	Sexual harassment taking place in your farm Other forms of verbal, physical or psychological threats or harassment
Do all workers who carry out the same work, receive the same wages?	A B C D E F G	Yes No, based on age No, based on working experience No, permanent workers are being paid higher wages than temporary workers No, men and women are being paid different wages No, workers from various ethnic groups are being paid different wages No, for other reasons. Please explain:
Which of the following practices with regard to working hours are implemented in your farm?	A B C D E	A normal workweek does not exceed 48 hours Overtime is always limited to 12 hours per week All workers have at least one free day after working for six days The number of working days in your firm is in line with the national labour law The workers always work overtime voluntarily
Which of the following practices with regard to payment are implemented by your farm?	A B C D E F G	Wages for workers meet or exceed the applicable minimum wage Overtime is paid at a premium rate of at least 1.3 times the normal rate Permanent workers get paid leave for holidays Permanent workers get paid in case of sickness Permanent workers get paid in case of maternity leave Temporary workers get paid leave for holidays Temporary workers get paid in case of sickness
Do you allow the workers to join or establish a workers'organisation (for example worker council or trade union)	A B C D E	Workers have the right to form a workers' organisation Workers have the right to join trade unions Workers have the right to bargain collectively None of the above Not applicable; please explain
Do you allow trade union organisers to meet all the workers employed by you without interfering in their activities?	A B C	Yes No In most cases, please explain:
Do permanent and temporary workers make use of this right?	A B C D E D	Yes, they have formed an independent workers' organisation Yes, they are member of a union Only a few workers make use of these rights; please explain why not all workers make use of these rights Not applicable, please explain: No they do not make use of these rights, please explain:

Are all rights communicated to the workers?	A B C D E F	To all permanent workers in writing To all temporary workers in writing To all permanent workers in their spoken language To all temporary workers in their spoken language No Not Applicable, please explain:
Do you make use of subcontractors, labour intermediaries, home workers, or service providers?	A B C D E	Subcontractors Labour intermediaries Home workers Service providers None of above
Do the workers under subcontract, recruited through labor intermediaries or home-working arrangements have the same rights and benefits as your other workers?	A B C D	No children below the legal minimum age are employed They all earn at least the minimum wage after a 48 hr workweek They can freely join a union They get paid in case they are ill or are on maternity leave
Do you ensure the health and safety of your family and workers by ensuring that:	A B C D E F	Machinery and vehicles are correctly installed and maintained Sufficient number of functioning fire fighting equipment is available All electrical installations are professionally fixed and workers cannot be harmed by electric installations or cables Workers are trained in how to use the machines and / or vehicles Workers have access to clean drinking water Overall conditions of the working area are acceptable
With regards to the use of chemicals, do you ensure that you and your workers:	A B C D E	All dealing with hazardous chemicals have free access to protective equipment? All dealing with hazardous chemicals have been trained about the dangers and the proper use of the chemicals? Use good quality sprayer that does not leak. All chemical products are labelled and safely stored? Only trained people in handling chemical products have access to these storages?
With regards to best practices for safe pesticide use on farms do you ensure that anyone applying pesticides:	A B C D E F	Wears rubber/plastic gloves, without holes, that are long enough to protect the forearms as well as the hands Wears the shirt over the gloves when mixing, filling the applicator, applying pesticides and when cleaning up to prevent the liquid from running down your arm and into the glove. Wears the shirt inside the gloves when spraying upward. Wears an eye and face mask a mask to protect the eyes and mouth, when mixing and applying pesticide.

	G H I J	Wears boots during all parts of pesticide application to protect your feet. Wears the trousers over the top of the boots and not tucked into the boots when mixing and filling the applicator. Does not eat, drink or smoke when using pesticides. Is aware of wind conditions and direction when you spray to protect yourself from pesticides. Cleans out the sprayer with soap and clean water after spraying. Washes him/herself and his/her clothes.
With regards to safe storage and disposal of all hazardous containers, do you:	A B C D E	Implement and follow up on an awareness training program Ensure that all products and packages are clearly labelled Maintain a safe storage of all agrochemicals and their containers Have access and are aware of safe means of disposal for used containers or leftover materials that are no longer in use Never reuse agrochemical bags and containers (i.e. food and product storage/transport.)
In case of accidents during working hours do you ensure that:	A B C	A first aid kit is available There is always someone trained in first aid on the farm Workers receive assistance for follow-up medical treatment if required
Have there been any allegations of labor violations in the past three years on your farm?	A B	No Yes, please explain
Do you have a complaint procedure on your farm that helps your workers to solve their problems?	A B C	A. Yes B. No C. Not applicable, I have no workers
Are you active in any of the following:	A B C D	Environmental restoration Environmental conservation Environmental education None of the above
Does your farm track emissions to soil and water?	A B C	Yes, to water Yes, to soil No
Does your farm completely prevent oil, fuel, gas or chemicals from emitting to air, water or soil?	A B C D	Yes, to air Yes, to water Yes, to soil No
Do you track GHG emissions from its operations?	A B	Yes No
Do you measure the energy use from its operations?	A B	Yes No

If yes, which energy use is tracked?	A B C D	Purchased electricity Direct, on-site fuel use Fuel use from transport Other energy use:
What percent (by weight) of the total waste generated annually within the farm is recycled or otherwise reused?	A B C D E F	0% 1-25% 26-50% 51-75% 76-99% 100%
If yes, what and how do you recycle or reuse?		
Do you measure the water use from its operations?	A B	Yes No
If yes, what is the annual amount of water used? Please include the unit and the total withdrawal by source if the data are available.		

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