Antonie C. Fountain & Friedel Huetz-Adams

Cocoa Barometer 2025

voice COCOA NETWORK

Scope and intentions of the 2025 Cocoa Barometer

The 2025 Cocoa Barometer provides an overview of the current sustainability developments in the cocoa sector and highlights critical issues that are not receiving sufficient attention at present, discussing a broad range of social, economic, and environmental issues.

It is an endeavour to stimulate and enable stakeholders to communicate and discuss these critical issues. Crosscutting throughout this document is the observation that we are sorely lacking both quality data and global collaboration to solve the challenges the sector faces.

To paraphrase Max Roser of 'Our World In Data', there are three things true at the same time: the cocoa sector is in a bad place, the cocoa sector is in a lot better place than it was, and thirdly, the cocoa sector can be a lot better than it is right now. This year is the 15th anniversary of the VOICE network, and we are taking the opportunity in this Barometer to not only describe the current situation, but to also look back and forward. As such, most chapters in this document provide a longer-term overview of the major developments over the past decades, as well as attempts to sketch potential future developments and upcoming risks.

The content of the 2025 Cocoa Barometer is the result of consultations with civil society in the cocoa producing countries, lengthy conversations within the Cocoa Barometer Consortium, and with individuals in the public sector and within cocoa and chocolate companies.

Two in-depth studies were released in the run-up to the 2025 Cocoa Barometer, providing focussed discussions on Good Purchasing Practices – December 2023 - and on Good Governance for a Living Income – February 2025.

voice
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2025

Integration of the Chocolate Scorecard

Historically, the Cocoa Barometer sent out an extensive questionnaire to companies dealing with a range of different sustainability issues. We were not the only ones sending out questions to companies, and there was partially reporting fatigue. Over time, other initiatives have grown in quality and scope, furthermore. In that light, we have chosen to integrate the outcomes of the *Chocolate Scorecard* per relevant chapter into our Barometer. The Chocolate Scorecard is an annual ranking, grading chocolate and cocoa companies on key sustainability issues. Ranking is done by a group of experts per topic.

The authors of the Barometer are not in charge of, neither do they control, the scoring of the Scorecard, but due to the quality of the methodology and ranking of this tool, we feel it to be the most appropriate way to measure corporate progress at present. We are grateful to the Scorecard team for providing some aggregated analysis on specific topics, however the authors of the Barometer did not have access to the data of the Scorecard.

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Introduction

"It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of light, it was the season of darkness, it was the spring of hope, it was the winter of despair."

Charles Dickens, A Tale of Two Cities

Introduction

Since the last Cocoa Barometer was released, the cocoa sector has gone through some of its most turbulent times, ever.

Massive leaps forward have been made in regulatory developments, in sector wide collaboration, in visibility of rightsholders. It is the best of times.

Massive struggles have made the market more volatile than anyone in working memory has lived through. Crop shortages have caused once-in-a-lifetime price increases, ironically coupled with extreme financial woes for farmers with failed crops due largely to the disastrous effects of global warming. Volatility and higher prices have made corporations very nervous. It is the worst of times.

Data is being shared in ways we haven't seen before in cocoa – nor in most other commodities – and therefore understanding of the size of the challenges we're facing is increasing. The acknowledgement of the interlinkages between the environmental, human rights, and economic challenges means we can actually start designing holistic interventions. It is the age of wisdom.

While virtually all cocoa stakeholders, including industry, seemed to be aligned on the need for coordinated action on both sustainability and improving the incomes of the weakest players in the supply chain, a political shift to the right has caused fact-free pushback against the regulatory environment, denying the fundamental truth that a resilient and sustainable supply chain is a competitive one. It has also caused a sudden slashing of funding for sustainability worldwide, denying our shared humanity and that we are all in the same global boat together. It is the age of foolishness.

In a world where sustainability is receiving significant pushback, we must ensure it is the age of belief, not just the epoch of incredulity. This Barometer outlines many of the challenges facing the cocoa sector. In that light, it is a season of darkness. But this Barometer also outlines many of the major steps forward the sector has made over the decades. It is, therefore, also a season of light. In the middle of a global context that can sometimes feel like the winter of despair, the current state of cocoa is at should show that we are also in a spring of hope.

There is hope, not because is everything is as it should be or because we have the certainty that everything will turn out right. No, there is hope because we have concrete evidence that change is possible, provided our sector steps to the plate and does its best.

2

The big picture; a sector overview

"Twenty years into rhetoric, the challenges on the ground remain as large as ever. Poverty is still the daily reality for virtually all West African cocoa farmer families, child labour remains rife, and old growth forests continue to be cleared to make way for cocoa production."

2020 Cocoa Barometer, p7

Where have we come from?

When the VOICE network was launched in the summer of 2010, the world of cocoa was an entirely differently shaped animal. Most of the challenges in cocoa were known but barely acknowledged, data on major challenges was largely non-existent, pre-competitive collaboration did not exist, and multistakeholder dialogue was confined to the pointy end of campaigns.

A history of troubled sourcing

Cocoa has a long history of discussion on the ethics of its sourcing, going as far back as the Quaker movements in the 18th century in the United Kingdom and the 19th century in the United States (Gordon 2025). It is well documented how Cadbury had to deal with slavery in their supply chain in São Tomé and Príncipe in the early twentieth centry. But the conversation on ethical cocoa then went quiet for almost a century, until the late 1990's. A first global gathering on sustainability was organised by the Smithsonian institution in 1998 (mostly focused on how to foster shade grown cocoa). Not long after, in 2000, images of child and forced labour in West African cocoa farms triggered the first actions by the sector. Since then, much has changed, to which this Barometer hopes to be a critical witness.

Sustainability narrative

At first, the sustainability conversation was characterised by crude and naïve approaches, with (very) few interventions available to tackle the many and complex issues. Almost all solutions were focused on voluntary commitments to further rolling out certification. Living income was not discussed at all, deforestation was only discussed in the fringes, child labour was very much the major issue when sustainability was discussed. Data on any of the issues was not publicly available, so an informed and evidence-based discussion was not possible.

Industry action

At the time, the cocoa and chocolate industry engaged with sustainability issues largely through greenwashing vehicles. Bodies such as the Global Issues Group, the International Cocoa Initiative, and the World Cocoa Foundation had a simple purpose at the time; to shield individual companies from accountability by creating the semblance of joint action. None of these organisations at the time were engaged in meaningful action in cocoa growing areas, responsibilities were passed on, mainly to the producing governments.

Though a lot of criticism is warranted on the pre-competitive collaboration that has since been rolled out[1], the sector has learned to work together in ways that

1 Virtually every industry-wide sustainability effort – Harkin-Engel, CocoaAction, Cocoa and Forests Initiative, the Child Labour Framework for Action – has been launched with much pomp, only to fail and exit the stage quietly.

were entirely absent only a decade and a half ago. But without doubt there's still a lot of room for improvement of data sharing and cooperation.

Government responsibility
Fifteen years ago, the two largest cocoa producing nations saw each other as their largest competitors, and a collaboration such as the Côte d'Ivoire and Ghana Cocoa Initiative would have been unthinkable. The idea of a regional standard such as the African Regional Standard (ARS 1000) would have been laughed at. Latin American cocoa was a small niche, and Indonesia was seen as the potential third force next to Côte d'Ivoire and Ghana.

At the consuming side, sustainability regulations were nothing but wishful thinking, and governments were at best involved as donors for development. Policy dialogue on issues such as child labour, deforestation, and farmer poverty was largely non-existent.

Farmers
Though much of the sustainability conversation is about farming communities, farmers and their representatives were not at the table for the longest time. Scattered and unorganised, their voices were simply absent from the debate.[2]

Civil society
Though a group of Dutch NGOs and unions were working together in the Tropical Commodity Coalition, globally civil society was passing each other like ships in the night, without any thought of collaboration on common agenda and goals, resulting in a lack of urgency and pressure at a level that the sector would have to pay attention.

Challenges
Though the sector had very different contours, if one were to look at the problems, a much more recognisable picture emerges; cocoa prices too low[3] to allow a sustainable business, children doing work they shouldn't be doing, untransparent supply chains, rainforests being cut at a rapid pace to establish new farms, and all of this driven by rampant farmer poverty.

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2 In 2014, the first attempts at aligning farmer voices were initiated, through the almost simultaneous founding of three rivalling bodies, the World Cocoa Farmers Organisation, the World Cocoa Producers Organisation and the International Cocoa and Coffee Farmer's Organisation.

3 Since early 2024, prices have risen considerably. However, this is a result of dynamics between supply and demand, and it is highly uncertain how long these prices will last. Moreover, these price points have not been seen for decades.

It seems as if everything in cocoa has changed except for the problems we are trying to solve. Though we've come a long way in our story, at best we've only got the space of introducing the characters and their problems, we still have a major part of the plot to go.

Where are we now?

The world is in the middle of a polycrisis. Rapidly shifting geopolitical realities, wars and conflicts, climate disasters or increased incidence of climate change, the aftermath of the global pandemic, inflation and increasing inequality, a global economy based on exploitation, the sudden move towards deregulation – they all provide challenges to the cocoa sector.

Furthermore, the cocoa sector itself has been through turbulent years since the last Cocoa Barometer was released. A perfect storm of challenges converged, driving market prices up to levels not seen by anyone working in the sector today. Yields declined drastically in Ghana and Côte d'Ivoire, leading to very tough times for farming communities in the world's two top producing countries. Compounding the situation for West African smallholders, was the fact that farm gate price increases did not follow suit in Ghana and Côte d'Ivoire, largely due to the forward selling system of the two major cocoa producers. As a result, prices only significantly went up almost a year and a half after the rest of the world, and not at the level hoped for by producers and civil society. This has created a sense of frustration. But above all, it has revealed the rigidity of the marketing systems in place in these countries in a context of positive price volatility.

Elsewhere, higher market prices have driven a rush to increase production, posing serious challenges to farmer organisations and the traceability of cocoa supply, as well as creating grave risks for environmental protection in the remaining basins of our global tropical rainforests. Higher world market prices are starting to hit the shelves of retailers, although the appetite of consumers remained surprisingly stable during 2024 and even in 2025 the drop in demand has not been very large. How consumers will respond in the future is up in the air at the time of writing.

The problem tree of cocoa

Put simply, the main sustainability challenges in the cocoa sector issues can be depicted as a 'problem' tree. This tree has two main branches. One branch consists of environmental challenges, and includes issues such as deforestation and climate change, agrochemical use, and land encroachment through goldmining. The second major branch consists of human rights challenges, including child labour, forced labour, trafficking, as well as a myriad of labour rights violations. These two branches rest on the tree trunk problem of farmer

Infographic 1: **The problem tree of cocoa**

poverty. Unless farmer poverty is tackled properly, all the other problems will become almost unsolvable. Trees have roots, and the roots of the cocoa problem tree can be found in the enabling environment of regulation, governance, and the ability of farmers and rightsholders to self-organise and be protagonists of their own right.

What is happening in cocoa is not unique to our sector and is likely to happen – if not already happening – in other agricultural sectors as well. Unsustainable production, commodity market dynamics of booms & busts, and climate change are likely to make food very expensive in the future. Much more expensive than what we can imagine today. This is why it is an imperative to decommoditise agricultural production. We need to find a system that pays a price that allows for regenerative agriculture. If we do not, the price we will eventually pay will be much higher. The situation of cocoa is tragic, at the same time, it's a warning for humanity on how it operates its agricultural system.

Gender equality

Cross cutting through these issues is the issue of gender inequality. Every single one of these problems gets better when women are empowered and involved in the tackling of them. Every single of these problems gets worse when they aren't.

Breathing space

What the current higher prices are providing, is some 'breathing space'[4] to talk about farm gate pricing. With the world market price hitting US$10,000 a ton several times in the past year and a half, it is clear that the sector can afford paying the farmers more than the historically low prices we've seen the past decades. The question remains; how do we make sure the prices are high enough in the future, so that farmers can earn a living income? How long the prices will remain higher is anyone's guess. At some point they will come down again. When they do, the sector will need to have systems in place to protect farmers, whilst simultaneously putting in place protections for forests especially in times of higher farm gate prices.

Experience shows that when prices rise, as they have in the past two years, effects are less noticeable and less directly for producers. But when prices fall, producers feel the impact very quickly, as stakeholders, including governments, do not wait to lower farmgate prices. A time is coming when the prices will be

4 The words of Teddy Esteve, CEO of cocoa and coffee trader ECOM, at the Swiss Coffee Trader Association's annual conference in Basel, October 2024.

lower at farm gate, but when the brands will be earning considerable margins at retail level. We must therefore be collectively vigilant. Current revenue surpluses must enable us to ensure that producers continue to earn an acceptable income in the future. We will see to that.

Keeling to the right

Meanwhile, the regulatory landscape has been shifting at bewildering speeds. The arc of the sustainability conversation over the past seven years seemingly curved towards the inevitability of regulation. However, since mid-2024, across the consuming world, the global political landscape has taken a sudden keel to the right, triggering a wave of deregulation of sustainability and defunding of development programmes.

While virtually all cocoa stakeholders, including industry, seemed to be aligned on the need for coordinated action on both sustainability and improving the incomes of the weakest players in the supply chain, on both sides of the Atlantic, governments are putting the axe to sustainability, with serious long-term ramifications for climate, forests, sustainability, and the civic space for holding power accountable risking a rolling back on progress painstakingly made.

This is regulatory unreliability is contributing to confusion, and preventing companies from making a clear commitment to cooperatives and producers, who nevertheless need concrete support, especially in view of the implementation of national regulations such as the ARS-1000 standard in Côte d'Ivoire and Ghana as well as the implementation of the EUDR.

Concentrated

The cocoa supply chain is highly fragmented, with much of the sourcing occurring through informal intermediaries, particularly in Côte d'Ivoire, where around 60% of cocoa still was untraced in 2024/25. This lack of transparency makes it difficult to monitor the sustainability of the cocoa supply and prevents effective accountability for deforestation and other environmental issues. Moreover, the global cocoa market is dominated by a few large traders, with seven companies controlling a large part of the trade[5]. These companies source the majority of their cocoa from Côte d'Ivoire and Ghana, making them key players in addressing the sector's sustainability challenges.

5 If one was to add up the tonnages of the top 7 traders (see the table on page 168), this would almost be the equivalent of the world's total production. As there is considerable trade between these traders, the maths does not work that way, but it gives an indication of the importance and concentration of the global trade.

Looking back to look forward

This Cocoa Barometer marks the fifteenth anniversary of the VOICE Network. And though we wish that this anniversary would happen in more joyous circumstances[6], it provides an excellent opportunity to take stock of where we have come from as a sector. Too often, we only look at the changes of the last year or two and forget that system change is measured on a much longer time scale. One tends to overestimate the change that can be wrought in a year but underestimate the change that's possible over the course of a decade. In that light, this Barometer not only looks back at the developments since the release of the last Barometer but purposefully brings in a longer scope of development. It also attempts to sketch potential major developments and risks for the coming years.

Where are we going?

Interrelated challenges

All the challenges described in this Barometer are interrelated. Much like a spider's web, if you pull on one thread, the whole structure will change shape. Child labour is deeply interlinked with family income, education, a strong local governance and rule of law. Labour rights are connected to supply chain transparency. Environmental protection is deeply connected to the issue of farmer poverty. Livelihoods and health care cannot be taken as two separate topics. Everything is interconnected. These issues exacerbate each other when they are not dealt with holistically, a topic also referred to as intersectionality. This intersectionality of problems asks for a systematic approach. Running through all this like a scarlet thread is the absolute need for gender equality, the necessity for rightsholders to organise and be heard, and the incumbency on the sector to acknowledge historical inequality, racism, colonial legacy and global exploitation in the cocoa supply chain.

No simple answers

The solutions we bring to the table will require an acknowledgement that there are no simple answers. We can't cherry pick the solutions that suit our narrative. We can't leave out key ingredients if they don't fit our ideology or are simply inconvenient. A smart mix requires that all ingredients can be brought to the table. This also means that these complex problems will need to be addressed with nuanced solutions that go beyond simplistic either/or solutions; a lot more often than is now acknowledged our solutions must be based on a both/and approach. To put it simply, we are going to have to throw everything and the kitchen sink at the challenge. And even then, it will be a massive undertaking.

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6 Our tenth anniversary, ironically, went entirely unnoticed due to a raging global pandemic.

Including rightsholders

However, almost all the sustainability solutions currently being implemented in the cocoa sector are far less holistic than is needed. A reason for this can be found in the fact that almost all of these programmes are financed by those that sit in the board rooms and corridors of power in Europe and the United States. They choose which topics to prioritise, they choose what the problem analysis will be, and they choose the preferred interventions. Unsurprisingly, those choices seldom lead to challenges to their own status as wielders of power. Rightsholders[7], meanwhile, are equally seldom truly included in problem analysis or solution design. At best, rightsholders are allowed to validate plans made by people far away in much less dire circumstances than those affected by the proffered solutions.

Stronger together

The challenges ahead underline the importance of working together. The 19th century Dutch architect Berlage[8] famously only built in bricks, because, he said, "a brick on its own might seem insignificant, when it has mass, it has power". In order to face the future, the cocoa sector must learn to work together ever closer. Everyone has a few bricks to add to the mass. Thankfully, such collaborations are surfacing in many places. Civil society across the world has joined hands in the VOICE network. Farmers and civil society are collaborating closely in the two major cocoa producing nations, in the *Plateforme Ivoirienne pour le Cacao Durable* (PICD) and in the *Ghanaian Civil-society in Cocoa Platform* (GCCP). Sometimes, the collaborations are less likely, such as the Brussels based *EU Cocoa Coalition,* where multinational chocolate companies and civil society have been working in unison for the last five years, advocating for sustainability regulations. Though there are positive examples of such collaborations, it is still nowhere near enough. A lot more collaboration is needed if we are to brave the challenges we are facing.

7 Including farmers and their dependents, community representatives, indigenous people, and other concerned groups.

8 Coincidentally, the annual Amsterdam Cocoa Week is held in the Beurs, designed by Berlage.

Summary

The cocoa sector itself has been through turbulent years since the last Cocoa Barometer was released. A perfect storm of challenges converged, driving market prices up to levels not seen by anyone working in the sector today. Yields declined drastically in Ghana and Côte d'Ivoire, with farm gate price increases not following suit immediately in those two countries. Elsewhere, higher market prices have driven a rush to increase production, posing challenges to farmer organisations, commercial traceability and environmental protection.

This is not unique to cocoa. Unsustainable production, commodity market dynamics of booms & busts, and climate change are likely to make food very expensive in the future. This is why it is an imperative to decommoditise agricultural production. Cocoa is a warning for our agricultural systems.

The main sustainability challenges in the cocoa sector issues can be depicted as a 'problem' tree with two main branches; environmental challenges on the one, human rights on the other. Both branches rest on the tree trunk problem of farmer poverty. The roots of the cocoa problem tree can be found in the enabling environment of regulation, governance, and the ability of farmers and rightsholders to self-organise and be protagonists of their own right. Cross cutting through these issues is the issue of gender inequality.

The current higher prices provide some 'breathing space' to talk about farm gate pricing. How do we make sure the prices are high enough in the future for farmers to earn a living income? When the world market price of cocoa comes down again, the sector needs to have systems in place to protect farmers and forests at the same time.

The regulatory landscape has been shifting at bewildering speeds. Since mid-2024, the political landscape in consuming countries has triggered a wave of deregulation and disengagement of sustainability.

All the challenges described in this Barometer are interrelated. These issues exacerbate each other when they are not dealt with holistically, a topic also referred to as intersectionality. This intersectionality of problems asks for a systematic and coordinated approach.

The solutions we bring to the table will require an acknowledgement that there are no simple answers, and that we can't cherry pick the solutions that suit our narrative. To put it simply, we are going to have to throw everything and the kitchen sink at the challenge. And even then, it will be a massive undertaking.

The challenges ahead underline the importance of working together. Rightsholders need to be at the table, and collaborations need to be the norm rather than exception.

This Cocoa Barometer marks the fifteenth anniversary of the VOICE Network. In that light, this Barometer not only looks back at the developments since the release of the last Barometer but purposefully brings in a longer scope of development.

The future requires nuanced collaborative solutions that address the complex challenges of the cocoa sector.

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Once in a lifetime; the market in 2025

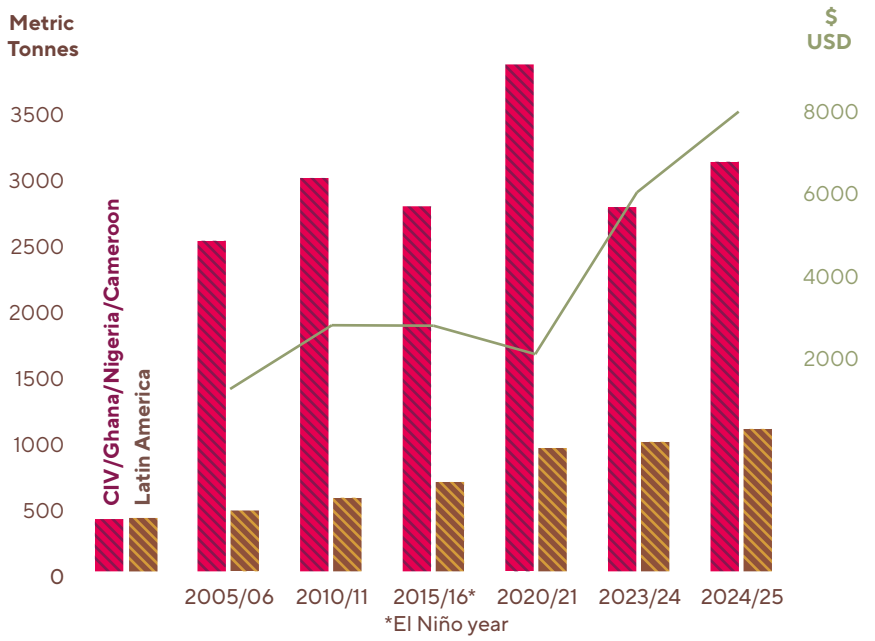
"Industry is underestimating the situation at the other end of the chain: the cocoa bean producers. In the long run this would be unsustainable for the whole cocoa sector. This must change, and change now. We must address the social, environmental and economic needs of the producers. Then, and only then, can we be assured of an adequate supply of quality cocoa, now and in the future."

Cocoa Barometer 2009, p21

Where have we come from?

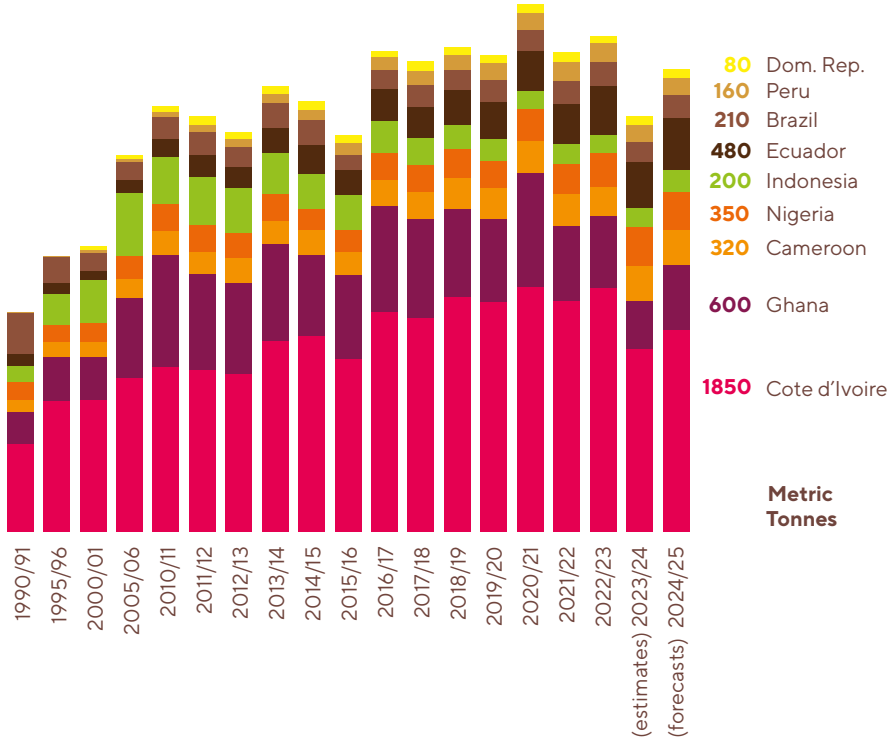
Since the turn of the century, cocoa production globally has almost doubled. Two countries in West Africa, Côte d'Ivoire and Ghana, have dominated the global market. In the last ten years, Latin America has seen a increase in production, with Ecuador and Peru especially increasing their production areas.

Infographic 2: **Changes in volumes Côte d'Ivoire/Ghana/Nigeria/Cameroon & Latin America**



Over the past five decades, cocoa prices have been steadily low – with the year 2000 as an absolute lowest point – as production increase always kept a slight oversupply in place, depressing farm gate prices structurally. In that state of slight oversupply, production and grindings were reasonably in tune with each other for many years. Prices increased gradually for several years from circa 2010 onwards, until in 2016 an unforeseen situation of increased – but still moderate – oversupply caused a major price crash in the 2016/2017 crop season. As a result, farmers worldwide faced incredible hardships due to collapsed prices. Although the forward selling systems in Ghana and (since 2012) in Côte d'Ivoire helped protect farmers from the first blows, over time farm gate prices there also went down by a third. The two major cocoa growing origins responded in several manners.

Infographic 3: **Global production per major production country 1990-2025**



Ivorian prohibition of farm renovation

Firstly, the Ivorian government forbade the 'renovation' of plantations, in order to avoid future overproduction surges. In practice, this means that farmers are stuck in low productivity systems with aging trees, unable to invest in proper farm management.

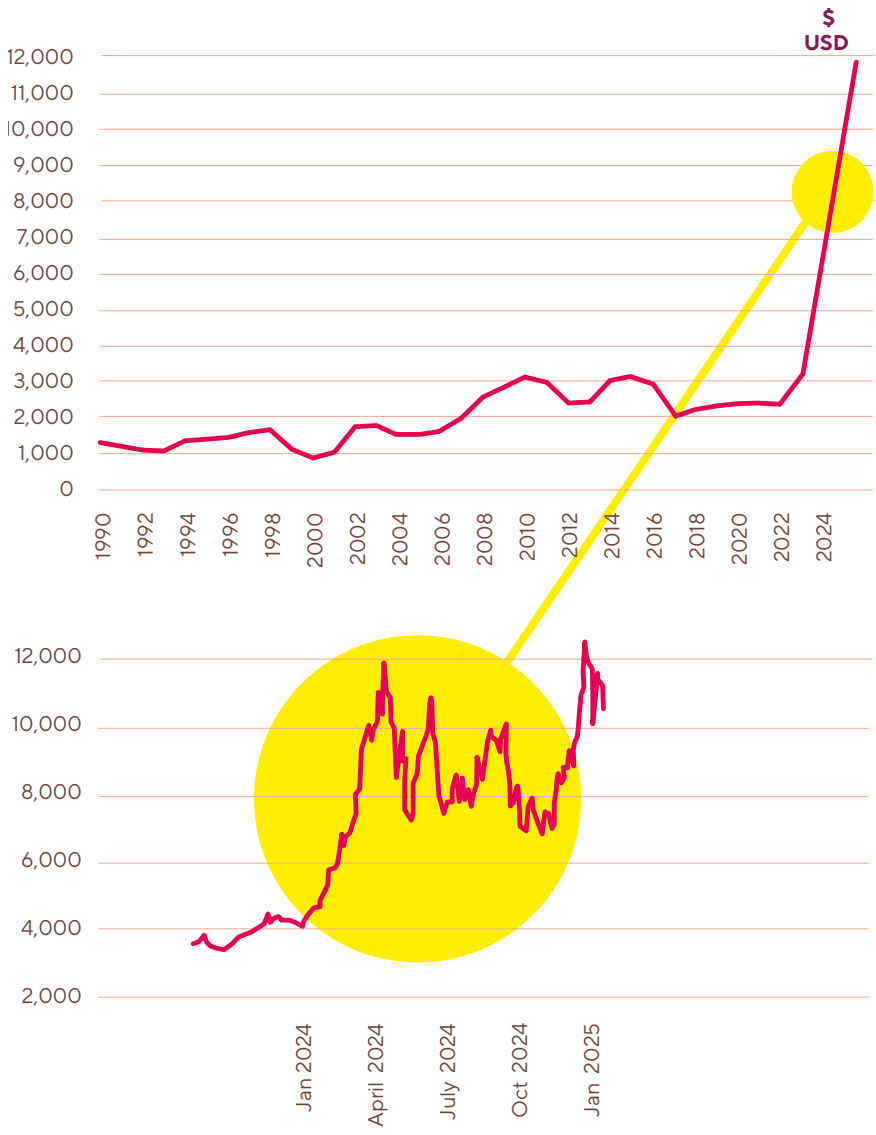
Côte d'Ivoire and Ghana Cocoa Initiative

In 2018, in a surprise move, the Ivorian and Ghanaian governments announced they would start collaborating to avoid similar crashes happening in the future. The Côte d'Ivoire and Ghana Cocoa Initiative (CIGHCI) was founded to institutionalise this. The main work of the CIGHCI was to implement a $400 a tonne surcharge to the market, the so-called "Living Income Differential". Though the CIGHCI has caused a new dynamic in the cocoa sector, the majority of the LID was absorbed in other market differentials.

Business as usual

For decades, the market has operated in a 'business as usual' dynamic. The market is a very flexible system, that is able to handle many unusual events. This includes events such as an oversupply crisis and ensuing price crashes such as in 2016/2017. In 2010, when the EU imposed a ban on Ivorian cocoa due to a civil war, the market also found ways to have that cocoa smuggled through other countries. But the market is finding that there are limits to a business-as-usual approach.

Infographic 4: **Price development global price of cocoa**



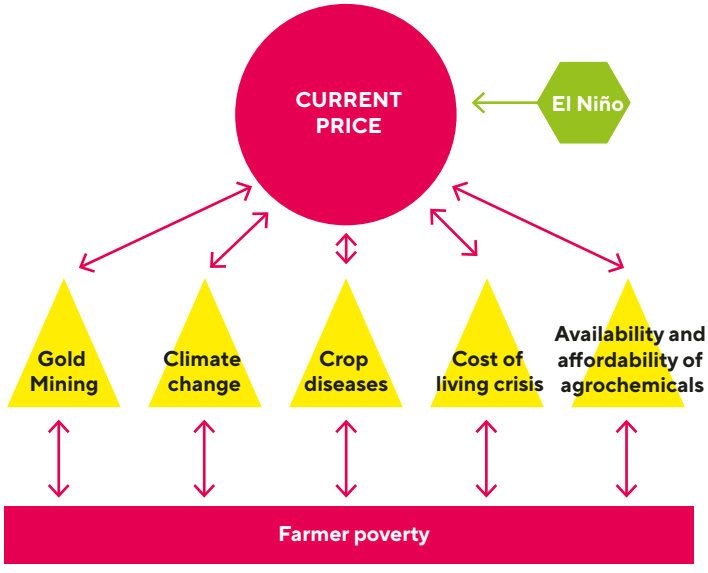
Where are we now?

No one currently working in the cocoa sector has witnessed the kind of situation that the cocoa sector is in. Due to a supply shortage, in 2024 the cocoa price rose to historically high levels. In April 2024, the cocoa price at the futures markets shortly went over $12,000 per tonne. Not since the 1970's, when prices adjusted for inflation were around $18,000 per tonne, has the market seen such highs. Experts were scrambling to explain these unforeseen market events.

A perfect storm

A perfect storm of various root causes led to a series of bad cocoa harvests, primarily in Ghana and Côte d'Ivoire. Global supply unexpectedly dipped well below global demand, causing prices to go up dramatically as the private sector started looking for cocoa to satisfy their needs. This shortfall has several reasons. Crop disease, ageing trees and farmers, low yields, incursion of gold mining; these are all direct and indirect consequences of decades of a combination of underpaying farmers, high risk for farmers, and lacking government policies and support. Add to the mix climate change, bad weather, a cost-of-living crisis, and rampant inflation (in the case of Ghana), and a perfect storm is created causing damage for many years to come. It serves as yet another reminder of the urgent need to take action to reduce human impact on forests, which act as a natural buffer against climate change

Infographic 5: **Causes of current market prices**



El Niño

Farmers all over the world experienced low yields because of changed rainfall patterns caused by the El Niño that started in June 2023. This weather anomaly usually lasts for a period between nine months and two years. The impact in Ghana and Côte d'Ivoire was much stronger than in other regions and also much stronger than during the last appearances of El Niño, partly because the loss of almost all the old growth rainforests there exacerbate weather patterns. Rainfall in Côte d'Ivoire was 20%-40% higher than the 1991-2020 average, leading to destroyed flowers, and rotting pods and trees.

Crop disease

Furthermore, both in Côte d'Ivoire and Ghana, crop diseases, such as Cocoa Swollen Shoot Virus Disease (CSSV) and Black Pod Disease are badly affecting long-term tree health.[9] The rotting pods and trees due to El Niño provided ideal conditions for these diseases to fester and spread even quicker.

This was further exacerbated by the cost-of-living crisis and the astronomical increase of the price and lack of availability of agrochemicals after the Ukraine war started. Because farmers could no longer afford agrochemicals – even if they were available – crop diseases caused more damage than otherwise. Monoculture farms are also far more susceptible to diseases than in the case of intercropping and agroforestry, as is described elsewhere in the Barometer.

These diseases could lead to a situation of not just one or two seasons of bad crops, but of the need for replanting. The mortality rate of CSSV is 100%, meaning that every farm affected needs to be completely replanted. Such a farm would need 3 to 5 years before production will be back at pre-crisis levels. Farmers can't afford to wait that long, so there's a real possibility they will switch to other crops.

Galamsey

A third major reason for the structural decline of cocoa production in West Africa, is the ever-increasing sprawl of small-scale gold mining (Galamsey). Farmers are paid cash sums for the miners to use the farmers' land, cut down the trees, and create open mines where once a farm was. Not only does this lead to widespread damage to biodiversity, it also heavily pollutes groundwater and soil, damaging surrounding plantations, forcing the owners of surrounding farms to also consider selling their land for gold.

9 Though CSSVD leads to more tree loss (up to 100% of tree loss in three years and potentially making the land unfit for cocoa cultivation from then on) than Black Pod (up to ca. 10% per year), they both have long term effects on the plantation.

Smuggling

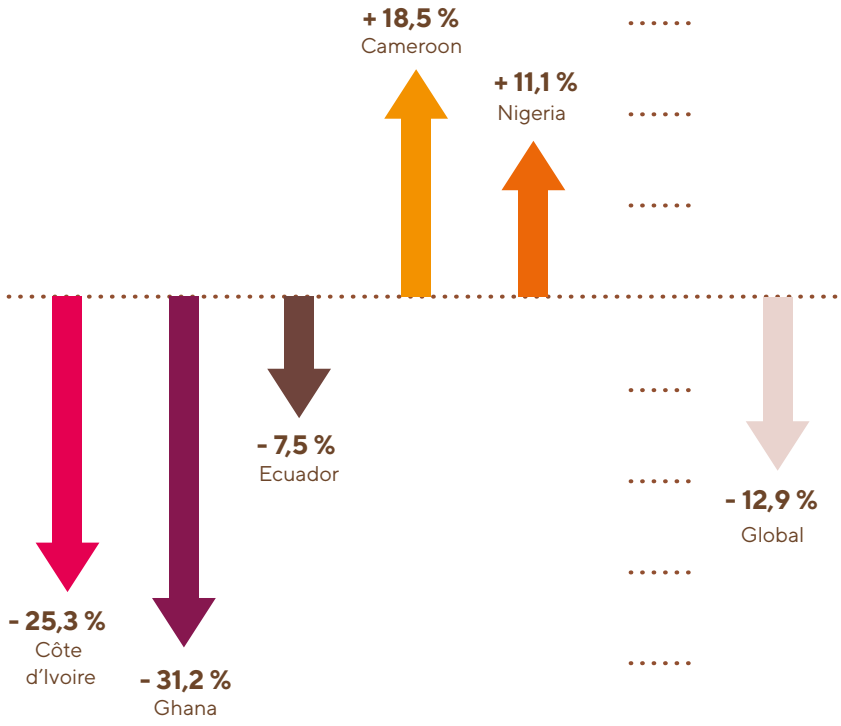
With cocoa prices fixed in Ghana and Côte d'Ivoire, but not in neighbouring countries, there's also an increased risk of cocoa being smuggled across the borders to countries such as Liberia, Sierra Leone, Togo, and others. Though this does not affect the worldwide production of cocoa, it does affect the ability of CCC (Côte d'Ivoire) and CMC (Ghana) to deliver on their forward sales, creating a further rush for the available cocoa in those two countries.

Low farmer resilience

An unprecedented series of shocks as described in this chapter would have been a real struggle for farming communities in the best of times. However, for decades, cocoa farmers have been struggling in dire poverty. Such a long period of vulnerability affects farming communities' ability to respond to shocks. This low farmer resilience is a direct result of decades of the cocoa sector accepting farmer poverty as a part of the value chain. However, a chain is only as strong as its weakest link, and underinvesting in farmer income has now come to haunt the sector.

The low harvests in figures

Infographic 6: **Production Changes per country 22/23 – 23/24**



Not every country saw a decline as strong as in Ghana and Côte d'Ivoire. This is a clear indicator that El Niño wasn't the only reason for the problems in Côte d'Ivoire and Ghana. Even though the lower farm gate prices in Ghana and Côte d'Ivoire could have led to additional smuggling to neighboring countries with liberalized markets[10], there is no doubt that the harvest in both countries is much lower than in the years before, in some regions the harvest was even disastrous.

High price, high volatility

Not only are the world market prices higher than in many decades, but they have also been very volatile. A good example was the price movements in the beginning of May 2025. On May 5th, the ICCO daily price was US$8,137. Eleven days later, the price on 16th May was US$10,035. All in all, prices went up with nearly US$1,900 in less than two weeks. Until recently, for decades the average annual cocoa price was around US$2,500. In those times, fluctuations of a few hundred US dollar within a month would have been a sensation.

Effects of the price crisis

Running out of cocoa?

Several years of undersupply have caused global stocks to be reduced to historic lows. Though the 2024/2025 harvest looks to have a slight surplus, reports of chocolate factories reducing production due to a lack of available stocks have started circulating. During 2024, it even came to the point that Côte d'Ivoire and Ghana temporarily stopped forward selling the next year's crops and defaulted on some of the forward sales for the ongoing season as well. Though the 2024/2025 season has seen a return to slightly lower deficits, it will take quite several seasons of reasonable harvests to return back to normal.

Effects on farmer income

In Côte d'Ivoire and Ghana, official farm gate prices are guaranteed by respectively the Conseil de Café-Cacao (CCC) and Cocobod (Ghana). These are based on sales that were effected up to 18 months previously. As a result, farm prices in these two countries didn't go up in the first year of the price rally, although yields had significantly decreased. Income for Ivorian and Ghanaian farmers plummeted in the 2023/2024 crop season. For the 2024/2025 crop season, prices were slowly catching up with the changed world market system. Farmers in other established cocoa growing areas are getting more money per kilo.

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10 Cocoa exports from Togo, Sierra Leone and Liberia all went up by roughly 10,000 tons and exports from Guinea by 60,000 tons (season 2021/22 compared to 2023/24). However, this is only a combined tonnage of 100,000 tonnes, while Ghana and Côte d'Ivoire both saw declines of around 300,000-500,000 each.

A rush on beans

Although it is good that farmers are finally receiving decent prices, the global shortage of beans has had several effects on how cocoa is traded in various parts of the world. Higher prices coupled with a scarcity of beans has cause a veritable 'goldrush' to secure supply. This could lead to increased deforestation and could turn farmers away from sustainable production to quick sells on the bulk market, thereby foregoing any quality and sustainability criteria. It can also have a negative effect on agricultural best practices, leading to more diseases and soil degradation. In the long run this could also lead to less cocoa and less income for farmers.

Increased danger

Due to the current price levels, shipments of cocoa have become interesting targets for criminality activity, including bean theft and protection rackets. This increases the personal risks of those transporting the cocoa, but also increases the economic risks for farmers and local traders. These issues can be seen in various cocoa geographies, both in Africa and Latin America.

Liquidity challenges for cooperatives and local companies

With the higher prices, cooperatives and local cocoa buying companies were struggling with liquidity to pay farmers, as there is often a delay between when the farmer delivers the cocoa to the cooperative and when the cooperative is paid by the trader. In other countries, especially in Latin America, this liquidity challenge is exacerbated by farmers directly selling to traders as the prices are higher – and thereby sidelining cooperatives altogether. This has significant long-term consequences for cooperatives, as well as for the traceability and functioning of coupled sustainability systems. As a result, cooperatives and local cocoa-buying companies have been plunged into a severe cash-flow crisis.

Effects on local grinders and traders

These liquidity challenges have also affected smaller – often locally owned – trading houses, that are being pushed out of the market by the multinationals. Furthermore, Côte d'Ivoire and Ghana both have large grinding industries, with Côte d'Ivoire having the world's number one grinding capacity. In these two countries, many local grinding companies have run into problems because of insufficient cocoa deliveries. Companies with deeper pockets, stronger cashflow, and with written contracts with CCC and the COCOBOD – usually the multinational trading companies – were higher up on the list for getting access to cocoa.

Market concentration

At a global level, the higher prices have tended to push local traders out of the market, as large multinational trading houses could more easily afford the higher up-front farm gate prices. This will lead to a consolidation of market share

for the larger traders. Interestingly enough, no major trading house in cocoa has gone out of business yet, although there is increased talk of potential mergers as well as of some traders choosing to leave the sector due to high risk.

Farm gate prices

At field level in Ghana and in Côte d'Ivoire, two very different dynamics started taking place. On the one hand – particularly in the more established cooperatives – coops and traders started offering additional premiums to farmers, as traders became desperate for actual beans due to the shortage of supply. On the other hand, unorganised farmers in hard-to-reach areas, with extremely low yields were sometimes obliged to sell at prices well below the guaranteed price as they were in dire need of direct cash. This dynamic is often witnessed in normal market situations[11], but was exacerbated strongly by the price surges. Farmers in other cocoa producing countries, where cocoa is not forward sold by government marketing agencies, have profited greatly from the exploding prices.

Ivorian prohibition of higher prices

The competition for beans has disorganised the mechanism put in place by the CCC to the point that the CCC issued a statement forbidding higher payments to farmers. Local civil society strongly spoke out, stating that farmers and cooperatives should be able to profit from market dynamics when they are in their interest.

Forward selling in question

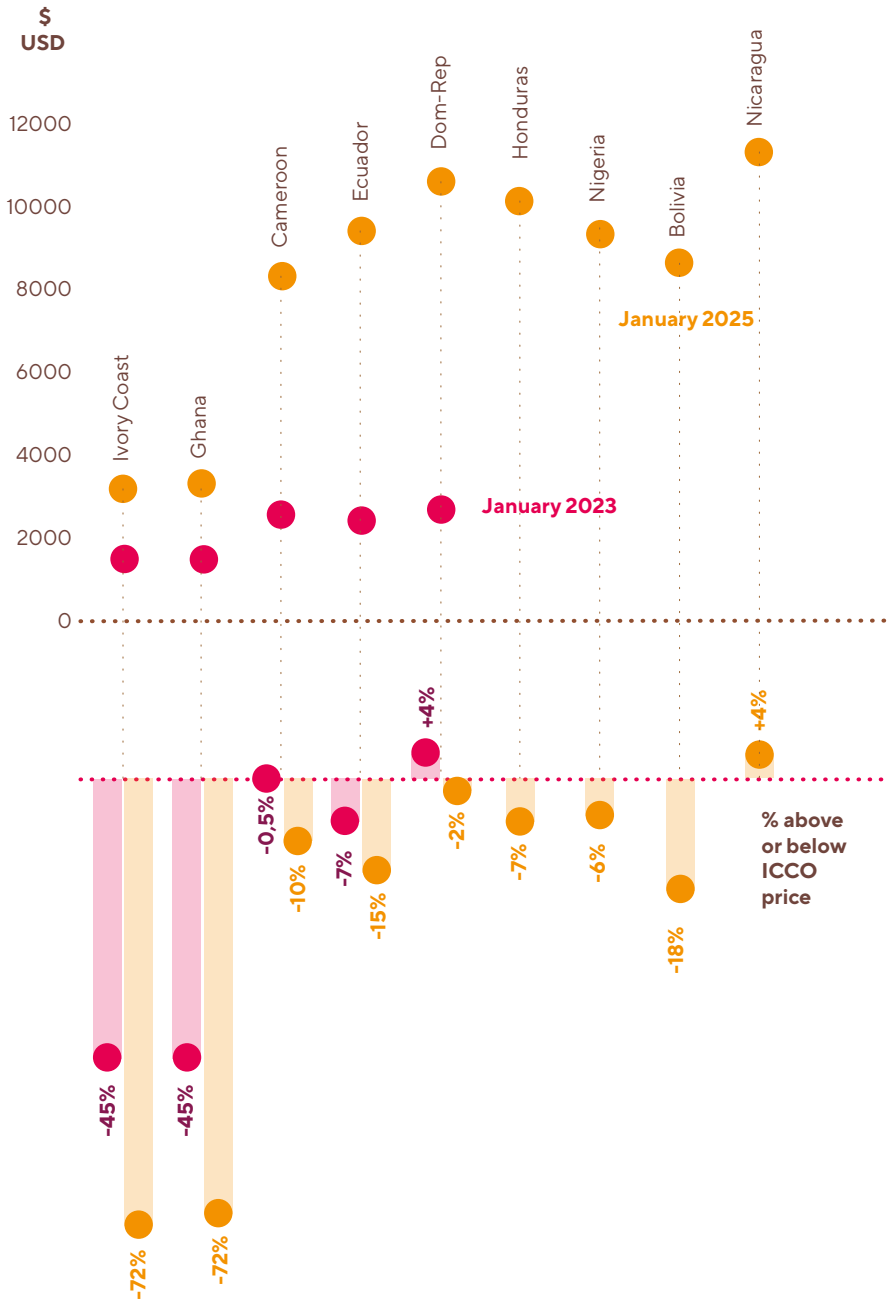
There is growing criticism about the forward selling process, and though reforms – especially around market transparency – are very welcome, it would be too easy to throw away the baby with the bathwater. Ten years ago, the rest of the cocoa growing world was looking at Ivorian and Ghanaian farmers with envy when their forward selling system protected them from the worst price shocks when the world market prices collapsed. In that light, forward selling can play a critical role, especially in volatile markets. However, at present, farmers in Ghana and Côte d'Ivoire are not satisfied with the current system. There is a real need for discussion, so that regulators and farmers can work together to find concerted and sustainable solutions.

Effects on CCC and Cocobod

Côte d'Ivoire and Ghana both have cocoa marketing systems that are quite different from the rest of the world, with a centralised forward selling process in place in both countries. These systems ran into significant problems when the

11 Forward selling in food insecure months happens across the board in cocoa communities, even among communities that are well established and with market access. This further shows how urgent it is to increase farmer income and to strengthen their resilience.

Infographic 7: **Farm gate price vs world market price by country**



world market price started going up. In spring of 2023 both institutions were happy that already more than half of the expected following harvest was sold – probably at around $2,500 per tonne. However, this meant that when the price rally began in late 2023 both countries simply had no cocoa to sell. To make matters more complicated, the reason for the higher prices – a much lower than expected harvest – brought them into a very difficult situation; they had oversold the crop, at a price well below what the world market was offering by the time the crops were due.

Increasing pressure by a restless voting population – with presidential elections pending in both countries – caused both CCC and the COCOBOD to increase farmgate prices significantly. However, they still could not deliver much cocoa to the world market, due to a very bad mid-crop. For the 2024/25 season, both Cocobod and CCC struggled to meet the forward sold contracts, and hundreds of thousands of tons of cocoa from the previous season had also still not been delivered. The impact on Côte d'Ivoire will likely be less than in Ghana, as Ivorian production dipped less drastically and bounced back quicker than in Ghana.

Liquidity challenges for Ghana

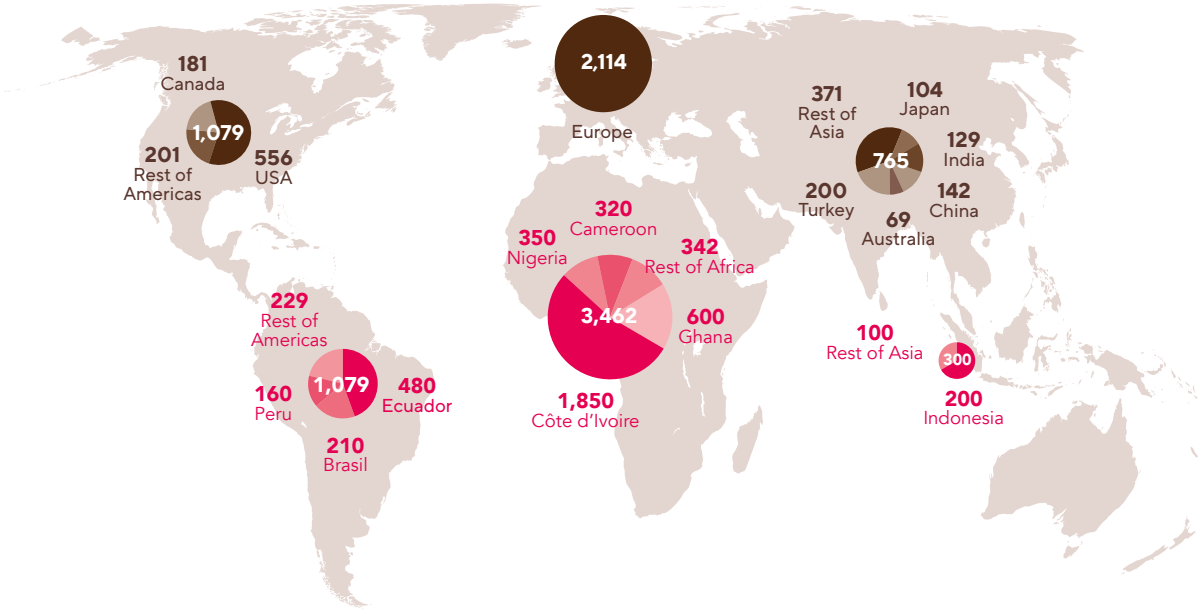
In Ghana, the liquidity woes of the COCOBOD (as the only seller of cocoa) deepened when banks declined to underwrite syndicated loans for cocoa purchases, undermining its ability to pre-finance the 2023/24 cropping season. The debt load and liquidity problems were further exacerbated by the costs they are currently incurring in order to comply to the requirements of the EUDR regulations – and in the case of Côte d'Ivoire and Ghana, the ARS 1000 standard.

The Cocoa Marketing Company (CMC), which belongs to the COCOBOD, manages the forward selling system, which enables COCOBOD to get access to US Dollars. Based on the target of forward selling 70% of the projected crop, loans are secured on the international market, with relatively low interest levels. The US-Dollar is transferred to the Bank of Ghana. In a next step, the Bank of Ghana converts the US dollar to GHS, which COCOBOD uses to pre-finance licensed buying companies who in turn purchase from the cooperatives and local intermediaries.

This use of cocoa as a collateral for loans limits the negotiation power of the Cocoa Marketing Company (CMC), as buying companies know that CMC has to sell as much cocoa as possible as early in the year as possible. Additionally, the government might put pressure on the CMC to calculate with forecasts which announce high volumes of harvested cocoa to increase the size of the loan. In a situation where the harvest is as bad as it was in 2023/2024 year, the risk of overselling is obvious with all its negative consequences.

Infographic 8: **Global production and imports**

production in 1,000 tonnes 2024/25(forecast)
Net imports of cocoa and cocoa products, in beans equivalent in 1,000 tonnes 2023/24
Source: ICCO 2025, Table 3,38,39



Where are we going?

Nobody in the sector knows how long the prices will stay at the current levels. Though El Niño has passed, some of the structural causes in West Africa (diseases, competition on land use from other crops, Galamsey, old trees, etc.) for the decline will last much longer. For the 2024/2025 crop season, supply and demand were reasonably balanced. For consumers, chocolate prices have been going up, and as a result, demand for cocoa decreases. Due to higher cocoa costs, companies will look for recipes to reduce the cocoa content in their products, reduce packaging sizes, and look at promotion of products with a lower cocoa content, reduce bar sizes, etc.

Increased production

The current higher price will drive some cocoa farmers to invest in their plantations. This will lead to replanting of trees, more intensive agricultural systems, and also to the planting of new cocoa plantations. The investment in existing plantations, especially in GAP in low yielding farms, can have a

relatively short-term effect and lead to an increased cocoa production. Effects of investment into new plantations will be felt in 3 to 5 years after establishment of the farm. The current higher prices will likely lead most origins to expand their cocoa production significantly in the coming years. Considering the fact that seedlings will take around three to five years to become productive, it is likely that countries such as Ecuador, Peru, Brazil, Cameroon and Nigeria will have significantly higher volume, beginning in 2027 at the latest.

New frontiers of deforestation

It will not only be established origins that will see more cocoa production. There is a real risk that more cocoa will start coming from the 'new frontiers of cocoa' – such as Liberia, Sierra Leone, and the Democratic Republic of Congo – with significant deforestation and other losses of biodiversity as a result. To which extent the EUDR will be a sufficient tool to combat this, is an open question.

Oversupply

These elements together pose a real risk that in the mid-term horizon we will once again see a significant oversupply. In 2016 a relatively modest overproduction led to a collapse of the price of cocoa to below $2,000 a tonne. Such a collapse could happen again, with disastrous consequences for farmers. As such, it is imperative that the sector – in particular origin governments – start working together on a range of supply management policies to limit the unfettered growth of cocoa production. However, this is a classic prisoner's dilemma, as producing countries currently have different interests, with some trying to grow their sector and others consolidating.

Decommoditising cocoa

The current prices show that the market clearly can operate with much higher prices. Going forward, the argument that higher farm gate prices are impossible can no longer be an excuse. At the same time, it is a fact that farmers need these higher prices to achieve a living income. It is incumbent upon the cocoa sector to find a way to ensure that prices do not collapse in the way they have done in the past.

The way cocoa is currently traded is as a commodity. To the market, each ton of cocoa is interchangeable with another, with the differentiation being the price. In other words it is designed to make the weakest link in the supply chain – smallholder farmers – compete among themselves, driving prices down and risks up. The market is designed in such a way that companies only pay fair prices when it's too late: when farmers are struck by crisis and have given up, when soils have depleted and forests disappeared.

It can no longer be enough to hide behind the argument that "this is how the market works". We need a market in which companies pay a sufficient price

to prevent these effects rather than after they inevitably happen. At the very least, a decommoditised market would ensure that real costs – such as farmer poverty, environmental damage, poor labour conditions and health risks – are not pushed onto the first producers or to the future but are incorporated into the price.

If we keep competing on cost only, we will keep trying to lower costs through creating different externalities (poverty, deforestation, child labour, etc.). It is up to the sector to 'decommoditise' cocoa, ensuring that supply and demand are no longer the only arbiter of what a fair price is at farm gate.

At present, there are no clear answers how to go about this, and there might be different ideas about how to do this. Internalisation of costs (true pricing systems) could be an approach, as could differentiation (bringing environmental and social aspects as part of the value proposition). In any case, farmers should be clearly involved in these discussions, allowing rightsholders to be part of a discussion that clearly influences their livelihoods.

How to create such decommoditised value chains at scale is a challenge that has no easy answers at present, however the problems the sector is facing are not easy either and the answers need to be commensurate to the size of the problem. Continuing in the current manner will not lead to significantly different outcomes than we have seen so far.

Summary

Since the turn of the century, cocoa production globally has almost doubled, with Côte d'Ivoire and Ghana, dominating the market. In the last ten years, Latin America has seen a real increase in production. For decades, a slight oversupply structurally has kept prices low (with some steep crashes such as in 2016/2017). A 'business as usual' dynamic. But the market is finding that there are limits to a business-as-usual approach.

No one currently working in the cocoa sector has witnessed the kind of situation that the cocoa sector is in. Not only are the world market prices much higher than in previous decades, but they are also very volatile. Though the 2024/2025 season has seen a return to more supply/demand balance, it will take quite several seasons of reasonable harvests to return back to normal.

Various root causes led to a supply shortage, and in 2024 the cocoa price rose to historically high levels. Crop disease, ageing trees and farmers, low yields, incursion of gold mining; these are all direct and indirect consequences of decades of a combination of underpaying farmers, high risk for farmers, and lacking enabling government policies and support. Add to the mix extreme weather events, partially exacerbated by climate change, bad weather, a cost-of-living crisis, and rampant inflation (in the case of Ghana), and a perfect storm was created. Low farmer resilience due to decades of underinvestment by the sector has made farming communities even more vulnerable.

Due to the forward selling mechanisms in Côte d'Ivoire and Ghana, farm prices in these two countries didn't go up initially, with drastic income decreases for farmers there. Farmers in other established cocoa growing areas in Africa, Asia and Latin America are receiving more.

Higher prices coupled with a scarcity of beans have caused a veritable 'goldrush' to secure supply, leading to consolidation of market share for large traders, liquidity problems for cooperatives and local companies. It also drives a risk of increased deforestation and intransparency, with ensuing long-term effects for cooperatives, sustainability systems and on agricultural best practices. In the long run this could also lead to less cocoa and less income for farmers.

There is growing criticism about the forward selling process, and though reforms – especially around market transparency – are very welcome, it would be too easy to throw away the baby with the bathwater.

For the 2024/25 season, both Cocobod and CCC have struggled to meet the forward sold contracts, and hundreds of thousands of tons of cocoa from the previous season had also still not been delivered. This has put strong financial

pressure on both countries, even more so on Ghana than on Côte d'Ivoire.

Nobody in the sector knows how long the prices will stay at the current levels. Current higher prices will likely lead most origins to expand their cocoa production significantly in the coming years. Considering the fact that trees take three to five years to become productive, it is likely that countries such as Ecuador, Colombia, Peru, Brazil, Cameroon and Nigeria will have significantly higher volume, beginning in 2027 at the latest. There is a real risk that more cocoa will start coming from the 'new frontiers of cocoa' – such as Liberia, Sierra Leone, and the Democratic Republic of Congo – with significant deforestation loss of biodiversity, and other environmental services as a result.

These elements together pose a real risk that in the mid-term horizon we will once again see a significant oversupply. A price collapse such as in 2016 could happen again, with disastrous consequences for farmers. It is imperative that origin governments start working together on supply management policies. To which extent the EUDR will be a sufficient tool to combat this, is an open question.

It is incumbent upon the cocoa sector to find a way to ensure that prices do not collapse in the way they have done in the past. It can no longer be enough to hide behind the argument that "this is how the market works". At the very least, a decommoditised market would ensure that real costs – such as farmer poverty, environmental damage, poor labour conditions and health risks – are not pushed onto the primary producers or to the future but are incorporated into the price.

4

Living Income

"The debate about a living income for farmers and their families, a diversification of income, access to finance, access to agricultural inputs, a focus on the social and environmental issues, financial transparency along the supply chain, as well as an investment in local infrastructure, are all essential ingredients of a holistic approach towards a sustainable supply chain. It is necessary for the sustainability debate in cocoa to go "Beyond Productivity"."

Cocoa Barometer 2012, p5

Where have we come from?

Data and definitions

The 2012 Cocoa Barometer published the first attempts in the sector to calculate the current income of cocoa farming households. The available data, as well as the methodology to make these calculations, was rudimentary at best, and wildly incomplete or wrong in some cases. At the time, there was no alignment on which data to collect, neither was there any indication that this data would be shared for collective learning. There was no common concept of living income, there were no data on current farmer income, there were no benchmarks on what a living income should be, there was no agreement that this should be the goal, there was no willingness to even discuss it.

Fast forward to 2025, and living income is a globally accepted concept, with a clear methodology, as well as benchmarks being regularly updated in all major cocoa growing regions. Data on current reality of farmer income is being collected in increasingly standardised and aligned forms through the *CHIS methodology*, launched in 2024. Data is also becoming increasingly publicly available, for example through the *Cocoa Income Inventory*, launched in March 2025.[12]

Solutions to poverty

Fifteen years ago, the possible interventions on farmer income were meagre. There were some agronomists, most notably within Mars, that had started to push for productivity improvements at farm level. And certification was seen as a panacea that could solve most of the farmer's problems. All of the major voluntary sustainability standards at the time advertised their labels as tools to fight poverty. And with those two arrows – agronomy and certification – the quiver was complete. Paying the farmers more – in any way, shape or form – was considered anathema.[13]

Fast forward to 2025, and the tools available to the sector have increased dramatically. Even within the agronomic approaches, so many more interventions are at hand. But beyond that, a wide range of interventions has been developed, from Village Savings and Loans Associations, through income diversification and the Living Income Differential, to cash transfers and living income reference pricing models. In fact, in the living income space, it would be

12 However, understanding of this data remains insufficient, particularly for farmers. This is undoubtedly due to the extreme complexity of the supply chain. Be that as it may, efforts to explain the data should continue and work should be undertaken to simplify it and make it more accessible.

13 For example, this blog about cocoa prices and farmer poverty from 2013 shows how much there was still to go at the time.

fair to say that the cocoa sector is one of the most developed sectors globally, leading the way in many instances.

The road to living income is still long, and the challenges ahead are significant – and often ideological in nature. However, from its very crude first steps more than a decade ago, cocoa has come a long way in developing its thinking and actions.

Where are we now?

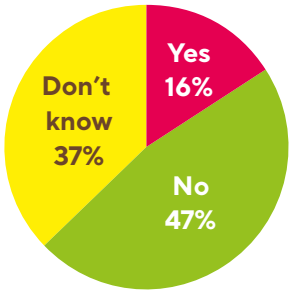
Infographic 9: **Chocolate Scorecard 2025 ranking on living income**

Brands		Traders/processors	
1	Halba	4	Cemoi
2	Tony's Chocolonely	6	Puratos
3	Ritter Sport	13	ETG Cocoanect
7	Nestle	16	Sucden
11	Mars	17	Barry Callebaut
14	Hershey	18	OFI
23	Lindt	19	Ecom
24	Ferrero	21	Touton
	Mondelez	27	Cargill
		29	GCB Cocoa
		32	JB Foods
		38	Blommer/Fuji

Scorecard: 84% of farmers not reached effectively on living income

In the Chocolate Scorecard, one of the questions is whether the company knows how many farmers are earning a living income in their supply chain. In their responses, participating companies report that only 16% of the farmers they source from are earning a living income. For more than one-third of their supply (37%), companies simply don't know whether the farmers are earning a living income, and for almost half (47%) they know that their farmers are not earning a living income. This means that for 84% of the farmers that companies buy from, companies either know that farmers are not earning a living income or don't know whether they are. Living income strategies and action plans are not reaching 84% of supply effectively.[14]

Infographic 10: **Do companies know how many farmers earn a living income**



Farmer poverty is a driver of just about every problem in the cocoa sector; deforestation, child labour, and gender inequality are all made so much harder to tackle if cocoa household incomes are not raised significantly. When farmers must choose between feeding their family and not cutting down old growth trees, it is not a choice. When they must choose between feeding their family or sending them to school, it is not a choice either. Without a living income for cocoa farmers, cocoa will never be sustainable.[15]

14 Analysis provided by the Chocolate Scorecard

15 However, most sustainability programmes – as well as proposed legislations - only aim to address living income in cocoa through either indirect approaches - often as a result of buying into the myths described below – or by skipping living income directly and trying to tackle issues such as child labour or deforestation without a holistic approach to solving the underlying poverty.

There is significant evidence that current approaches to raise farmer income have had marginal impact at best. For decades these approaches have been mostly, if not exclusively, focused on agronomic solutions. Implicit in these approaches is that farmers are poor because they are either not working hard enough, not working smart enough, or a combination of both.

However, data shows that there is an insignificant correlation between higher productivity and net income. In some cases, there is even a negative correlation.[16] In fact, recent research shows that labour intensive approaches to alleviate farmer poverty – such as increased productivity or diversified production – lead to higher incidence rates of child labour.(Habraken/Diallo/De Graaf/Kuijpers 2023)

Why living income matters

Living income is a moral imperative, a business imperative, and a legal imperative.

Firstly, living income is a human right in and of itself. As such, Living Income deserves a centred position in any conversation around the changes needed from a rights-based perspective. Ensuring a living income is therefore a moral imperative.

Providing a living income makes sense from a perspective of achieving sustainability targets, as living income is a driver of almost all sustainability problems in the sector. Furthermore, long-term sustainability also enables greater security of supply: fair and sustainable value chains are future proof. In that sense, ensuring a living income is therefore also a business imperative.

With several major sustainability regulations coming into force (see the chapter 'Governance), the voluntary nature of tackling farmer poverty will soon be an idea of the past. Ensuring a living income for smallholders in the supply chain will, within the foreseeable future, become a legal imperative.

16 For example, the 2021 IDH Farmer Field Book Analysis (IDH 2021) report of some of the major cocoa and chocolate company's projects on fertiliser use shows that there is no positive correlation between higher productivity and net income. And in some cases, it shows there is a negative correlation. Oxfam recently did a study in Ghana (Gneiting, Arhin 2023) with similar outcomes.

Company programmes aimed at improving livelihoods are focused on higher yields, farmer training, and income diversification.[17] Moreover, company interventions more often than not take the form of pilots, placed next to or even outside the current supply chains of companies, and seldom target the buying practices of these same companies. The companies' purchasing divisions strive to buy cocoa as cheaply as possible, and farmer poverty is not taken into consideration in their daily practice.

Infographic 11: **the three sides of the pyramid**

Three corners of the living income pyramid

For living income to become a reality for cocoa farmers, action is necessary on three separate dimensions at the same time: good agricultural practices, good governance policies, and good purchasing practices. However, not all three dimensions have an equal status. Good agricultural practices are only a worthwhile strategy if cocoa is sufficiently remunerative. This requires both good purchasing practices as well as good governance.

17 A draft of the 2023 Good Purchasing Practices consultation paper was shared with a range of cocoa and chocolate companies. Several stated that one of the reasons that some of these interventions failed, was because the targeted productivity increase wasn't achieved. As we have written in the Living Income Compendium (Fountain 2022 Living Income Compendium) and in the 2022 Cocoa Barometer (Fountain, Huetz-Adams 2022), if there is no business case for higher productivity, farmers are not incentivised to spend the time and risk to increase yields. If the purpose of projects is to raise productivity, higher prices are likely to be a very effective tool to achieve that purpose.

In the same way that 'Good Agricultural Practices' acknowledge that there are ways of farming that adopt best practices and that 'Good Purchasing Practices' acknowledge that there are better ways for companies to do their purchasing, there are also governance policies that are more effective than others in creating an enabling environment conducive to smallholder farmer incomes.

An order of responsibility

Over the past decades of sustainability conversations in cocoa, the burden to solve farmer poverty has generally been placed on the farmers themselves. However, this approach has failed every time. Not only is this approach ineffective, but it is also deeply unfair, as the systemic design of commodity markets, market power and failing governance are the main reason for low farmer income across practically every tropical commodity.

A different approach is necessary, with a different order of responsibility. Only when corporations and governments meet their responsibilities to the farmers properly does it become fair to ask farmers to invest effort and money in improving their productivity. The burden of making the first move lies squarely with the companies and the governments in the cocoa sector, through a combination of good purchasing practices and good governance.

Good purchasing practices

Scorecard: insufficient purchasing policies for vast majority of companies.

The Chocolate Scorecard asked companies about their purchasing practices. Although 31 of 39 participating companies claimed to have a purchasing practices policy or document, many of these were not considered sufficient by the scorecard's team of experts. In the evaluation of the scorers only 21 of 39 companies scored 1 or more points for this question. Almost half (18 of 39) companies are considered to have nothing in place at all, receiving 0 points.

If 4-5 points is considered a good purchasing practices policy, then only 12 of 39 companies (31%) have a good purchasing practices policy. The remaining 69% have a policy that is insufficient or don't have a policy at all.

There is a gap between what farming households currently earn and the level of income they need to achieve a living income.[18] This is called the living income gap. Any cocoa or chocolate company that is serious about bridging this gap needs to ensure its efforts are aligned with its purchasing practices.

Having a conversation with the private sector about good purchasing practices often feels like trying to put two magnets of the same polarity together; it will jump in all directions except to the point. As one senior industry leader recently said: "We've invented things such as diversification and cash transfers so that we don't have to talk about farm gate prices."[19] With the current exceptional market circumstances giving breathing space, there is an increasing shift in the cocoa sector: from resistance, the response is moving more towards 'how?'

Only focusing on price

It is important to stress that only focusing on price will not solve the issue, in the same way that only focusing on e.g. supply management, development policies, or yield gains is equally insufficient. Holistic approaches are needed: approaches that look at governance policies, good agricultural practices, and purchasing practices. Within that context, cocoa and chocolate companies are so far sorely lacking in tackling their responsibility for their own purchasing practices. Furthermore, there are literally zero corporate programmes that only look at price. In contrast, the vast majority only look at good agricultural practices.

Sphere of control

Often, companies complain that civil society asks are about topics that are outside of their control or even outside of their sphere of influence, such as government policies. However, the way in which companies buy their ingredients is largely within their direct sphere of control. The living income gap for the cocoa sector was estimated to be around $10 billion dollars per year (Kiewisch/Waarts 2020). Now, with the current price levels, this gap is likely to be smaller. Additionally, chocolate companies give their shareholders far more than US$10 billion a year through dividends, share buybacks, and other shareholder incentives.[20] And spendings for the advertisement of the products are well above costs for cocoa.

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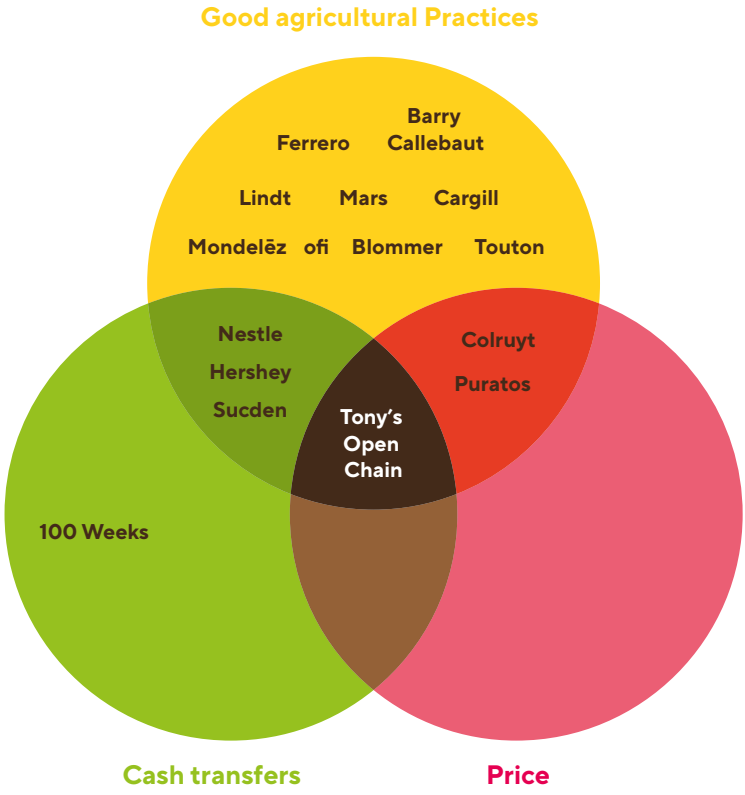
18 All major cocoa-producing nations have regularly updated living income benchmarks. These used to be available on the website of the Living Income Community of Practice. However, due intellectual property rights these benchmarks have become less publicly available. The sector is working on making these available again.

19 Under the Chatham House Rule, so the quote may be used but not attributed.

20 The Ferrero family pays itself – one single family – an annual dividend of up to half a billion euros per year. Between 2014 and 2020, the Mars' family wealth increased from $60 billion USD to $94 billion USD. Between 2010 and 2020, Nestlé bought back $46 billion USD in shares. (Fountain 2022, Living Income Compendium, p11-12) More on this can be found in chapter 8 (page 124-127)

Infographic 12:
Purchasing practices of the major cocoa and chocolate companies



Price, risk and transparency

Companies wishing to implement good purchasing practices must address three separate elements: remunerative prices (building on the core of a farm gate price that is sufficient for a living income), risk sharing (including long-term asymmetric contracts), and transparency and accountability (public communication by companies that can be independently verified)[21]. These three elements are further described in the following pages.[22]

21 In the case of Ghana and Côte d'Ivoire, governments play a role in cocoa purchases, and they equally need to demonstrate high level of transparency.

22 A more detailed deep dive into purchasing practices can be found in our 2024 consultation paper on Good Purchasing Practices. (Fountain 2024)

Remunerative Price

Though solving poverty can not only be about price, it does need to include price itself in the dynamic. However, not all poverty can be tackled through a market dynamic. Beyond volume-based payments such as price or premiums per tonne, there are other payments that can help reduce the living income gap, such as payments for ecosystems services and cash transfers.

Living income reference prices

The core of all good purchasing practices is a farm gate price that is sufficient for a farmer to be able to bridge the remaining living income gap. This so-called living income reference price (LIRP)[23] should be the outcome of a calculation of actual variables such as cost of production, yield per hectare, farm size, other sources of income, household size, and the relevant living income benchmark. The level of a LIRP should be reviewed yearly and amended when circumstances change. Though there are differences between various living income reference price calculations currently in circulation, it is clear that without implementing a reference price, companies cannot claim sustainability, because they simply don't know if their farmers are forced into poverty pricing.

Actual variables

Any LIRP should be calculated on the basis of current agronomic variables. This means that it needs to be guided by realistic costs of sustainable cocoa production – including the costs of compliance to regulations, current actual yields, available labour and labour costs, and actual farm sizes, instead of ambitions of yields to be achieved in the future. Furthermore, LIRP calculations need to account for realistic production costs (including labour and inputs) needed to achieve the stated yield rates.

Outliers vs median farmers

Many of the calculations on approaches to increase farmer income are based on best case examples of cocoa farming, often with an ideal combination of farm size, yield, and household composition, with access to extension services and infrastructure. The result is that approaches are often only realistic solutions for a small percentage of the cocoa farmers in a company's supply chain. A LIRP – and other interventions – needs to be based on the median farmer in a supply chain and should be designed to help the majority

23 In 2017, we called for the implementation of "flexible premiums", to top up the difference between current farm gate prices and the necessary level to reach a living income. (Fountain, Huetz-Adams 2017). Some time later, the first LIRP systems started to enter the market. In the cocoa sector, some companies are already using a variation of a flexible premium leading to a LIRP, including the Tony's Open Chain model, the Fairtrade Living Income Reference Price, and several Belgian companies are also running variations of LIRP systems, including Oxfam Wereldwinkels, Colruyt and Puratos/Belcolade. However, to date, no large brands or traders are working with this concept.

of farmers in a company's supply chain achieve a living income, not a small selection of best-performing households in ideal circumstances.[24] A LIRP should be the lowest bar, not the aspirational goal.

Averages vs segmentation

A LIRP enables an average household to earn a living income. However, many farming households will require additional interventions to bridge the income gap, such as gender-specific interventions, land tenure security, pension transfers for old farmer, financial literacy education, access to credit, and other structural changes.

Beyond averages, farmer segmentation can help to design additional interventions based on specific types of household needs. Cash transfers can be useful interventions to help more vulnerable segments, as these are generally not based on the tonnages of cocoa produced.

The fact that a LIRP helps well-performing farmers more than the poorer-performing farmers is increasingly used as an argument not to pay a LIRP. This position is only tenable if the aim is to keep every farmer at the edge of poverty, rather than allowing outliers to become affluent.

Scale

Although living income reference prices are starting to be rolled out increasingly in the cocoa sector, the tonnage of cocoa sourced with the use of these principles is still marginal compared to the size of the global cocoa production. However, the principles are applicable regardless of the size of the cocoa or chocolate company. Collaborative sector-wide efforts could likely increase the speed and scale of potential uptake.

Premiums

The systems described above differ considerably from the current sustainability premium systems, which are generally a black box that claim to do more than they can, regardless of whether they are run by certification systems or within company sustainability programmes.

Sustainability premiums are not calculated on the basis of household needs. Instead, they are based on what a company or a certification system feels they can afford while maintaining their market share. It can be argued that certification can become a blockage to reaching a Living Income if companies can pay low premiums and receive the same validation by the market as paying an actually fair price.

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24 In that light, there were serious concerns with the recently revised Fairtrade LIRP. Fairtrade is now working on a plan to address these concerns.

Covering compliance costs

Premiums simply aren't high enough to cover costs of compliance to the farmer, pay for the running costs of the cooperative, as well as create a significant net income boost to farmers. Many premiums that are currently in place largely serve to cover the costs of compliance for various sustainability programmes, such as a certification or a company programme.[25]

Sustainability premiums can only count to bridge the living income gap to the extent that costs of compliance and operating costs for the cooperative are already deducted – including the additional costs for productivity increase or adoption of nature-friendly production practices.

Importance of premiums

Please note that this is not an argument against premiums at cooperative or community level; these are vital income streams for the functioning of cooperatives. In fact, in some standards, community payments and community decision making on how premiums are spent are mandatory, and often rightly so. We argue that in addition to collective premiums, care needs to be taken that these premiums are not double counted: they cannot be spent collectively and at the same time count as individual income.

Premium transparency

Most premiums are currently paid at either the cooperative or community level, and so only partly reach the farm gate. It would be better for premiums to be transparently split into three separate components; a part dedicated to the cooperative (based on realistic costs of running a cooperative); a second part dedicated to cost of compliance to the system (based on realistic costs of compliance); and a third part, a living income premium that tops the current price up to a LIRP. Any sustainability premium that is claiming to improve farmer income must demonstrate how it reaches the farm gate[26].

Premium fraud

There are regular oral reports of cases where cooperatives underreport the volumes sold as certified to their own members, and of premiums never reaching farmers. Though anecdotal, this is an acute issue that the major standard bodies struggle to properly intervene against, as audits often aren't credible to expose this.

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25 For the development of the 2023 Good Purchasing Practices paper (Fountain 2024), consultation workshops were held with civil society and farm-based organisations in Côte d'Ivoire and in Ghana. Cooperatives indicated that the costs of running the cooperative can be around $150 to $200 per tonne. This leaves very little to no premium of the premium for distribution to farmers.

26 In fact, while much of the debate about the merits of traceability has been focusing on tracing cocoa volumes from farm to traders and further downstream, tracing premium payments in the opposite direction (i.e. up the supply chain from traders to coops to farm gate) is equally of critical importance to reforming the cocoa sector.

Cash transfers

Cash transfers can provide a valuable means to decouple – at least in part – poverty interventions from a purely market-based approach. This is necessary because poverty is measured in people per household, not in the tonnage of production. Furthermore, especially for those segments of cocoa farmers that grow less cocoa or have a weaker economic position – such as households with smaller plots, more dependents, and/or female-headed households – interventions are needed that are not just based on volumes of cocoa sold. or the rate of adoption of an intervention. Therefore, cash transfers should not be tied to the volume of cocoa sold or the rate of adoption of an intervention such the number of hectares under agroforestry systems.

If companies can prove that cash transfers add to the net income of a cocoa household – or reduce their costs – the added net income and/or reduced costs can be subtracted from the living income gap. Cash transfers have proven to work well in many agricultural and non-agricultural programmes throughout the world. However, they are tools to reduce the living income gap, not to bridge it completely. Even when cash transfer programmes are successful at scale, companies will still need to review their pricing as part of a purchasing practices strategy.[27]

One concern around cash transfers is that they are often temporary in nature. Though some projects have shown long term effects years after cash transfers have ceased[28], the fact that they are entirely dependent on the generosity of companies make some critics to view cash transfers more as an act of charity than to be a true long-term solution to bridging the income gap. This is especially true because cash transfers do not address the reason for the poverty in the first place, and are therefore at best a patch to a broken system, not a systemic solution in and of themselves. If cash transfer systems are part of a livelihoods approach, companies should clearly communicate how they intend to roll out this programme over time, and how they are part of a structural long term approach, not just a short term one.

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27 In specific circumstances where cash transfers are sufficient to bridge the living income gap, there still remains the requirement to companies to transparently communicate how this is achieved. In such cases, the living income reference price systems still remains valid, with the additional premium per tonne being zero.

28 A report by 100 Weeks (100 Weeks, 2022) shows promising signs that even after a cash transfer programme has been finished, recipients are able to stay out of the poverty cycle that has been broken.

KIT review of the Income Accelerator Programme

In spring of 2024, KIT was hired by Nestlé to analyse the impact of their Income Accelerator Programme, a programme trying to tackle the living income challenge through a combination of good agricultural practices such as pruning coupled with conditional cash transfers. This research (Habraken/Diallo/Sangrigoli/De Graaf, 2024) shows that there is a promising impact possible. However, the research also shows that a household that is doing everything right in this programme still had a living income gap that was well above $3,000. This report – issued by industry itself – provides irrefutable evidence that more than GAP and cash transfers are needed in order to succeed when prices are low.[29]

Payment for ecosystem services

Another way that farmers can receive a higher farm gate remuneration is through payments for ecosystem services (PES). Within cocoa production, there are multiple pathways to implement PES. Agroforestry[30] is a major component of PES in cocoa, but not the only one. There are also other regenerative and biodiversity-positive approaches that go beyond agroforestry. In Colombia and Peru, cocoa is used a substitute for illegal crops. In that context, PES is not only about agroforestry or biodiversity, it's also about peace building. Other valuable examples include biodiversity conservation, water quality protection, soil fertility improvements, and reforestation and forest protection programmes, reducing the use of harmful agrochemicals, and encouraging biodiversity conservation. If PES are to make a meaningful contribution to reducing the living income gap, then these schemes must ensure the payments are high enough to go well above the cost of compliance and loss of earnings incurred by implementing actions the environmental services.

The role of traders, brands, and retailers

Though all companies should incorporate the payment of a living income reference price at farm gate, not all companies have direct relationships with all the farmers supplying to them, either directly or through cooperatives. Traders tend to have more direct relationships with farmer cooperatives and play a pivotal role as enablers towards both ends of the supply chain. However, trader margins tend to be relatively slim, and they argue they can only do what their customers, the brands, are willing to pay for.

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29 This example is not mentioned to pick on the company that is being transparent. Nestlé's willingness to take risks and try new approaches, as well as the transparency of reports such as the KIT are welcome and deserve being mirrored by other companies.

30 A more detailed discussion of how PES, agroforestry and the carbon market work can be found in chapter 7, pages 99-105.

At the same time, brands and retailers tend to put price pressure further upstream.[31] Too often, brands tend to point towards the traders to solve the problem, whilst simultaneously trying to undercut their suppliers.

Therefore, both brands and retailers should equally have in place a public policy that requires the payment of a living income reference price. This requirement must be coupled with a clear commitment to paying for this service to their upstream suppliers. In a similar manner, traders need to have available living income reference pricing systems for every cocoa sourcing region.

Collectively, traders and brands should develop time-bound action plans in place to ensure this price is delivered at farm gate level. Not a single major brand or trader is willing to do so at present, although in northwest Europe we are seeing several retailers (such as Ahold, Colruyt, Jumbo and Hema) making such commitments.

Acceptable risk

Although a remunerative price is a key element of purchasing practices, it is by no means the only aspect. Good purchasing practices also require redressing the unequal distribution of risks. At present farmers bear practically all the risks; the weakest shoulders bear the heaviest burdens. These risks include uncertainty of volume and price of sales, uncertainty of input costs, vulnerability in the face of stronger buyers, pests and diseases, climate change, as well as the volatility of market prices and weather, which has significant impact on this agricultural crop. Furthermore, farmers often have to deal with unclear and complex contracts (in terms of tonnage, price, timing of delivery), contracts that moreover are often not respected. Long-term asymmetric contracts coupled with standardised contracts and accessible grievance mechanisms are key elements in reducing the risk for farmers.

Standard contracts

A first simple step in reducing risk and creating clarity and assurance for farmers is the adoption of standard contracts at cooperative/farmer level. A wide range of different contracts are the cause of confusion and exploitation towards farmers. A standard contract would solve a lot of difficulties here already, where farmers or cooperatives would only have to ensure that the key variables are filled in properly (such as volumes, expected quality, price, payment terms, delivery date). Especially in regions with lower literacy and numeracy rates, standardised contracts would provide significant improvements. The cocoa

31 The fact that downstream actors such as brands and retailers are always kicking the cost of compliance up the supply chain towards the traders should show that it is actually in the industry's interest to require good purchasing practices as part of a mandatory regulatory requirement.

sector is very used to working with standard contracts, as further downstream virtually the whole trade is based on standardised contracts that are formulated by the Federation of Cocoa Commerce (FCC). There is no reason not to continue this to farmer level.

Respect the contract

Though there has been a significant undersupply in the cocoa market for the last two years, usually, there is a slight overproduction. In those circumstances, there tends to be a big discrepancy between what traders announce (or put in draft contracts) to cooperatives (total volume and share of certified), and what is really bought at the end of the harvest (at which point the contract is formalized or updated with final real figures). Contracts are often not respected, or the unclarity of contracts is abused. As a result, many cooperatives are left with volumes to sell on the "informal" market, or with certified cocoa that must be sold at the conventional price, resulting in lower prices. To avoid these malpractices of market power, penalties should be included in contracts for traders not respecting their commitments and contracts. Companies should have effective, accessible complaint mechanisms – or ideally, a universally accepted single complaint mechanism – in line with the UN Guiding Principles that allow farmers to raise & resolve such issues at a higher level within the company and with external arbitrators. These mechanisms should be transparent and accessible to farmers.

Organised vs. unorganised farmers

Long-term asymmetrical contracts – as well as credible and transparent LIRP payments – will require long-term, functioning farmer organisation structures. Indeed, there is a wide spectrum of quality of farmer cooperatives, some of which are more democratically run than others, and some of which have real problems with corruption and finances not finding their way to the members. There is also a large difference between self-organised farmers and trade-organised farmers such as those in the Licensed Buying Company model in Ghana. More than a few cooperatives operate more as shell companies for cocoa extraction by traders than as organisations that are operating in the best interest of their members. In Latin America, the majority of cocoa farmers are still unorganized which makes it even more difficult to engage meaningful with them including negotiating and establishing long term contracts that will benefit cocoa farmers in the region.

In that light, it is of importance to increase the amount and quality of bottom-up initiatives of self-organised and democratically organised farmer

organisations.[32] There is probably a minimum size of the cooperative (either in members or in tonnage) to be able to provide efficiency of scale or buying/selling power. However, cooperatives can also grow too quickly or become too large, resulting in failed governance and/or the inability to deliver for members. Part of a solution to the challenge for farmers and farmer organisations could be that companies make supplier commitments to communities, and those communities then choose one or more cooperatives through which they want to commercialize. To this end, company codes of conduct should explicitly recognise the right of farmers to organise collectively. More discussion on this topic is needed going forward.

Timing of payments

A key question around the risk farmers take has got to do with when they are paid. Cocoa is usually harvested twice a year, vastly increasing the vulnerability of farmers. Prepayments can help farmers bridge some of the lean months. However, if trader provide farmers with prepayments, this also opens the door for abuse. An often-heard practice is that traders lend money to a cooperative so they can buy cocoa from their members in exchange for a pre-emptive right to buy the cooperative's cocoa. If cooperatives don't then sell to this trader, even at lower prices than going market rates, traders won't work with the cooperatives in the future. In essence, this is a form of blackmail. Such practices are generally not documented through contracts, and therefore they are hard to trace.

Size of companies

For effective risk mitigation, it may be necessary to define different buyer categories: when a small buyer embarks on a multiyear contract, their business may collapse when consumer demand drops, while they still must buy cocoa. However, large multinational companies and traders are in a different ballpark. Over the past decade, the tonnages of the large brands and traders have remained quite stable. It should be possible to oblige large companies to embark on multi-year contracts for a large percentage of their current purchasing volume, for example, to set 70% of their bean purchases in long-term contracts for the next 3 years. Ironically, it's often small companies who do more risk-sharing with farmers. It should be the opposite! The larger the company, the more the company should be willing to reduce or mitigate the risks for farmers.

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32 Throughout the world and throughout history, one of the clearest guarantees for improvement of rights and of sale prices has been for workers and farmers to self-organise. This is clearly also the case for cocoa, although this falls outside the scope of the present paper.

Long-term asymmetric agreements

Companies generally know how much cocoa they will need on a year-to-year basis – their forecasting departments tend to have a pretty clear understanding of how much cocoa they will need several years in advance. Often, chocolate brands already have long-term contracts with the traders that supply them. The traders minimize their risk by hedging cocoa prices at the futures market. These traders, however, do not have similar contracts with cooperatives and farmer organisations. Brands should require the same length of contracts to be provided to the cooperatives that supply their traders. In return, traders should require brands to engage in risk sharing. When contracts are long-term and trust is built, it provides assurance on consistency of volumes for the buyers and comfort of income flow for the farmers. In effect, long-term contracts could contribute to a better functioning of the market in the long-term.

Long-term contracts provide key benefits to buyers and producers, including lower total transactional costs and improved profitability. They would allow farmers and cooperatives to invest in their infrastructures, farms, and sustainable practices, and could play a key role in driving more sustainable agriculture, particularly in the face of climate change and more resilient food systems. They would also open the possibility of spreading payments throughout the year – as prepayments, not as delayed payments – creating a healthier cashflow situation for households.

This is not just a risk-sharing effort. It will also be beneficial to the buyer: long-term contracts can ensure security and quality of supply and also enhance traceability and transparency. Long-term contracts often have a built-in mechanism for addressing multi-year issues like sustainability goals.(Clay 2018) Furthermore, long-term, transparent MOUs and higher prices are rewarded by farmer cooperative with stronger buyer loyalty over many years. As a brand's sustainability goals get more ambitious and impactful, achieving them will likely become more difficult, and new tools will be required. Long-term contracts can be a key tool for buyers and producer groups to drive change and set specific dates for completion.

Long-term contracts could also potentially help to reduce incentives for overproduction, as farmers/cooperatives with a contract for a fixed amount of cocoa paid at reference price would have less incentive to grow more if extra production would only be sold at much lower prices. This hypothesis needs further validation and research, however.

Being tied to a single buyer can be a double-edged sword for farmers and farmer cooperatives as it can create dependencies and prevent them from taking advantage of higher prices elsewhere. There is a clear power imbalance between the various actors in the chain.

In the current system most risks (on volume, price, delivery) are covered for the buyer, but farmers find themselves often waiting for a selling contract resulting in them accepting hunger prices. This means that long-term contracts need to be asymmetrical in nature, providing farmers more rights, while putting more responsibilities on the shoulders of the purchasing companies.

Concretely, an asymmetric contract needs to commit buyers to buy a minimum tonnage of cocoa at an agreed-on price, but the farmer needs to be free to sell to a different buyer if they can get better conditions.[33] Price renegotiation clauses should be part of such long-term asymmetric contracts, to allow farmers to take into account fluctuations of the prices of raw materials and cost of living.

Transparency & accountability

Credible living income approaches that include effective purchasing practices are not just a moral imperative; with the advent of Human Rights and Environmental Due Diligence regulations at global, European and national levels, they will become part of a business and legal imperative. It will become increasingly important for companies to be able to communicate credibly and transparently about their purchasing practices, both to ensure accountability as well as to ensure farmers properly understand their rights and obligations.

Sector-wide reporting

Ideally, there would be a sector-wide consensus on reporting formats on purchasing practices, to ease comparability and facilitate areas of collaboration. Attempts for this have been made – generally at a less-than-ambitious scale – in the textile sectors regarding a living wage.[34] Care should be taken that competition law is complied with, but within for example the various national Initiatives for Sustainable Cocoa (ISCO) commitments there should be space for more transparent, accountable, and comparable reporting.

33 This should be a first right of refusal contract, not a first right to offer, as the latter would still make the farmer vulnerable to refusal of contracts.

34 Including the Common Framework for Responsible Purchasing Practices, the ACT on Living Wage, and the self-assessment of the textile sector facilitated by the IMVO Convenant in the Netherlands.

Good governance

Good governance is a key prerequisite for all elements of sustainability, including the safeguarding of human rights and environmental protection, as well as bridging the living income gap. Chapter 8 of this Barometer deals extensively with the broader issues of governance in creating the enabling environment. This specific section deals with governance and living income.[35]

Regulatory environment

Though companies don't need to wait for the necessary enabling environment to start acting on the requirements above, an enabling environment would speed up action and create the necessary level playing field to counteract free riders. To that purpose, these purchasing practices should be enshrined in regulations in major consumer countries. Verifiable transparency systems on both products and finances would be extremely helpful, as would systems to contract directly with cooperatives. Verifiable transparency systems for finances would require the ability to trace payments made not just to the cooperative level but to the farm gate level.

Consumer government policies

Consuming governments also have a key role in funding the sector-wide efforts to build an enabling environment in origin countries as well as to help origins to comply to the increasing regulatory demands of consuming countries. Lastly, consuming governments should carefully review competition law to remove unintended barriers to sector-wide collaboration to address farmer poverty.

Origin government policies

For origin governments, key elements of good governance include rural development strategies, infrastructure, transparency & accountability, rule of law, and supply management. The current market crisis is, in a significant part, the result of poor governance and management of the sector by exporting governments.

Gender

Female-headed households are strongly overrepresented in more vulnerable segments of cocoa growers. Women tend to have much lower tenure security, have less access to market, suffer from higher illiteracy and innumeracy rates. If interventions are not designed through a gender lens, there is a real risk that it will contribute to further gender inequality, by empowering male farmers only.

Gender interventions must also differentiate between wives of male heads of households and households with a female head. Interventions for the former

35 A specific deeper dive into the role of governance and living income can be found in the 2025 Cocoa Barometer consultation paper "Good Governance for Living Income in Cocoa".

could include ensuring part of the payment goes to the women. Gender specific cash transfers could be a part of that approach. Women also need to have access to the same trainings, inputs and support as men do. This could also ensure land tenure security measures, access to market drives, and more. For all, literacy and numeracy programmes for both adult females and girls are necessary.

Lastly, it is essential to include men in the issue of gender equality. Women are not the cause of gender inequality, as a rule of thumb, that dubious honour falls to men. As such, sensitisation drives for the male members of cocoa growing communities need to be an integral part of a gender equality policy.

Gender equality cannot only be tackled through a supply chain approach, it needs to be strengthened at community level across all activities in that landscape, with men being involved and informed as part of the necessary change.

Good agricultural practices

Most approaches to raise farmer income only consider a very limited set of solutions, and these are predominantly at farm level, aimed at Good Agricultural Practices. And though Good Agricultural Practices are a necessary component of a healthy cocoa sector, this has dominated the conversation for the past decades, at the expense of other necessary interventions. However, there are still key issues to be improved in the GAP conversation.

Higher productivity

Programmes aimed at productivity increase do not necessarily have an inherent positive effect on the net income of cocoa farming households (Waarts/ Kiewisch 2021, IDH 2021, Dalberg 2018). Though increased productivity needs to be part of a smart mix of interventions, it cannot be the only strategy to bridging the living income gap, for several reasons. Higher productivity interventions should focused on improving efficiency of existing cocoa farms through rehabilitation and intensification and not on increasing farm sizes which may have the tendency of contributing to increased deforestation related to cocoa production.

Yield trending downwards

Due to a combination of factors, and despite decades of industry investment, yields on average are hardly going up. In fact, in West Africa they seem to be trending down. Climate disruption is a cause for this, as is the encroachment of environmental degradation through the threat of illegal gold mining, crop diseases, aging farmers, aging trees and soil depletion and a lack of interest in the younger generation to take up farming.

Risk and investment

Higher productivity requires significant investments in inputs and labour resources, which are neither available nor affordable for most cocoa farmers. Even if they were, investing in the farm comes with significant risks, especially compared to the possible return on investment; farm gate prices could decline steeply (as they did in 2016/2017), extreme weather conditions can cause bad harvests (as they did in Côte d'Ivoire and Ghana in 2022/2023 and 2023/2024), as can pests and diseases (such as the Cocoa Swollen Shoot Virus which is spreading in West Africa).

Labour hours

Increasing productivity requires an increase in labour hours. Higher productivity results in a higher workload. Even with current production levels, many cocoa farmers in major producing countries find it difficult to find enough labour for their farms during peak times. This is also exacerbated by availability of more attractive but not necessarily sustainable income opportunities (such as working on gold mines, migrating to urban areas etc) for the youth leading them away from providing labour services.

Every cocoa growing household has a finite amount of available labour days to spend on cocoa. For vulnerable farming households such as those headed by women and older persons, labour costs are very high. If more labour is necessary than is available from adults in the household, this will require hiring additional labour, if it is available in the first place. This is – not coincidentally – also one of the reasons why families revert to household members to help with the farming, increasing the risk of child labour, as it could be cynically seen as a supply of free/cheap labour.

The price increase seen in the last two years could open the window of opportunity to enable farmers to use hired labour for certain tasks. But such change will only be sustainable if cocoa prices stay above a certain level.

Labour and technology

In West Africa, cocoa is often grown with low levels of technology, leading to its labour intensiveness. In other regions, especially in certain parts of Latin America (such as Ecuador and Brazil) more technological innovations are used. However, this brings additional costs and investment risks. Investments in technology are usually only efficient at scale, bringing concerns about worker rights as well. At present, there is no clear data that shows that either model (high labour or high technology) is significantly better for farmer and worker income.

Oversupply

An argument often used against paying higher prices, is that it would lead to an overproduction and then a collapse of the market. And though there is a risk of overproduction with higher prices, there is a certainty of over production with higher yields. If only 10% of all farmers would double productivity and by this fulfil the supply requirements of many companies, the ensuing oversupply would cause prices to collapse. Increasing yields to an economically optimal level is important for smallholders (as argued in the next paragraphs), however any productivity increase drive must be coupled with equally strong measures to curb overproduction.

Optimise net income, not yield

Data modelled for the 2022 Cocoa Barometer shows that – unless prices are remunerative – achieving higher yields might lead to lower net income, due to increased costs in inputs and labour. The exception here is for farms that are currently producing at the 350 kg per hectare level; getting up to around 550 kg per hectare does have benefits.[36] Though most GAP approaches look at optimising yield per hectare, from a sustainability perspective this might actually be the wrong metric to be prioritising. Rather than looking at tonnages, the key performance indicator for sustainable cocoa farming should be focused on optimised net income.

Diversification

The cocoa sector's second major strategy – besides productivity increase – to increase farmers' income is a stronger diversification of farm income. Increasing income diversity is an important element of strengthening the resilience of farmer income in the case of price collapses, crop diseases and adverse weather. However, diversification is insufficient as a solution to actually increase income, for a variety of reasons.

Cocoa producers in both Côte d'Ivoire and Ghana already have a strongly diversified income structure (Bymolt/Laven/Tyszler 2018). Just as with the strategy to increase productivity per hectare, diversification requires investments and labour. The same constraints and risks are applicable. Furthermore, cocoa and chocolate companies should not outsource the problem of non-remunerative cocoa to other sectors; cocoa should be a remunerative crop in and of itself.

36 This calculation of a potential increase is based on the assumption that surplus labour within the family is available to invest more time in the plantation, and that this leads to higher productivity. The situation for single women households, farms run by older farmers or sick persons might be worse, as these groups need to hire labour to achieve productivity increases.

It is unclear whether there is a sufficient market for diversified products, especially at the scale needed to provide for all cocoa farmers in the major cocoa producing nations. Other sectors with poor farmers in the value chain also promote diversification, and some of these crops grow in the same regions as cocoa. The fact that these farmers are also poor signifies a feedback loop of poverty, with many different sectors not able to provide a living income, all looking to other crops to solve their problem. This vicious circle needs to be broken.

These challenges together probably are reasons why the industry is finding it hard to make diversification projects work beyond pilot level.

Net income increase and risk reduction

Policies that are based on good agricultural practices (GAP) should include calculations of changes of the net income of farmers, and an analysis of the true costs (social and ecological) of the changes. These should include robust calculations on the impact of the expected productivity increases, including transparency on increased production costs, both for labour and resources. The element of risk needs to be part of the economic analyses besides the impact on net income.

Strengthened farmer capacity

When GAP is part of the sustainability strategy, farmer capacity must be strengthened. Each cocoa farmer should be supported to implement an individual farm development plan, based on local specifics such as soil types, elevation, local climate, and shade crops, rather than on generic approaches and generic inputs. The concept of GAP should move beyond technical trainings to include access to professionalized labour services, affordable finance and quality farm inputs in order to increase adoption of GAP among cocoa farmers.

All farmers should receive training in financial literacy and entrepreneurship, have access to loans and credit institutions, affordable credit, and recommended inputs, so that they can invest in and develop their farms. Financial inclusion mechanisms need to be developed specifically for smallholders, and for youth and female headed households as well as small and medium enterprises that provide professionalize labour services to farmers.

Agrochemicals and monoculture

GAP trainings should move away from a focus on monoculture and heavy agrochemical use towards Integrated Pest and Soil Management (IPM) systems, where a shift from monoculture towards diversified production is necessary, particularly towards diverse agroforestry systems.

Rehabilitation and renovation

Almost half of the currently cultivated area needs renewal/rehabilitation (Dalberg 2015). This means that the sector needs to not only focus on new plantations, but also work on recovering the productive potential of older cacao plantations. This is a challenge that applies in almost all cocoa geographies, including Africa and most of Latin America.[37] However, renewal and rehabilitation come at significant costs. Depending on the age and method used, this can cost up to $5,000-$6,000 per hectare. Without support from governments and private enterprise, more producers, especially smallholders, will have older, less-than-productive cocoa plantations.

Farm size

Some farms, the argument goes, are too small to be economically viable. However, the moment a single household cannot cover all the work it would have to hire labour, which is as limiting a physical factor as is farm size. It might even be that instead of a minimum viable farm size, it is more realistic to speak about a maximum viable farm size per household.

Lower productivity not only comes with much less risk for farmers, increasing productivity on large farms might even have a negative impact on net income, as more land requires more labour. This does depend on the price; when prices are covering a sustainable production, the situation is different.

For the establishment of bigger farms, it is essential that this is not at the expense of old-growth forests, a real risk in many cocoa geographies throughout Latin America, the Amazon Bassin and in South East Asia.

Furthermore, increasing farm size is easier said than done. It requires significant reforms in land and tree tenure, as well as a committed rural development strategy at governmental level. Bigger farms, at least at the short to medium term, do not seem to be a very viable strategy for the majority of cocoa farming households.

Tenants and sharecroppers

Many of the people working on the farms are neither hired labourers nor farm owners but are tenants in some way. Though these systems vary, few sustainability approaches so far have taken their situation into account. This includes many of the income measurements by companies.

It is highly likely that most larger farmers that currently seem to be earning a living income – in the limited datasets that are publicly available[38] – are helped by sharecroppers or tenants whose needs are not factored into the calculations.

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37 Ecuador is constantly renewing/rehabilitating, but it is an exception.

38 Such as Laven/Habraken/Steijn 2022

Sharecroppers usually receive only a fraction of the income from the harvested cocoa - depending on the system it might be as low as one third of the harvest goes to sharecroppers. Obviously, their average income is much lower than the average income of the farm owner.

Sharecroppers and tenants often do not have the same land and tree tenure rights as landowners. Though they do a lot of the farming work, they therefore often don't have the right to decide how to grow their cocoa. As such, they cannot actively invest.

This omission of sharecroppers and tenants is not just an issue when it comes to farmer income but also has implications on their ability to protect the environment, affects the labour rights of sharecroppers and tenants, and runs the risk of policy choices being focused more on the interest of farm owners than to solving the challenges of those people doing the actual work.

Equality

There is an increasing focus on better-off farmers, ignoring the plight of the lower income farmers. However, these have as much right to a living income as any other. A top-down approach is adopted and there are few farmer voices heard in this conversation, while gender equality is largely side-lined in this conversation.

Where are we going?

Current approaches are insufficient

Despite significant evidence that current approaches to raise farmer income have marginal impact at best, most cocoa and chocolate companies continue to operate business as usual.[39] Though most companies have made general statements in support of Living Income, there is an overall lack of concrete commitments towards a living income.

Companies, by and large, are not changing their core business practices in order to help achieve a living income. There has been very little public conversation about the industry's business model, including about how they set the prices they pay. Corporate purchasing practices are still largely aimed at avoiding higher prices and price risks. A phrase often heard from people responsible for purchasing within the company says "what we can't hedge, we cannot do".

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39 This is also a clear sign that companies have not properly adopted implemented human rights due diligence in their value chains. In a due diligence approach, if its current solutions are not working, a company needs to revise its chosen strategies. This process needs to be repeated until the issue is no longer a problem.

Even companies that are frontrunning in their specific interventions, such as Tony's Open Chain on pricing and Nestle's Income Accelerator Programme on cash transfers, are incomplete because they don't bring in the truly holistic approaches that are necessary.

There is also a lack of transparency on the part of governments from producing origins on revenues earned from forward sales and the guaranteed producer prices paid to cocoa farmers. Both industry and governments will need to significantly change their business 'as usual' approach. Let us be very clear; not a single stakeholder group is currently doing what they should be doing to ensure farmers achieve a living income.

A starting point or a finish line?

There is an unspoken assumption that farmers of commodities are expected by default to be poor. While only the outlier cocoa farmers are expected to even reach the baseline of a living income, many companies are reporting handsome profits despite a 'price crisis'. Living income is the minimum level of decency for a household, it should be the starting point, not a finish line. Still, most sustainability approaches merely see living income as an aspirational goal that will most likely not be achieved.

Breathing space

As argued in the previous chapter, the current highly exceptional market situation should provide breathing space to talk about how we can ensure farm gate prices will reflect the true price necessary to bridge the income gap. Sadly, there are no major companies that are looking beyond a combination of good agricultural practices and cash transfers. Despite the fact that the market has showed that the bulk cocoa market can operate with significantly higher prices, there is an ideological refusal to look at the irrefutable evidence that farm gate pricing must be part of a holistic poverty approach.

More and more companies admit that a living income is necessary.[40] Nonetheless, the mentioning of prices as an important factor for the income of the farming families still seems to be difficult for companies. But at least some of the companies admit that prices are part of a problem. In response to the questionnaire for this Barometer, one of the chocolate companies wrote: "Simply paying more is only part of the solution and doesn't address some of the systemic issues that need to be addressed to help continue to improve cocoa supply chains. Farmer income is made up of revenue and costs, affected by a range of factors from price and yield (which can be affected by soil fertility,

40 ECOM, for example, states on its website that they "recognise living income as a basic human right" and have committed to establishing a living income gap analysis in their supply chain, "complete with action plans to close the identified gaps".

weather, and plant varieties, for example), to costs such as transportation, storage, fertilizer, and interest rates on loans." By this, they say that price might not be the only part, but that it is a part of the problem.

Holistic approaches

Many of the holistic interventions that this Barometer calls for are long-term processes that will lead to change over time. However, (extreme) poverty is a daily reality for the vast majority of cocoa farmers. They cannot afford to wait until long-term processes – such as diversified income, higher productivity, or a better rural infrastructure – have come to pass. Most Good Purchasing Practices do not require collective action, nor do they require a long development process; they can be implemented on a relatively short term, by individual corporate actors. A corporate commitment to start small, with Good Purchasing Practices, is the critical beginning for achieving the long-term change.

Summary

Farmer poverty is a driver of just about every problem in the cocoa sector; deforestation, child labour, gold mining, and gender inequality are all made so much harder to tackle if cocoa household incomes are not raised significantly. There is also a business case for providing a living income to farmers from the perspective of achieving sustainability targets and creating future proof supply chains. Credible living income approaches are not just a business or moral imperative; with the advent of Human Rights and Environmental Due Diligence regulations, they will also become part of legal compliance.

Burden on the farmers

The living income gap for the cocoa sector was around $10 billion dollars per year. With the current price levels, there might be enough money in the market now. Additionally, chocolate companies give their shareholders far more through dividends, buybacks, and other ways of shareholder support. Current approaches to raise farmer income have had marginal impact at best, having been focused on agronomic solutions such as higher yields, farmer training, and income diversification. Furthermore, they have largely been aimed at a small selection of farmers, particularly those involved in specific certification or sustainability programmes. The burden to solve farmer poverty has generally been placed on the farmers themselves.

An order of responsibility

A different approach is necessary, with a different order of responsibility. For living income to become a reality for cocoa farmers, action is necessary on three separate dimensions at the same time: good agricultural practices, good governance policies, and good purchasing practices. However, not all three dimensions have an equal status. Good agricultural practices are only a worthwhile strategy if cocoa is sufficiently remunerative. This requires both good purchasing practices as well as good governance. Only when corporations and governments meet their responsibilities to the farmers properly does it become fair to ask farmers to invest effort and money in improving their productivity.

Good purchasing practices

Companies wishing to implement good purchasing practices must address three separate elements: remunerative prices (building on the core of a farm gate price that is sufficient for a living income), risk sharing (including long-term asymmetric contracts), and transparency and accountability (public communication by companies that can be independently verified).

Good Agricultural Practices (GAP) policies should include calculations of changes of the net income of farmers. The element of risk needs to be part of that analysis. When GAP is part of the sustainability strategy, farmer capacity

must be strengthened, beyond technical trainings and including access to labour, finance and inputs. It also must shift from monoculture towards diversified agroforestry systems.

There is an increasing focus on better-off farmers, ignoring the plight of the lower income farmers. However, these have as much right to a living income as any other. Additionally, many of the people working on the farms are neither hired labourers nor farm owners but are tenants in some way.

Price

The core of all good purchasing practices is a living income reference price, a farm gate price that is sufficient for a farmer to be able to bridge the remaining living income gap. Such a price needs to be based on the actual reality of the farmer, and be sufficient for the majority of farmers, not just the outliers. However, not all poverty can be tackled through a market dynamic. Beyond volume-based payments such as price or premiums per tonne, there are other payments that can help reduce the living income gap, such as payments for ecosystems services and cash transfers. However, these must always be additional to the core requirement of remunerative farm gate pricing.

Risk

At present farmers bear practically all the risks, including uncertainty of volume and price of sales. Furthermore, farmers often have to deal with unclear and complex contracts (in terms of tonnage, price, timing of delivery), contracts that moreover are often not respected. Long-term asymmetric contracts coupled with standardised contracts and accessible grievance mechanisms are key elements in reducing the risk for farmers. Furthermore, contracts are often not respected, or the unclarity of contracts is abused. Companies should have effective, accessible complaint mechanisms – or ideally, a universally accepted single complaint mechanism – in line with the UN Guiding

Transparency

It will become increasingly important for companies to be able to communicate credibly and transparently about their purchasing practices, both to ensure accountability as well as to ensure farmers properly understand their rights and obligations. Key purchasing indicators will need to be transparently communicated.

Good governance

Good governance is a key prerequisite for all elements of sustainability, including the safeguarding of human rights, environmental protection, as well as bridging the living income gap. This includes a reliable regulatory environment that imposes good purchasing practices on the private sector. It

also requires funding support to origin governments, so they can improve on rural development strategies, infrastructure, transparency & accountability, rule of law, and supply management. The current market crisis is, in a significant part, the result of poor governance and management of the sector by exporting governments.

Good agricultural practices

Productivity

Despite decades of industry investment, yields on average are hardly going up. Climate disruption is a cause for this, as is the encroachment of environmental degradation through the threat of illegal gold mining, crop diseases, aging farmers, aging trees and soil depletion and a lack of interest in the younger generation to take up farming.

Productivity increase does not necessarily have an inherent positive effect on the net income of cocoa farming households unless it is coupled with remunerative prices. Higher productivity requires significant investments in inputs and labour, which are neither available nor affordable for most cocoa farmers, and bring inherent business risks. Every cocoa growing household has a finite amount of available labour days to spend on cocoa. If more labour is necessary than is available from adults in the household, this increases the risk of child labour. Technological innovations are sometimes used but bring additional costs and investment risks.

Furthermore, though higher yields would help at micro economic level, macro-economically, this would cause a market collapse; if only 10% of all farmers would double productivity the ensuing oversupply would cause prices to collapse. The massive price increase we saw during the last two years could open the window of opportunity to enable farmers to use hired labour or invest in more technology. This will only be sustainable if cocoa prices stay above a certain level.

Diversification

Increasing income diversity is an important element of strengthening the resilience of farmers income. But it is insufficient to increase income. Many cocoa producers already have a strongly diversified income structure, and it requires investments and labour, for which the same constraints and risks are applicable as with higher productivity. It is also unclear whether there is a sufficient market for diversified products. Farmers in neighbouring crops are also poor, which signifies a feedback loop of poverty. This vicious circle needs to be broken.

Farm size

Instead of speaking of a minimum viable farm size, it is more realistic to speak about a maximum viable farm size per household, as labour is an equally limiting physical constraint to production. Furthermore, increasing farm size requires significant tenure reforms and a committed rural development strategy at governmental level. Bigger farms, at least at the short to medium term, does not seem to be a very viable strategy for the majority of cocoa farming households.

Where are we going?

Corporate purchasing practices are still largely aimed at avoiding higher prices and price risks. Virtually every programme out there is incomplete. There is also a lack of transparency on the part of governments. Both industry and governments will need to significantly change their business 'as usual' approach.

There is an unspoken assumption that farmers of commodities are expected by default to be poor. However, Living income is the minimum level of decency for a household, it should be the starting point, not a finish line. The exceptional market situation should provide breathing space to talk about how we can ensure farm gate prices will reflect the true price necessary to bridge the income gap.

Poverty is a daily reality for the vast majority of cocoa farmers, who cannot afford to wait until long-term processes – such as diversified income, higher productivity, or a better rural infrastructure – have come to pass. Good Purchasing Practices can be implemented on a relatively short term, by individual corporate actors. It is the critical beginning for achieving the long-term change.

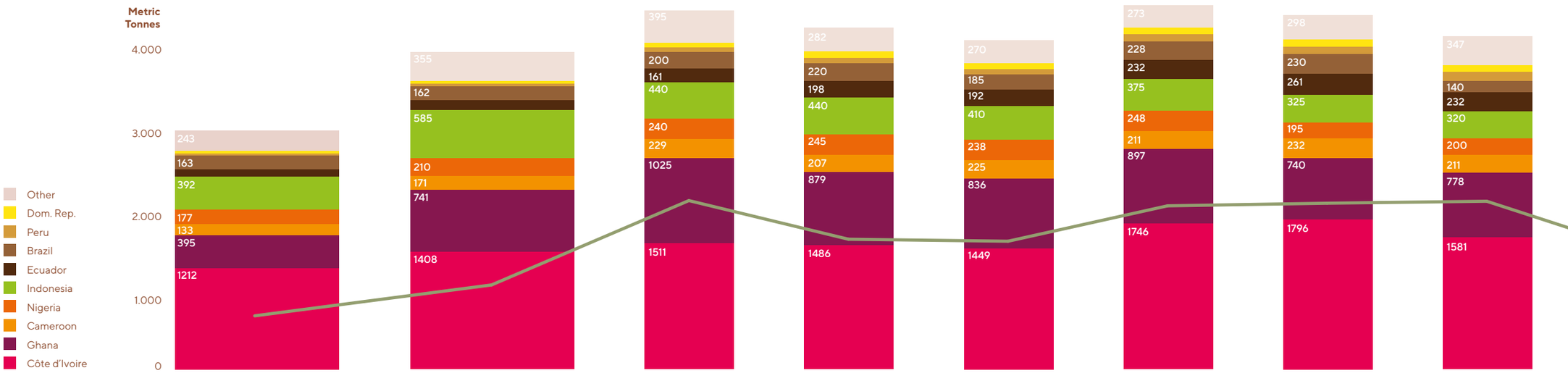
Female-headed households are strongly overrepresented in segments of vulnerable cocoa growers. Interventions must be designed through a gender lens, not only in a supply chain approach, but at community level across all activities in that landscape, with men being involved as part of the necessary change.

5

Raising the Bar: A Timeline of Cocoa Sustainability in the 21st Century[41]

41 The authors would like to acknowledge the many sector experts who submitted their views on the major milestones and developments over the past decades.

Infographic 13: **Raising the Bar: A Timeline of Cocoa Sustainability in the 21st Century**



Before 2000

Sector
- 1994 Fairtrade cocoa
- 1997 Rainforest cocoa
- 1998 Smithsonian multi-stakeholder meeting on sustainable cocoa growing

2000

Sector
- 2001 WCF founded

Living Income
- 2000 Sustainable Tree Crop Programme

Human Rights
- 2000 Media attention on child labour
- 2001: Harkin Engel Protocol signed
- 2002 Founding of ICI

2005

Sector
- 2006 Founding of the Tropical Commodity Coalition in the Netherlands
- 2007 Utz cocoa
- 2007 First Roundtable on a Sustainable Cocoa Economy in Ghana
- 2008 Launch of IDH Sustainable Trade Initiative
- 2009 First global civil society convening by TCC in Accra
- 2009 Second Roundtable on a Sustainable Cocoa Economy in Trinidad & Tobago
- 2009 Mars and Cadbury commit to buying 'sustainable cocoa'
- 2009 Nestlé Cocoa Plan started
- 2009 Cacao of Excellence launched

Living Income
- 2008 WCF's Cocoa Livelihoods Programme

Human Rights
- 2006 First Harkin Engel promise passes without success. Promises prolonged until 2010 due to sector inaction.
- 2008 First child labour reporting by Tulane University

Barometer
- 2007 Sweetness Follows – precursor to Barometer
- 2009 First Cocoa Barometer

2010

Sector
- VOICE network launched
- Second Ivorian civil war

Human Rights
- Second Harkin Engel deadline passes without success. Harkin Engel Framework of Action, also weak, no definition of roles and responsibilities, but more concrete agreement, and start of CLMS by ILO with industry and DOL funding. Creation of the CLCCG

Barometer
- 2010 Cocoa Barometer

2011

Governance
- UNGP Adopted

2012

Sector
- First World Cocoa Conference in Abidjan
- Second global civil society convening (by VOICE) in Abidjan
- Beginning of CEN/ISO standard on sustainable cocoa
- Mondelez Cocoa Life launched
- Disbanding of TCC, VOICE becomes independent
- First Chocoa festival?

Living Income
- First farmer income calculations in 2012 Barometer

Governance
- Global Cocoa Agenda

Barometer
- 2012 Cocoa Barometer, first poverty calculations

2013

Human Rights
- Nestlé starts CLMRS, first HRDD in cocoa
- Second Tulane report on child labour

2014

Sector
- World Cocoa Conference Amsterdam
- World's running out of chocolate!
- Third global civil society convening in Amsterdam

Governance
- Founding of first global cocoa farmer organisations (ICCFO, WCFO, WCPO)

Barometer
- Barometer Value Distribution Paper

2015

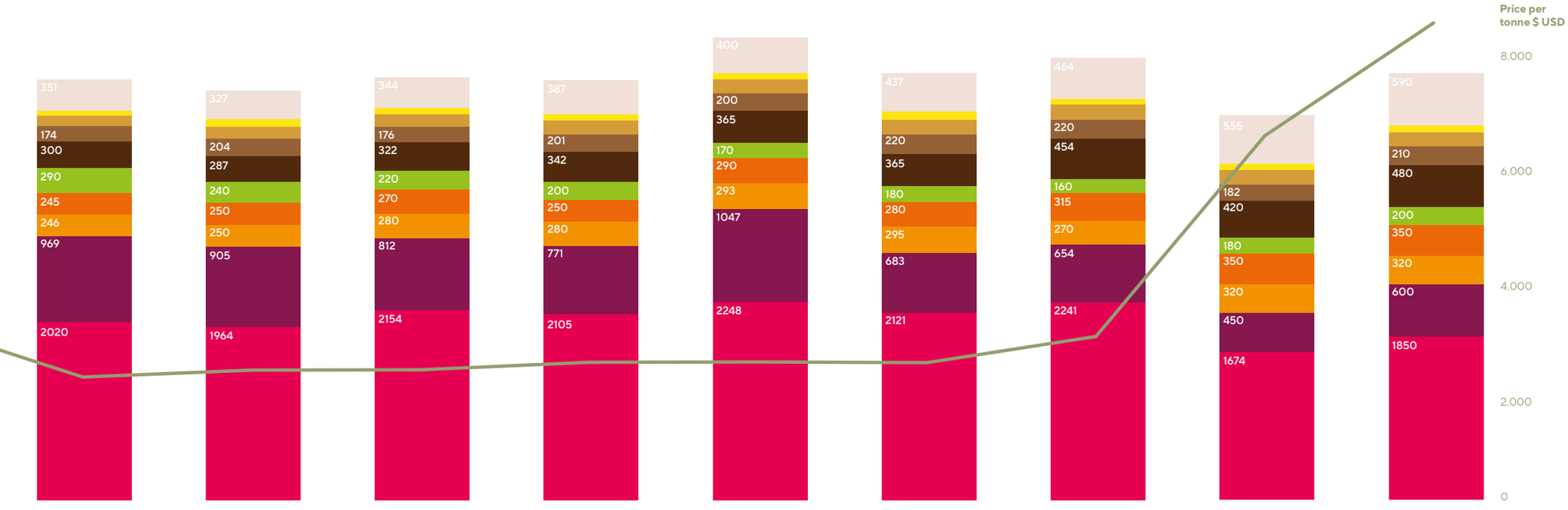
Sector
- Cocoa Action launched (until 2019) too much focus on productivity, but nevertheless first effort on industry alignment, and recognition of the importance of a also having a social pillar.
- Third global civil society convening in Accra

Living Income
- First Living Income calculations: Defining a Decent Living Barometer Paper

Human Rights
- TRECC launched, focusing on investments in education

Governance
- Reform of US Tariff Act (1930), child labour in cocoa now in scope.

Barometer
- 2015 Cocoa Barometer
- Defining a Decent Living



2016

Sector
- World Cocoa Conference in Dominican Republic
- Launch Barry Callebaut's Forever Chocolate

Living Income
- Price crash due to oversupply
- Beginning of the Living Income Community of Practice

Environment
- First campaigns on deforestation by Mighty Earth

2017

Sector
- Fourth global civil society gathering in Berlin

Environment
- Cocoa and Forests Initiative launched

Human Rights
- Third Harkin Engel deadlines passes by without success, postponed till 2020.
- First public company reporting on child labour numbers by Nestlé

2018

Sector
- World Cocoa Conference in Berlin
- Merger UTZ Certified and Rainforest Alliance
- CIGHCI Launched
- Start of development of ARS 1000 standard

Living Income
- Berlin Declaration; cocoa is not sustainable without a living income
- Fairtrade launches Living Income Reference Price system
- Cote d'Ivoire-Ghana Cocoa Initiative, LID launched
- Sixth global civil society convening in Berlin
- ALICO (Alliance for Living Income in Cocoa) launched

Governance
- OECD Due Diligence Guidance for Responsible Business Conduct launched

Barometer
- 2018 Cocoa Barometer
- Transparency & Accountability consultation paper
- Farm Gate Prices consultation paper

2019

Sector
- CIGHCI-Private sector standoff
- Seventh Civil Society meeting (by voice) in Berlin

Human Rights
- Industry led Children First Framework against child labour fails to launch

Governance
- Cocoa Coalition starts asking for regulations

2020

Sector
- Global pandemic begins
- Founding of GCCP

Human Rights
- Fourth Harkin Engel deadline passes without succes

Governance
- EU launches Cocoa Talks

Barometer
- 2020 Cocoa Barometer
- Living Income in Cocoa Consultation paper
- Certification position paper
- LID paper

2021

Sector
- ARS 1000 standard launched

Living Income
- Income Accelerator Programme starts first cash transfer programme in Ghana, beginning of income accelerator programme in Côte d'Ivoire

Human Rights
- CLEF launched, pooled funding, investments in quality education

2022

Sector
- CIGCHI launches 'Economic Pact'
- Founding of PICD

Human Rights
- ICI starts requiring members to report on activities

Governance
- EUDR adopted by EU

Barometer
- 2022 Cocoa Barometer
- T&A paper
- Living Income Compendium
- Latin America Baseline Barometer

2023

Living Income
- First practitioners workshop on data sharing

Governance
- EUDR Adopted

2024

Sector
- Price starts going through the roof
- Deregulation starts in Brussels
- World Cocoa Conference in Brussels
- VOCAL, Voice's sister network in coffee launched

Living Income
- Puratos announces Living Income priced chocolate

Human Rights
- Framework for Action on Child Labour launched

Governance
- CSDDD adopted
- EUDR Delayed

Barometer
- Good Purchasing Practices paper

2025

Sector
- Prices remain higher

Governance
- CSDDD delayed
- USAID and disbanded
- EUDR into force*

Barometer
- Good Governance paper
- 2025 Cocoa Barometer

Environmental Protection

"Where at first child labour was the focal point, poverty was added to the conversation as a second key concern. More recently, deforestation has been acknowledged as a third major challenge the global sector must find solutions for. This is indicative of how top-down the discussions on sustainable cocoa have been. Though deforestation and poverty have been problems for decades, there was very little attention paid to these important issues."

2020 Cocoa Barometer, p71

Where have we come from

No discussion

Of the major sustainability challenges in cocoa, environmental protection is the last to have received significant attention by the sector. Fifteen years ago, virtual no one in the sector was discussing issues such as deforestation or gold mining, and climate change was only referred to in passing. It wasn't until the second half of the 2010's that environmental concerns started seriously entering the sustainability conversation in cocoa. A combination of campaign pressure – notably by the American campaigning NGO Mighty Earth, and individual company approaches in REDD+ programmes meant that slowly trees and climate creeped in.

Voluntary initiatives

After significant public pressure from campaigning NGOs, including civil society organisations in producer countries, several voluntary initiatives were set up to tackle deforestation in the cocoa sector. Notable amongst these has been the Cocoa and Forests Initiative (CFI), launched in 2017. On paper, CFI coupled individual corporate programmes with national traceability systems in the major origins. However, neither have materialised so far, and actual improvement was largely absent. Eight years since its launch, CFI has largely failed.

Regulations

Not long after CFI went into effect, it became clear that the European Union was working on a new regulation to curb deforestation in several crops that are major drivers for deforestation, including cocoa. After many years of development, the regulation was going to go into force in December 2024. Sadly, the European Union's Deforestation Regulation (EUDR) was delayed for a year just before it was to go into force. At the time of the Barometer going to publication, it is again under pressure and whether or not the 2025 enforcement date will be maintained is currently an open question.

Agroforestry

In parallel with the regulatory discussion, other key environmental topics have started to enter the debate, including the increasing adoption of agroforestry practices[42]. There's a long way to go still, and there are many different approaches using the same terminology. Coupled to the issue of agroforestry are broader conversations around Payments for Ecosystem Services (PES).

42 See, for example, the 2020 Cocoa Barometer consultation paper on agroforestry.

Where are we now?

At the end of the first decade of serious conversation on environmental protection in the cocoa sector, it is still a growing field with new challenges coming to the forefront.The environmental concerns in cocoa production are truly global in scope, ranging from Latin America, through Southeast Asia to West and Central Africa. Driven by cocoa farming, old growth rainforests have already been lost (in Ghana and Côte d'Ivoire) or are presently at risk of destruction in the cocoa frontiers (in the Amazon and Congo Basins, Nigeria, Liberia, South East Asia). Changed rainfall patterns are a direct result of such deforestation, and reciprocally, climate change also further exacerbates the challenges of farming in many cocoa growing regions.

Although the environmental discussion over the past years has increasingly been dominated by conversations around the European Union's Deforestation Regulation (EUDR), many other environment challenges must be addressed as well. These include the use of agrochemicals, threats to cocoa production by crop diseases such as CSSV and Black Pod Disease, as well as the increasingly visible destruction caused by small-scale open goldmining in especially Ghana. Impoverished cocoa farmers are seeing their farms taken over by gold mining. Furthermore, cocoa production is at the risk of expanding into new areas, due to a continuing high demand for cocoa. So called "new frontiers of cocoa" – such as Ecuador, Cameroon, Sierra Leone, Liberia and the Democratic Republic of Congo – require the urgent attention of the sector.

Although environmental concerns are relatively recent additions to the global sustainability discourse in cocoa, issues such as climate change, changing weather patterns, deforestation and the loss of natural ecosystems have been felt and challenged by communities in the Global South for many years. Many of these issues are either rooted in, or exacerbated by, the poverty of cocoa farming households.

Governance

Environmental protection can never only be a case of corporate sustainability but also strongly depends on governments – in both consumer and producer countries – implementing and enforcing policies – in an inclusive and integrated manner. Furthermore, these policies must be transparently communicated on so that governments can be held accountable and continuously improved upon. This cross-cutting issue of governance and the enabling environment is discussed further in chapter 8, Governance.

Gender and environmental protection

At present, most approaches to the environmental challenges in the sector are largely gender agnostic. Interventions are designed without a clear focus on ensuring women are actively involved in problem analysis, solution design,

and roll out of programmes. Not only does this cause a further increase of the gender gap, it is also a particularly ineffective way of dealing with the issues. The body of evidence is clear; involving women in tackling environmental issues vastly increases impact and effectiveness. All of the sections in this chapter should be viewed with a lens to include women in every step, including access to training and finances, equal rights in land and tenure security, additional protection of (pregnant) women to exposure to agrochemicals, support for women farmers in agroforestry systems, etc.

Living income and environmental protection

The biggest environmental challenge in the cocoa sector is farmer poverty. As long as smallholder farmers are not earning a living income, they will always be faced with the choice between caring for the environment and feeding their family. It should be painfully clear that that is not a real choice. As such, cocoa farmers need to earn a living income in order to alleviate pressure on forests from cocoa production. Environmental approaches must always be coupled with economic solutions for farmer poverty; costs for farmers must be covered, both input costs and labour costs, at the very least. Ideally, environmental protection will be rewarded with additional incentives such as payments for environmental services.

Crop losses

In many areas in West Africa, viral crop diseases such as Black Pod and Swollen Shoot can lead to a loss of 30% or more of the annual harvest. The Witches Broom fungus devastated the Brazilian cocoa sector in the 1990s and continues to damage part of the cocoa production in Latin America. Pest infestations, ranging from insects, such as the Cocoa Pod Borer in South-East Asia, through to rats, mice, squirrels, slugs, and snails damage the cocoa tree and its fruits, leading to harvest losses (Bateman 2023).

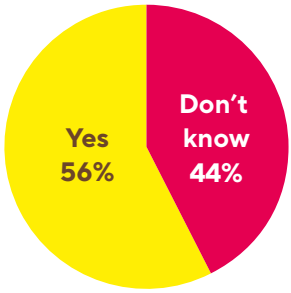
Ghana and Côte d'Ivoire have seen a significant spread of black pod and CSSV during the last years. Adverse weather conditions in 2023 worsened the situation. According to COCOBOD 500,000 ha of cocoa plantation (one quarter of productive area) need to be cut down and renovated due to CSSV. Figures of the spread of CSSV in Côte d'Ivoire are disputed, as the Ivorian government has stopped publishing numbers a few years ago. Some sources say that up to 30% of the production area is affected(Reuters 2024). There are rumors in both countries that the problem is much bigger than the governments admit.

Deforestation

Infographic 14;
Chocolate Scorecard 2025 ranking on deforestation and climate

Brands		Traders/processors	
1	Tony's Chocolonely	4	Cemoi
2	Halba	10	Puratos
3	Ritter Sport	12	Ecom
5	Lindt	14	ETG Cocoanect
6	Ferrero	15	Sucden
7	Mars	17	Touton
9	Nestle	18	Barry Callebaut
16	Hershey	23	OFI
	Mondelez	25	Cargill
		33	Blommer/Fuji
		34	GCB Cocoa
		36	JB Foods

Infographic 15: **Scorecard: barely half of cocoa deforestation free**
Although almost all (87%) cocoa and chocolate companies participating in the Scorecard have a deforestation free commitment, barely half (56%) of their supply is currently confirmed deforestation free by their deforestation monitoring systems.



The cocoa tree originates from the rainforests of Latin America, and it is no surprise that cocoa grows well in areas that were tropical rainforests. As such, cocoa production is a driver of deforestation in all cocoa growing regions of the world, severely undermining the sustainability of the cocoa sector.

Ghana and Côte d'Ivoire have seen particularly alarming rates of deforestation. Over the past thirty to sixty years, Ghana is estimated to have lost 65% of its forest cover, while Côte d'Ivoire has lost around 90% of its forests. The majority of this dramatic tree cover loss has been within cocoa-growing regions of both countries. In the two major cocoa producing nations, the last remaining national forests are under pressure, or already damaged, with cocoa as a key driver of this destruction.

Recently, cocoa production has started to expand into relatively new geographies, including in Sierra Leone, the Democratic Republic of the Congo, Liberia, Peru, and Ecuador, and growing in historic cocoa geographies such as Cameroon, Nigeria, and Brazil.

Effects of deforestation

- *The most obvious and direct of the effects of deforestation is the loss of biodiversity and habitat, with extinction of many forms of flora and fauna as a direct result. The last remaining elephant populations in Côte d'Ivoire are under pressure, cocoa is grown in and near the Virunga national park in the DRC, posing a risk to the gorilla population there. Upcoming Latin American cocoa producing nations such as Ecuador and Colombia are known for their biodiversity, which could come under pressure from cocoa production. Not only large and visible wildlife is under threat, many smaller animals, insects (many of which are essential for the pollination of cocoa flowers), and trees and plants are under pressure.*
- *Forests have a tremendous climatological contribution in various ways. They act as massive carbon absorption and storage systems through capturing carbon out of the atmosphere and storing it organic matter, often for centuries. Deforestation disturbs local, regional, and global water cycles, and this can result in less clouds, lower humidity, and modified patterns of rainfall. Rainforests operate as massive sponges, capturing the excessive rainfall patterns that are coupled to climate disruption. Forests also contribute to soil and water quality and flood prevention. Put simply, deforestation leads to less carbon capture, changes rainfall patterns, and reduces resilience in water capture.*
- *Deforestation also has other significant human impact; with threats to communities being both economic, social and cultural. Across the world, the lives and wellbeing of people living in forests are directly linked to the*

wellbeing of the forests they live in. Damage the forest, and you damage the communities. The loss of forests also can lead to a loss of livelihoods for people who depend on forest resources for their food, fuel, medicine and building materials.

- *Through widespread deforestation, humanity is also more exposed to potentially lethal pathogens. The threat of such zoonoses has become significantly more urgent in the public perception in the past years.*

Traceability and transparency

Fighting deforestation effectively in supply chains is impossible without traceability and transparency. Traceability is needed for companies to understand where their cocoa is coming from, and whether these points of origin are within (or in close proximity to) areas of recent deforestation. Transparency is key, because it allows actors to work together to mitigate the risk of deforestation in certain areas, as well as providing an accountability mechanism by enabling civil society and other actors to engage with private and public sector actors that are failing to address deforestation in cocoa supply chains.

Traceability should not be confined to just the farms but should include mapping of remaining forests outside of existing farms. This is necessary to be able to monitor and report on deforestation-free cocoa, as well as providing the necessary data to be able to remunerate farmers for environmental services provided keeping forests or restoring degraded forests through agroforestry.

However, despite many promises[43], ongoing reluctance by both industry and government actors to make this kind of data publicly available stifles potential efforts at multistakeholder actions that could target deforestation hotspots and ultimately slows progress in combatting the wider problem.

Remaining rainforests

Though a large part of the deforestation conversation in cocoa focuses on the two major cocoa producing countries, most of the forest there has already been lost. It could be argued that even higher risks of deforestation are in the areas where significant rainforests still remain. Existing rainforests such as in the Amazon and Congo Basins, as well as in the Indonesian archipelago are all under pressure from encroaching cocoa farms.

43 Such as at the founding of the CFI in 2017, or a later CFI promise in 2022 to gather geolocation data on hundreds of thousands of cocoa farms in the companies' West African supply chains.

Legal vs. illegal deforestation

In many origin countries, a differentiation is made between legal and illegal deforestation. However, there is little point in emphasising illegal deforestation in cocoa in Ghana and Côte d'Ivoire; most parks and protected areas have already been destroyed in whole or in large part. Furthermore, countries can simply choose to legalise deforestation – as happened in Côte d'Ivoire around 2018 – or to not enforce forest protections – as happened in Brazil under Bolsonaro – and it becomes a moot point. The key is to stop all deforestation for cocoa (and other products) everywhere, legal or illegal, and to regreen all cocoa wherever it is, moving away from monoculture toward diverse agroforestry. This means that a significant burden also falls on governments of the countries where the cocoa is grown. The regulations and enforcement are not just the remit of consuming blocks such as the EU. If the cocoa sector truly wants to stop deforestation, it needs to stop cutting trees.

Forest protection and human rights

Forest protection must be done in a way that upholds and respects human rights. To do this, it is necessary to involve farming households in protection and restoration efforts in their area. Where this is not possible, farming households should be helped to find alternative sustainable livelihoods.

There is real complexity for communities that are currently in protected areas. Where would these communities relocate to, how do they gain tenure and for how long, do you only relocate the living or also the graves? There are no clear fixes here, and a careful touch is needed. If and when relocations happen, this must be accompanied with realistic alternatives, and existing cocoa farmers must be allowed to earn a decent livelihood from their farms without feeling the need to expand into protected forested lands to earn more income. What should be avoided are violent evictions of farmers, as has been witnessed several times in the past years.

Reciprocally, protected areas are a necessary tool to conserve endangered biodiversity and should be accepted and respected by communities. There is a key and joint responsibility for both the private sector and origin governments to ensure such transitions and environmental protection are executed in a just manner. Furthermore, within the nexus of forest protection and human rights, several additional elements are vital including resource conditions, management approaches, participation and accountability, legal support, economic opportunities. (Pagdee, 2007; Macqueen, 2013; Hajjar, et al, 2021)

Landscapes and cross-commodity approaches

It is important to note that stopping deforestation requires actions at many more levels than just at the cocoa farm. Landscape approaches are necessary, bringing in all relevant actors in the communities. Such approaches should not

be limited to cocoa but should cover the various land-uses in the landscape and address the needs of multiple groups, rather than being set-up in line with the zero-deforestation commitments of the international cocoa sector.

Indirect deforestation

Cocoa can also lead to indirect deforestation, for example through land saturation. In these cases, cocoa production in legal areas can push the production of food crops into forest reserves, creating an indirect deforestation due to cocoa (Renier et al. 2025). For example in the Amazon Bassin, areas initially deforested for cattle grazing are converted to cocoa production, making cocoa a direct beneficiary and indirect driver of deforestation.

Reforestation and restoration

Putting an end to deforestation is not enough; so much old-growth forest has already been lost that it is essential for parts of currently deforested areas to be restored in their environmental functions and for rainforests to be allowed to regenerate over time. In that context, companies urgently need to invest in forest protection and restoration, and to support governments in this role. Simple compliance to regulations will not be enough, proactive supporting measures are needed.

Those areas that remain in the agricultural space, especially if adjacent to rainforests, should be set up in a way that they still can contribute to biodiversity protection, for example through a landscape of cocoa farms interspersed with broad biodiversity corridors. This would not only help preserve biodiversity, it would also help limit the spread of crop diseases. In those parts that will continue to be used as (cocoa) farmland, diverse agroforestry systems should become the norm. Dynamic agroforestry systems can even be a base of the reforestation of degraded areas.

Corporate commitments

Corporate commitments to environmental sustainability are insufficient. Most companies' commitments focus narrowly on issues like zero deforestation and fail to address broader concerns such as forest degradation, child labour, and living wages. Moreover, these commitments are often shallow and lack transparency, with insufficient disclosure about sourcing practices or the specific impacts of cocoa production in the supply chain.

EUDR

The EUDR was passed in 2023. As of December 2024, all cocoa entering the EU was going to have to comply to the regulation. However, because key supporting documents and processes of the EU were not finished in time[44], and the EU then chose to postpone the start date by a year. The EUDR is again under pressure at the time of writing of this Barometer, and there is a real chance that it will be further delayed and/or watered down.[45] The regulatory unreliability of the EU is causing severe damage to crucial planetary protection measures. The Commission needs to ensure that they themselves stick to the deadlines within the regulatory process, and prove that after all this prevarication they can, in fact, be reliable regulators.

Political will is among the most important factors in preventing tropical deforestation, often arising out of long-term public pressure and civil society advocacy for forest protection (Lyons-White/Spencer et al 2025). It has therefore been crucial that the European Commission passed the EUDR, the European Union's Deforestation Regulation. This landmark regulation of key commodities that have caused global deforestation – including cocoa – requires traceability back to the farm, proving that no deforestation has happened since 2020, and also that the cocoa was grown in a legal manner.

The advent of the EUDR has created necessary pressure for companies and producing governments to make progress after many years of promises. This is not just the perspective of civil society, but also of the largest companies in the sector.

"As an industry, we would never have deployed the effort we did on traceability, deforestation monitoring and deforestation mitigation without the strength of the rule of law... Deforestation will slow down thanks to EUDR."[46]

44 The president of the Commission, Ursula Von der Leyen, had these documents ready in the spring of 2024, but chose not to publish them until October, when the guidance was eventually published.

45 As this Barometer goes to press, the European Commission has announced it is further considering delaying the EUDR by a year. It is too early to say whether this delay will actually happen or not.

46 From a public statement by Nicolas Mounard, VP ESG, Sustainability & Traceability at Barry Callebaut

Many companies have already developed systems to assure EUDR compliance. Likewise, several origin governments have also developed cocoa management systems that help in compliance, such as the ARS standard. Though this is a challenge that needs careful navigation, the progress alread made shows that this poses a doable challenge.

Impact on smallholders

Though the importance of protection against deforestation is paramount, it is key to consider power dynamics when implementing a regulation such as the EUDR, which is a true system change. If not regulated and implemented properly, the burden of compliance all too easily are foisted upon the weakest shoulders, in this case smallholders.

Costs of compliance

The costs of the EUDR – including putting in place traceability systems, doing the necessary awareness raising, and proving legality – too often now fall on the cooperatives or farmers themselves. This can lead to larger gaps to a living income or that farmers choose to sell their cocoa to 'easier' markets. It could also lead to households turning to child labour to aid with compliance activities.

Such unintended negative consequences need to be remediated. Smallholders need to be supported to comply with zero-deforestation measures, and they should be compensated for any costs incurred. This could be done by companies offering premiums for cocoa grown through agroforestry and other sustainable production systems that keep forest landscapes intact, or even for restoring degraded forests. Another option could be transparent payment of EUDR compliance premiums, in the same way as the coffee sector has put an EUDR compliance differential on the terminal market.

Disengagement

Farmers without access to traceability systems are likewise at risk of being kicked out of the supply chain, even if there is no deforestation involved.[47] It is of high importance that the EU comes alongside all major cocoa exporting nations to assist in the capacity building at farm level, especially in the indirect supply chain and for unorganised farmers, in a similar manner has they have done with the timber sector in the past. Support for national or regional systems, such as ARS and other cocoa management systems is also a key part of this.

47 In Peru, for example, only a quarter of farmers of have land titles. Being able to prove legality and traceability is quite the challenge in that case.

Data ownership
Companies and governments have information about farmers. However, farmers (usually through cooperatives or other forms of farmers associations) lack this economic information about themselves. This gap in information ownership exposes them to increased exploitation by others. Some companies co-own farm polygon data with the farmer coops, showing that this is possible to do.

Beyond regulation

Though a major part of the environmental focus in cocoa has been on the EUDR, it is important to remember that much more is needed than demand side regulations to halt deforestation. In several Latin American countries, such as Brazil and Colombia, a large part of the cocoa production is consumed domestically. Ways are going to have to be devised to impact domestic markets as keys to avoid deforestation for local consumption. Furthermore, demand side regulations will not on their own address the underlying drivers of deforestation, including farmer poverty and governance failure in origin countries.

New frontiers of deforestation

> *"Cocoa production may shift more from Ghana and Côte d'Ivoire... [towards] Nigeria and Cameroon... Cameroon is one of the African countries where most rainforest and associated biodiversity is still present." (Asante/Morales/Rahn/Anten/Rozendaal 2025)*

Several factors contribute to a geographic shift towards cocoa's new frontiers. Climate change, which might make some current dominant areas less suitable for cocoa production, and others more suitable. Furthermore, the current higher market prices are most likely incentivising farmers in deregulated markets to establish cocoa farms. Many producing countries over the past years have indicated they view the cocoa sector as a potential sector to grow their economy and have set production increase targets. Even when the expansion is not part of official policy, the risks to forests can be severe.

While there is potential for increasing yields on existing farms, many farmers opt for expansion into virgin forests – rich in nutrients and free of weeds – rather than intensifying existing production. Historically cocoa has been a slash and burn crop, continuously moving into newly cleared parts of rainforest when established farms became less productive when the soil was depleted after several decades.

This shift carries significant environmental and social risks. The forests of Central Africa and Latin America are among the world's most biodiverse and ecologically vital ecosystems — acting as major carbon sinks, sanctuaries for wildlife, and crucial sources of livelihoods for Indigenous Peoples and local communities. Furthermore, there are increasing signs that cocoa trade in the Great Lakes region is helping fuel hostilities in the border areas of the DRC and Uganda (Ukweli Coalition Media Hub 2025).

Unregulated cocoa expansion threatens to replicate the mistakes of West Africa, where more than 80% of forests have been lost over the past 60 years, with cocoa as one of the main drivers. Without sustainable planning, this expansion could result in 'new frontiers of deforestation', leading to widespread deforestation, biodiversity loss, and deepening social inequalities.

Expansion in Liberia
Liberia, with more than 60% of its land still covered in forests, is undergoing rapid, unregulated expansion. There is a significant exodus of cocoa producers from Côte d'Ivoire to the primary forests of Liberia to establish new cocoa plantations. (IDEF 2024) This phenomenon, which began at least five years ago, continues to grow. The first results should become visible as early as the 2025/2026 season with perhaps even a doubling of cocoa compared to the previous harvest. This is worrying news for the country's forests and a huge challenge for the EUDR.

Expansion in Cameroon
Cameroon, the world's fourth-largest cocoa producer, plans to triple its production by 2030. In Nigeria, Peru, Colombia, and Ecuador, rising cocoa prices and the demand for certified cocoa could lead to unplanned deforestation unless effectively managed. In Latin America, there is the additional driving factor that cocoa is promoted as an alternative to illicit coca cultivation, leading to forest clearance in ecologically sensitive areas.

Disengagement
Though there are real concerns in cocoa production coming out of areas with high risks of deforestation, immediate disengagement is often not the solution. Especially for farmers in Central Africa, cocoa is a clear livelihood opportunity in areas where there is extreme poverty. Instead of disengagement, companies and consuming governments need to ensure the support for strengthened forest, as well as capacity building and financial support for smallholders to become compliant to no-deforestation rules.

Community engagement
An important element in combatting deforestation in these new frontiers, is to link up with existing knowledge and efforts of communities, for example

through community forest monitoring (especially in Central Africa), and the involvement of Indigenous People (especially in Latin America). In that light, the focus on zero-deforestation can be an opportunity to strengthen community forestry and community led forest monitoring & protection, instead of it being a top-down role of governments and international companies.

Governance and forest protection

Lessons from Côte d'Ivoire and Ghana underline the importance of proactive, landscape-level planning, inclusive multi-stakeholder governance, enforceable deforestation-free supply chain commitments, the need to finance the conservation of national parks and preserved forest as well as restore degraded areas. Without these safeguards, efforts to meet ambitious production targets in Cameroon, Liberia, Nigeria, and Latin America could jeopardize forest ecosystems, biodiversity, and the long-term sustainability of the cocoa sector itself.

Gold Mining

Gold mining has been a reality in cocoa growing region for centuries. For centuries, what is now Ghana even used to be called the Gold Coast. The expansion of gold mining in West African cocoa growing regions is gaining particular attention, however, this is also an issue elsewhere, such as in the Amazon Bassin where this is a growing concern.

Historically, farmers would engage in small-scale mining at times when the farm workload was not so high, using shovels and simple pans. However, over the past two decades, the number of illegal miners (called Galamsey in Ghana) has increased steeply as has the damage they cause. Increasingly, this mining is done at a more mechanised level, using bulldozers, industrial pumps, and large work forces, and with the use of highly toxic chemicals. Especially in West Africa, gold mining is increasingly associated with organized crime, coupled with armed violence.

Environmental damage

In many cases, miners nowadays come equipped with heavy machinery and destroy whole plantations within a couple of days. The use of mercury poisons the soil and much of the surrounding water bodies. Contaminated water becomes unsuitable for consumption and agricultural use. Farmers have also indicated to no longer use river water to prepare pesticides, as there are concerns about how the chemicals in the river water react with the pesticides on the cocoa trees.[48] This also adds to production costs, as water transportation

48 Reports of farmer during a workshop in Kumasi in November 2022 visited by the author Friedel Huetz-Adams.

to the farm can be burdensome and/or costly. Besides the pollution of soil and water, gold mining also destroys the forests and cocoa trees that are on the land when the mining begins, leading to habitat destruction and a loss of biodiversity. Even farms and forests where gold is eventually not found resemble lunar scenes, with craters of contaminated water spotting a deforested and barren landscape.[49]

Human rights

Gold mining is associated with many human rights and labour rights violations. It can cause physiological health issues, such as injuries, physical strain, mental strain, kidney problems, respiratory disorders, and metabolic diseases. The presence of elevated levels of mercury, cyanide, arsenic, and cadmium in both the environment and the human body are directly linked to (illegal) small-scale gold mining. Furthermore, children and youths are often involved in these activities, and due to the nature of the work, this is almost always hazardous labour, and therefore part of the worst forms of child labour.

Economic impact

Not only does gold mining cause environmental damage, but the resulting cratered landscape is usually entirely unsuitable for agriculture, as it has also been heavily polluted and stripped of its fertile soil and would require tremendous investments to be rehabilitated, if that is possible in the first place. Furthermore, many young people in the cocoa region are going to the mining areas as they don't see a future in growing cocoa, leading to labour shortages, and resulting high cost of labour for cocoa farmers in areas prone to gold mining.

Root causes

Farmers running low on income sometimes give small-scale miners access to their land, in return for small sums of money. In other cases, farmers or landowners sell their land entirely. There are also reports of farmers being forced to sell or give away their land under the threat of violence. Other causes include limited employment opportunities for young people and therefore they turn to gold mining as a source of livelihoods. Limited enforcement of regulations and corruption also play a role. A key driver, especially in West Africa, is also the presence of organised crime. There are real safety concerns for those investigating gold mining.

Gold mining in Ghana

Over the past years, the destruction of cocoa plantation by golds miner was often used as an explanation for the decrease of cocoa production in Ghana.

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49 A March 2024 report by Reuters brings stark visual imagery of the destruction caused by gold mining in Ghana's cocoa areas. (Reuters Bavier 2024)

However, information on the scale of the problems is unreliable. It is estimated that between 2005 and 2019, around 47,000 ha land was converted into mining sites, and it is presumed that the problem is strongly increasing, particularly in the Ashanti, Western and Central regions. Presently, several institution are trying to set up a supervising system based on satellite images to get more information on the extent of the problem.[50] At least until recently, the conversion for small-scale mining was much bigger than the conversion of land for industrial gold mining (Barenblitt et al., 2021, p. 8).

Gold mining in Côte d'Ivoire

Côte d'Ivoire is increasingly confronted with these issues as well. Satellite images show that after 2018 the activities of gold miners increased significantly, especially in the eastern regions bordering Ghana (Ngom et al., 2022). Additionally, some of the rivers coming from Ghana bring their pollution into the country.

Climate Change

Changing weather patterns due to climate change are a daily reality in many cocoa producing regions. Climate change's impact can differ wildly depending on locality; unpredictable weather patterns and extreme weather events including extended droughts or severely increased rainfall have a direct impact on the overall health of the trees, disease incidence, and the ability to set flowers and produce fruit. We are in the middle of a climate crisis.

El Niño and La Niña

Weather phenomena such as La Niña and El Niño[51] lead to droughts and/or short-term heavy rainfall, depending on their characteristics and course. Though La Niña and El Niño are naturally occurring phenomena, and are not man-made, they are becoming more frequent and more severe (de Sousa et al. 2019).

Effects on farmer income

Climate change directly impacts farmer's incomes. Lower yields and crop losses are a result of droughts, erratic rainfall and increased occurrences of pests and diseases. At the same time, production costs increase due the needs of irrigation and additional pest control. Price volatility due to erratic harvests leads can cause resilience risks.

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50 The Monitoring of Artinsal Mining in Ghana Service can be accessed here https://servir.icrisat.org/artisanal-mining-galamsey-monitoring/.

51 El Niño and La Niña are naturally occurring weather events of warmer (El Niño) and colder periods (La Niña) around the Pacific Ocean that affect global temperatures and rainfall patterns, and as such have effect on cocoa production globally.

Changed suitability

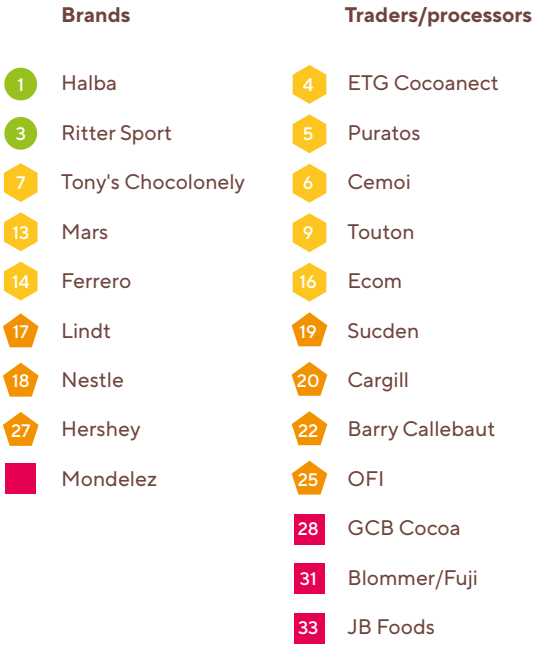
Large parts of the West African growing regions will gradually become unsuitable for growing today's cocoa varieties by 2050 if no adaptation measures are taken (Schroth et al. 2016). The Americas are also already affected by climate change, making some regions less suitable for cocoa production – but also making other areas that were previously unsuitable for cocoa production much more interesting for this crop. There is a particular irony in the fact that deforestation caused by cocoa will over time contribute to an environment that means cocoa can no longer be grown in the exact areas that were deforested for the crop in the first place.

Adaptation

Work is being done to modify cocoa tree varieties to be more resistant to droughts and extreme temperatures, and climate smart agricultural practices, such as soil and water management, might support the adaptation of cocoa farms to the challenges caused by climate change. Most importantly, diverse agroforestry systems are expected to be one of the most effective adaptation systems available, because they make farms more resilient to impacts or extreme weather events and diversification of crops makes the household more resilient to market shocks. The 2023/2024 El Niño that contributed to the current price spike is a point in case, where Côte d'Ivoire and Ghana with their severe rates of deforestation were hit harder than other areas with more tree cover.

Agroforestry

Infographic 16: **Chocolate Scorecard 2025 ranking on agroforestry**



Cocoa agroforestry systems can bring a wide range of ecological benefits, such as biodiversity conservation of flora and fauna, carbon sequestration, preserving and strengthening soil moisture and fertility, contributing to pest control, and microclimatic control such as stimulating rainfall. Agroforestry can also be part of the solution for some of the socioeconomic challenges. Yields can be just as high in high biodiversity agroforestry systems as in full-sun production (Clough et al. 2011), and there are indications that cocoa agroforestry systems can have similar or even better economic performance compared to conventional, full sun systems (Jezeer et al. 2017). It can also increase access to nutritional food, fuel wood and fodder on the farm. Cocoa agroforestry systems can and should provide additional income opportunities to farmers, and to serve as incentive for farmers to invest and maintain agroforestry systems in cocoa producing origins.

Unclear terminology

Though most companies claim to be active on this topic, comparing activity on agroforestry is proving troublesome. Most have included agroforestry in farmer training manuals. Many distribute tree seedlings of different varieties to farming communities. Some claim to buy a lot of cocoa from agroforestry systems. However, there is no common definition of agroforestry. As such, the data

provided by companies remains largely unusable in making comparisons. In the cocoa sector, companies still use a wide variety of definitions when they talk about cocoa coming from agroforestry. Some refer to the ARS-1000 Standard, others to criteria of the WCF/CFI. Other use Rainforest Alliance and Fairtrade criteria when they talk about agroforestry. Other companies are piloting systems with tree densities that are significantly higher than requested in these approaches. However, CFI, Rainforest nor Fairtrade are true agroforestry approaches, and as such, these claims overpromise and underdeliver.

Zero-deforestation is not the same as cocoa agroforestry

There is no direct relationship between promotion of agroforestry and halting deforestation. Agroforestry cannot replace natural forest. However, agroforestry cocoa can play a (minor) part in compensation and restoration measures for previous historic deforestation. In this sense, it is important for companies in the cocoa industry, who have benefitted from past deforestation in their supply chains, to be involved in the restoration of the harms historically caused. Agroforestry is also important for major cocoa producing countries, as they urgently need to re-green their nations, some of which are on a collision course to desertification because of tree cover loss. For such countries, rolling out agroforestry wherever possible can help anchor rainfall and restore some tree cover. And though cocoa agroforests can store more carbon than monocultures, it is important to reiterate that cocoa-related agroforests store far less carbon than the tropical forests they have historically replaced.

Strengthened resilience

Despite good intentions, low shade standards (as exist in the current voluntary sustainability standards) encourage and enable degradation of existing, more complex agroforestry systems to stimulate productivity. Agroforestry should not replace forest areas, nor can simplified agroforestry be a substitute for more diverse agroforestry systems. Instead, agroforestry systems should be used to strengthen resilience of cocoa production regions, diversify land-use practices and income sources, and to restore degraded land. All monoculture cocoa should be replaced over time with agroforestry cocoa, with progressively more diverse agroforestry systems put in place.

Low impact of current efforts

A large gap separates the current reality of agroforestry in the cocoa sector from its potential. Alignment on an adequate definition is missing, causing almost every company to be using a different definition[52]. Where there is

52 Because of this confusion of definitions, the European ISCOs have attempted to assign definitions to different categories of agroforestry. This makes it clear that there are considerable differences in terms of quality. The aim should be that members of the ISCOs source cocoa from at least category 4 in their supply chains. The definitions can be found here.

alignment, this is often at a lowest common denominator level. Furthermore, there is a lack of enforcement at all levels (within CFI, in certification labels, in government agroforestry and deforestation standards). Most efforts also remain uncoordinated, with little synergy between companies and the landscapes they operate, resulting in minimal landscape transformation and agroforestry improvements. Crucially, agroforestry programmes are often presented as "oven ready" packages for farmers to take or leave, rather than designing "farmer-centric" approaches that involve farmers in the basic design of these programmes from the outset.

Low tree survival

The impact of agroforestry reforestation campaigns for existing cocoa plots is unfortunately minimal. In Côte d'Ivoire, despite a great number of tree distribution campaigns, distributed tree survival was less than 2% (Sanial 2019). Even when trees do survive distribution, most young tree seedlings are cut down during weeding, due to a lack of training on agroforestry practices provided to the person who is doing the actual work at farm level, such as sharecroppers (Uribe-Leitz/Ruf 2019). This clearly shows the need for intensive training, education, and collaborative work with cocoa farmers and farm workers to ensure success in any transition away from monoculture towards agroforestry. Payments of maintenance fees for agroforestry programmes could also help to incentivize farmers.

Low adoption rates

Adoption of agroforestry by farmers currently in cocoa monoculture systems is minimal, for several reasons. Costs and benefits of agroforestry are often unclear to farmers, and many farmers have been led to believe that full-sun monoculture is the way to go. Few farmers can afford the initial investments to transition to agroforestry. Land and tree tenure insecurity provide additional barriers. When agroforestry programmes are not rolled out taking gender into account, adoption rates by women farmers will also be low. Finally, when farmers have access to new cocoa planting material, these are often varieties that have been adapted to full sun conditions and therefore are not very suitable to agroforestry.

The business case for agroforestry

Despite the concerns outlined in the preceding paragraphs, agroforestry is a crucial part of the future of sustainable cocoa. There is a lot of anecdotal evidence that agroforestry is helping – even at farm level – to mitigate climate change impacts, as well as reduce harmful effects of pests and diseases. Increasingly, there are many tools and systems availability for ensuring the proper use and implementation of agroforestry.[53]

53 These tools include Cacao Diversity and Shademotion (used to train technical staff in agroforestry).

Though there must be an immediate benefit for farmers to engage in agroforestry (through payments for ecosystem services, through improved yields and reduced risks of pests and diseases), the business case for agroforestry – for the sector as a whole – must be made within the context of long-term climate change adaptation and biodiversity preservation.

Even in those cases where cocoa agroforestry may not immediately appear as more beneficial to farmers, it is important to acknowledge that the current business case of monoculture cocoa does not take into account its true costs.

Farmer-driven agroforestry versus corporate programmes
Though adaptation of large-scale corporate agroforestry systems – especially in West Africa – do not seem to find a lot of uptake at the moment, farmer-driven intercropping is a daily reality in many places already. Too often, farmers are being framed as either being uninformed or underequipped enough to pick up agroforestry practices. However they often are, but in their own way.

Agroforestry vs intensification
Best practices could be combined between agroforestry cocoa and in intensified cocoa production, to ensure that agroforestry does not need to be paired with increased use of agrochemicals. Programmes adopting the paradigm of "sustainable intensification" or "climate smart agriculture" need clear insights into the trade-offs between agrochemical use and agroforestry systems. Furthermore, cocoa varieties should be favoured that thrive under diversified shade conditions, and that do not need high levels of external inputs such as fertilizers and pesticides.

Governance
There is a key role set aside for governments in to stimulate wider adoption of agroforestry, both in origin countries and in consuming countries. Creating synergies and coordinating efforts between stakeholders, providing the necessary financial support, as well as creating the legal frameworks necessary. It is also essential to engage in closer dialogue with the forestry industry in origin countries. Tree harvesting in plantations, particularly in Côte d'Ivoire, is a source of considerable tension and does not encourage farmers to engage in agroforestry practices.

Carbon Capture

Trees capture carbon, which is crucial in combatting climate change. Using agriculture systems to capture and store carbon, such as agroforestry systems, can count on general support, especially when coupled with ways to increase revenue for farmers (payments for ecological services). Systems that reward carbon capture could lead to the mobilization of extra funds for smallholders and could incentivize to plant and protect trees and forests.

Delicate

Ensuring higher revenues for smallholder farmers whilst fighting climate change; the promise is highly attractive. However, reality shows it is often a rather delicate topic, with numerous potential unintended negative consequences, and a lot of controversy in recent years – especially around the trade of carbon credits. The main concerns around carbon capture programmes revolve around two main questions: will the program benefit the farmer, and are the claims about the level of carbon capture credible? Good examples of carbon projects that both actually benefit farmers and are also credible remain too few. This is particularly relevant in the context of systems where carbon capture becomes a tradeable good.

Offsetting and insetting

In the case of companies wishing to reduce or remove emissions in their own supply chain (or for those of their customers) further downstream in the supply chain, this process is called carbon insetting. If companies want to claim compensation for their emissions outside of their own supply chain/footprint through certified carbon credits, this is called carbon offsetting.

Credibility of claims

There are several reasons why carbon removal claims are problematic in the current approaches. These include the difference in permanence between removal and reduction, the risk of agroforestry removals being undone, double counting, the unreliability of claims, and the tendency to prefer removals over reductions.

Reductions vs. removals

There is no room left in our global carbon budget to choose between reducing emissions and increasing carbon capture in cocoa agroforests and landscapes on land. Both need to happen urgently. Removing carbon from the atmosphere must come on top of steep reductions of greenhouse gases. As such, carbon removal programmes should not replace emission reduction efforts. Simply put, even though we absolutely should invest in cocoa agroforestry, we shouldn't invest in cocoa agroforestry so that we can keep driving cars and flying airplanes or deforesting elsewhere.

Permanence

Once carbon is released, it stays in the atmosphere for 300 to 1000 years. No carbon agroforestry[54] project or carbon credit registry can guarantee that their trees or buffer pool will suck up carbon for such a long time. This is a challenge as he world will be completely different in 300 years, and the companies we have today won't be there anymore. This is why it is critical that companies using carbon removal projects in the cocoa sector to claim they have eliminated or offset their actual emissions are transparent about the low durability of these removals. We urge leading carbon sector standards such as the GHG protocol and SBTI to review these claims mechanisms to account for this permanence, to transparently reflect the durability of introduced practices, and to establish robust criteria for mitigation strategies.

Risk

The permanence question is further exacerbated by the risks of premature carbon emissions in agroforestry systems. Smallholder farmers often do not have sufficient resilience and economic agency to be able to plan for the long term. As such, they may not always be able or willing to maintain the cocoa agroforestry system in the long term.[55] With increasing climate instability, wildfires or droughts could also inadvertently release large amounts of captured carbon into the atmosphere. Furthermore, it is not unthinkable that corruption could lead to agroforests to be cut down.

Double counting/claiming

There is a risk of double counting, where companies can count the carbon captured in their program, but the same tonnages can also be included in government climate commitments. This is not only a risk within public and private commitments but also within supply chains where for instance two companies are buying cocoa and coffee from the same producers and both claim benefits. Furthermore, the double counting is a problem if one company counts the removal to its target and then sells the same removal as a credit to another company and they also count it towards their target.

False claims and lack of transparency

The credibility of many carbon claim schemes is often non-existent. In January 2023, research by the Guardian, Die Zeit and SourceMaterial revealed that over 90% of rainforest carbon offsets to be "largely worthless and could make global heating worse".(Guardian 2023) Though the carbon market is almost thirty

54 The case for biochar, where carbon is captured in the soil, is distinctly different. If pyrolysis is done at sufficient temperature, the majority of carbon is captured for well over 1000 years

55 For example, in Côte d'Ivoire, there are now "agroforêts" – plantations that can be created in "forêts classes". Under pressure from cocoa and chocolate companies, all limits for tree cover (initially 20%) were removed, so in the end, this will encourage more deforestation.

years old, carbon credit systems have been a largely unregulated sector, and many cowboys have swooped into the sector, earning immense private fortunes while having virtually no impact on global emissions. Although some carbon credit projects are third-party certified, this does not guarantee accuracy of removal claims nor is it a guarantee to prevent human and land rights abuses, food insecurity, land grabs and community disenfranchisement. The voluntary carbon market's inability to self-regulate has led to systems where most of the claims are not credible.

Farmer income and farmer risk

Compensation for carbon removal must follow the Good Purchasing Practices principles (Fountain 2024); remunerative pricing at acceptable risks to the farmers, communicated transparently.

It cannot be that payments for carbon are only equal to the cost of compliance; in that case, all that is added to the farmer is an additional cost-neutral work burden, with potential long term compliance burdens. The payment should act as an incentive to increase the economic benefit of farmers to adopt these practices not only looking at the cost of adoption but also the opportunity loss of intensifying cocoa production or changing the land use.

Benefits to farmers and farm workers should be enshrined in long-term contracts that give the farmers more rights and the buyers more responsibilities.

Furthermore, any carbon capture and removal compensation systems must have a transparent and realistic calculation about the costs incurred, the amount of labour required, as well as how many other kinds of inputs are required. This net income consideration should also include compensation for loss of income from other activities farmers would have had on their farms (e.g. fewer cocoa trees per ha to leave space for other trees).

On the other hand, more carbon on farm may also indirectly benefit the farmer, through improvement of soil, water capacity etc. Though this may not be captured in direct monetary value, this can be beneficial on the long term.

Additional income

Additional sources of income through payments for ecosystem services (including carbon capture) should always be additional. This means that companies must be transparent about the net benefits the farmers receive. A good agroforestry system generates income from multiple crops, and the payments for carbon capture is a "cherry on the pie" to overcome e.g. first investment costs. The challenge is that at present one of the few ways that agroforestry can be monetized is through carbon removal claim programmes. This is problematic, as it makes valid criticism of carbon removal claims delicate from a farmer income perspective.

First mover disadvantage
Emission removals only count for future capture, not for carbon that is already being captured. This is a key part of the credibility of any removals claims, otherwise claims could be made for any forest currently standing. However, the unintended consequence is that farmers who are currently already working in agroforestry systems will not be able to benefit from programmes that aim to meet the additionality requirement. For farmers who are already in diverse agroforestry systems, other ways to reward their ecosystems services will need to be developed.

Farmer protection
It is not always clear in advance for the farmers if and how they receive the payments for the carbon capture activities on-farm, nor how much they receive and for how long.

However, carbon capture systems could end up being more beneficial for large corporations, while at the same time creating more risks for farmers. If these processes are not done sustainably, they can actually exacerbate the problems smallholder farmers are facing. In the case of carbon insetting, companies might not actually pay the farmers for the carbon captured but just implement their agroforestry programmes and use carbon capture to justify these investments internally. Such an approach needs to ensure that farmers are properly supported and compensated adequately. Furthermore, there are very few established national frameworks to regulate carbon linked transactions or define carbon rights, and most countries in the Global South are ill-prepared to engage in forest carbon transactions and can't act as a buffer if farmers are abused.

Commodity
From a farmer income perspective, it is crucial to prevent that carbon becomes another commodity for which the farmer is not paid enough[56], especially if it requires extra investment and/or labour, or if it limits their freedom to decide on farming practices, including which trees to plant. Additionally, there could be unintended consequences of farmers being bound to specific intermediaries if they are selling their carbon units, as there generally is a power imbalance between companies and farmers. This could mean that farmers would have to work for these companies for a long period, even if other companies might be willing to pay more for either the cocoa, the carbon credits, or both.

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56 The whole principle of a commodity market is that the determining factor between different batches is its (low) price. In other words, commodities are designed to drive the price of a product as low as the market can possibly push it. This is almost never in the financial interest of the farmer, and almost always in the interest of companies, although the argument is that they do so for the end consumer.

Inclusive deliberation

Another question to bring in, is the issue of power dynamics. Carbon capture systems can, as many other agronomic interventions, be seen as a continuation of the power dynamic where companies are deciding which interventions will be considered, without bringing farmer needs and inputs into the process.

It is essential to ensure a more locally owned and equitable approach, integrating smallholders into decision-making processes and ensuring that carbon capture and removal compensation mechanisms genuinely benefit them for the middle to long term.

Moving forward

Monitoring and claims

The issue whether various forms of carbon capture are beneficial and necessary should be seen as a separate (albeit linked) discussion from whether carbon capture is being used a basis for claims by the company, or as credits for trading. Due to the difference in risk and permanence of agroforestry carbon removals, it is not possible to use agroforestry projects as the sole or even main base to claim carbon neutrality. Furthermore, any carbon-neutral claims must be transparently communicated, and risks and monitoring must be rigorously managed.

Removals vs reductions

No company or country[57] should rely on offsets to achieve their urgent and direct emissions reductions; companies and governments need to stop emitting carbon, not compensating for their emissions elsewhere. Carbon capture must be pursued as a separate target to emissions reduction, and actors must continue to report on and reduce their emissions as a stand-alone item as a first priority before investing further to compensate for their remaining residual - hard to abate - emissions .

Contributions vs claims

In this context, some front-running companies are starting to consider that they should be moving away from using the credits for their zero-emission claims and focusing more on the benefits that arise from their contributions other than credits.

Carbon removal in a broader context

Furthermore, the need is great for guidance for 'what good looks like' for carbon removal projects with respect to human rights due diligence, land rights and

57 In the UN there are discussions around creating a state-level carbon market, so this will ultimately not only concern countries but also governments with their national emissions reduction targets.

control, income and benefits sharing, gender, grievance mechanisms, workers' wages and rights, meaningful participation, and food first approaches. At present, it is hard to identify carbon removal projects with proven strong social credentials. Other approaches in removals and reductions practices (such as the use of biochar and reductions in pesticides use among others) should also be part of a holistic approach.

Credibility of claims

In any system of carbon capture and removal, the credibility of the claims is going to be essential. Few approaches have succeeded here to date. The lack of transparency of current offsetting programmes, their effectiveness and what communities receive is problematic. This is often even more acute in the insetting programs where verification is even weaker.

Need for agroforestry and carbon capture

Clearly, trees capture carbon. Measuring how much carbon is being captured in various agroforestry systems is a good thing. Ensuring farmers are fairly remunerated for this and do not bear undue burdens is a key part of this as well. In that light, companies need to urgently move, ensuring increased investments are as effective as they can be for both farmers and for nature.

Farmer income

From a farmer's perspective, if a carbon project can provide net income benefits, it would be foolish for the farmer not to enter such a programme. Furthermore, agroforestry plays a key role in making cocoa farming future proof. The additional carbon captured by the agroforestry systems, as well as their roles in capturing and influence rainfall, and their roles in fostering biodiversity, these are all crucial. As such, payments to farmers for the establishment of these agroforestry systems are essential incentives, and payment for carbon capture and removal is a key part of such a strategy. However, it is imperative that the ability of agroforestry systems to be remunerative is not based on the single premise of being able to sell carbon claims. The fact that this is not the case, is a clear sign of a flawed system.

Agrochemicals

A topic that is often discussed in very binary terms in the cocoa sector, is the use of agrochemicals. Either it is considered a given, and its use is generically promoted, or it is considered a bad thing in itself, and its use is rejected on principle. There are many aspects to this discussion, on an ecological level, on a health and safety level, as well as on agronomic level. Furthermore, a distinction needs to be made in the types of agrochemicals discussed.

Pesticides

Infographic 17: **Chocolate Scorecard 2025 ranking on pesticides**

Brands		Traders/processors	
2	Tony's Chocolonely	1	Cemoi
3	Halba	5	ETG Cocoanect
4	Ritter Sport	7	Sucden
6	Mars	8	Touton
13	Lindt	10	Puratos
18	Nestle	12	Barry Callebaut
24	Hershey	15	Ecom
28	Ferrero	17	Cargill
	Mondelez	26	JB Foods
		27	OFI
		31	GCB Cocoa
		36	Blommer/Fuji

The widespread promotion of agrochemicals is one of many examples of the cocoa sector's attempts to find quick-fix solutions to larger and systemic challenges, such as declining soil fertility from intensive monoculture cocoa production. However, there are many environmental and health – and therefore human rights - risks. And though there can be short-term benefits in the use of agrochemicals, there are serious questions around the business model for farmers. Projects to support farmers should no longer blindly look to increase the use of agrochemicals. Good agricultural practices (GAP), integrated pest management (IPM), regenerative agricultural practices, the use (and where possible their production on farm level) of organic fertiliser, and especially the implementation of diverse agroforestry are approaches that should be looked at instead.

Highly Hazardous Pesticides

A wide variety of pesticides are used to control pests and diseases in cocoa. Highly disputed and hazardous insecticides are used to reduce crop loss (Pesticide Action Network (PAN) UK, 2018; Bateman 2023, p. 8 and p. 39). The

HHP's used most widely in the West African cocoa sector have been banned in the EU because of their danger to human health and the environment, and Ghana and Côte d'Ivoire are among the main importers of neonicotinoids banned in the EU (Public Eye 2024, Inkota 2022). In West Africa, many unlicensed products are sold on the market, and farmers are often unaware of their contents. The use of these pesticides warrants close attention, for the protection of both farmers and chocolate consumers, as well as for its environmental effects.

Dangers of use

Cocobod's own research unit approves pesticides which are allowed to be used in cocoa production in Ghana, in many other cocoa producing countries there is no regulation[58]. It is painfully hypocritical that though certain pesticides are banned from use in Europe, they are produced there and allowed to be exported globally (Joynews 2025) Nonetheless, many farmer in Ghana use unapproved varieties – often advised by the local pesticide seller – leading to severe health risks.[59] Storage, use and disposal are often not adequate, with containers of hazardous pesticides regularly stored living rooms and kitchens. Often, personal protective equipment is not used when working with pesticides (Miyittah et al., 2022, pp. 6–8). As a result, farmer health is regularly affected by pesticide use.[60] These problems are found not only in Ghana but are widespread in cocoa producing regions. In Nigeria for example a study revealed pesticide residues in pods and beans, many of them banned substances. Nearly all farmers emphasized that more knowledge is needed when using pesticides (Idowu et al., 2022, p. 6).

Environmental harm

Pesticides can cause a wide range of harm to natural ecosystems and can severely threaten local biodiversity. Populations of birds and fish can be strongly affected. Pesticides, and especially neonicotinoids, are harmful to a variety of pollinators, including bees. Though the impact of pesticides on midge flies is much less researched there are serious indications that insecticides reduce their populations as well, which might lead to a reduction in cocoa yields, as midges play an important role in the pollination process in West Africa (PAN UK 2018, pp. 3–4). The natural fermentation of cocoa is also entirely dependent on

58 However, the International Cocoa Organisation (ICCO) does regularly publish guidelines on the use of pesticides (last version: (Bateman and Crozier, 2023))

59 A research project in the Obuasi Municipality in Ghana for example revealed, that 42% of farmers use unapproved pesticides. (Hyde-Cooper et al., 2024, p. 12). A study conducted in different regions of the Ghana came to similar results. 30% of the used insecticides were not approved by Cocobod, (Boateng et al., 2023, p. 53).

60 "Common and frequent health symptoms experienced by the farmers were headache, burning eyes, skin rashes, itching and chest pain. These health symptoms were likely due to inappropriate and inadequate use of PPE" (Miyittah et al., 2022, p. 15).

thriving insect populations. The adverse impact of pesticides on the health of the environment calls for an alternative approach to pest management.

Exposure of children to pesticides

The rising trend of children being exposed to pesticides is a cause for grave concern. The 2020 NORC report indicated that the number of children exposed to pesticides had almost quintupled between 2010 and 2020. The harm to children of exposure to agrochemicals is significant, and can lead to lifelong adverse effects, including respiratory diseases, learning problems and cancer. In addition, prenatal exposure to pesticides can lead to a wide range of birth defects and miscarriages (HealthyChildren.org 2020). Due to these risks, pregnant women and children should never handle pesticides.

Farmer health and safety

Many farmers suffer from health problems related to agrochemical use without sufficient protective equipment. Spraying, even with approved pesticides, can cause eye and lung damage. Many farmers and sprayers are not aware of the correct use of pesticides and protective measures (PAN UK 2018, p. 2). The lack of protective equipment, farmers eating and drinking during the application of pesticides, and the storage of agrochemicals in close proximity to food and underage children are all common occurrences (Ogunjimi and Farinde 2012, pp. 188–190). It is hardly surprising that residues of insecticides are sometimes found in the blood of cocoa farmers and in samples of groundwater (Sosan et al. 2008, p. 783).

Several things are necessary to tackle these challenges. Farmer income needs to be raised, so that farmers can afford protective equipment and education on the right dosage application of pesticides and use of protective equipment needs to be intensified to prevent adverse impacts on human health.

Wrongful use

Besides the health dangers of wrongful pesticide use, there are also negative agronomic effects. Regularly, farmers will water down the pesticide to reduce the costs of treating their entire farm. However, these lower dosages can lead to pests and diseases becoming immune to the agrochemicals. This causes even more crop damage over time, as well as significant negative environmental impact. Overuse and misuse of pesticides is widespread. Often, farmers are sold unlicensed, fake, or adulterated products by unscrupulous resellers (PAN UK 2018, p. 1). Farmer poverty is a major driver of this, as is a lack of literacy and training, putting both environment and the health of farmers at risk (Osei-Owusu/Owusu-Achiaw 2022). Besides misuse, there is also the question whether increased pesticide applications leads to net higher incomes. In some cases, it has been found to result in a reduction in profit margins (IDH, 2021, pp. 14, 83).

Integrated Pest Management (IPM)

The above points do not take away from the need to protect crops from pests and diseases. However, this does not automatically mean that extensive pesticide use is necessary or even warranted. Integrated Pest Management – especially in combination with diverse agroforestry systems – could reduce the need for pesticides significantly. IPM systems are complex, and for them to be implemented successfully, farmers will need financial support and training (Bateman 2023, p. 20; PAN UK 2018, pp. 5–7). Furthermore, many farmers don't have access to or the finances to afford agrochemicals. These farmers need to be supported in transition to well-managed diverse agroforestry systems and best practice organic agriculture practices.

Fertilisers

The depletion of soils represents a massive problem for all cocoa farmers. In order to obtain one tonne of dried beans, approximately ten tonnes of cocoa pods must be harvested from the plantation. This results to a significant loss of soil nutrients. If farmers cannot afford to replace these nutrients, the soil will be depleted and productivity will drop dramatically. Historically, this soil depletion driven productivity loss has caused cocoa to be a slash-and-burn crop, with new farms continuously being planted in rainforests to replace depleted ones. Nowadays, in the two main producing countries Ghana and Côte d'Ivoire, almost no primary forest is left.

Inorganic fertiliser use is part of the "solution packages" offered by many companies to farmers and farm organisations. For two decades, a key component of any company approach has been that farmers should use more chemical fertiliser to increase productivity. Due to a combination of factors[61], prices for these products rose drastically around 2022 and availability has been extremely limited in many cocoa growing regions. But even before this price increase, many farmers could not afford them leading to situations where the government had to provide them to cocoa farmers at subsidized prices. Though fertilisers could be one of the tools in the Good Agricultural Practices toolkit, they are by no means a panacea, and they should not be applied indiscriminately in a one-size-fits-all solution.

Tailor made fertilisers

Many companies as well as researchers believe a more widespread use of fertiliser to be the key element to increase productivity. However, a positive impact of fertiliser – whether it is organic or inorganic – is only possible if the

61 Including the effects of both the Covid-19 pandemic and the Russian invasion of Ukraine.

composition of the fertilisers matches the needs of the cocoa tree.[62] Therefore, information on the present soil quality is necessary as a precondition to mix suitable fertiliser earmarked for cocoa production. The majority of cocoa farmers lack the requisite knowledge to assess the quality of their soil. In addition, the demand for certain mixtures is often far too low to be met by fertiliser producing manufactures. This leads to an unproductive use of fertiliser (N'Guessan et al., 2017, p. 513). Even if specifically tailored fertilisers are available for cocoa farmers, the business case is often unclear and dependent on farm gate prices.

No clear economic benefit

Though the use of inorganic fertilisers can lead to significantly higher yields, the business case for farmers is unclear. With increased use of agrochemicals, farmers' input costs increase, while risks are high, and remuneration is very uncertain. The positive effect of the use of fertilisers on income is currently questionable (IDH 2021: 10, 14, 83)[63], and is highly dependent on a sufficient farm gate price for cocoa. If prices are not high enough, there is no business case for fertiliser use. Similar stories could be heard in the sector for years, although they were not put into official reports. After the cocoa price crash of 2016/17 some companies advised farmers to reduce fertiliser input as the increased yields would not cover the increased costs.

Farmers have to buy agrochemicals upfront and also need to invest in additional labour to apply these agrochemicals. They do not, however, have the assurance of receiving a decent price for the cocoa come harvest time. Where multinationals and producer governments have the ability to hedge future sales on the future markets, farmers are price takers. The high price volatility might lead to situations where investments in fertilisers can lead to financial losses (Ruf/Kiendré2012, p. 7; Snoeck et al. 2016, pp. 29–30; Ruf 2016, p. 15). One study in Côte d'Ivoire concluded that the use of the incorrect fertiliser, as evidenced by data from the farmer's field books, had a negative impact on yields, costs, and margins. It should be noted that the calculation did not include the costs of household labour. (IDH 2021)

Organic fertilisers

Part of the solution for higher productivity can be found in the increased adoption of organic fertilisers and better composting material. These could often be produced at a local level and produced in a regenerative manner.

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62 A study conducted in Côte d'Ivoire shows that 26 different formulas of fertiliser are necessary to meet the needs of the different soil qualities in the country, a study in Ghana came to similar results (Snoeck et al., 2016, p. 30).

63 As we argue elsewhere in this Barometer, this is not to say that farmers should not invest in Good Agricultural Practices, but that these investments only make sense if an enabling environment of Good Governance and Good Purchasing is in place. The first to act here are governments and industry, not the farmers.

Furthermore, they could be part of the development of a local services and goods economy, rather than making farmers even more dependent on international supply chains and large agricultural multinationals. Such local production of fertilisers and composting material could help farmers work together better and help create more autonomy as well.

Biochar

Already used by Amazonian farmers thousands of years ago, biochar is way to strengthen soil fertility, using the remains of pyrolised organic material. Not only does biochar have the potential to increase soil fertility, it can also aid with water retention and acts as a carbon sink against climate change. While biochar can be made from waste material from the farm, care needs to be taken that the pyrolysis happens in the right conditions, otherwise significant amounts of carbon emissions could be part of its manufacturing.

Where are we going?

Climate change and production shifts

Cocoa has seen two of its most unstable years in history, partially driven by climate disruption and crop diseases. This destabilisation will likely grow ever more intense, as climate disruption will become a given, not only in West Africa but increasingly across all global cocoa producing regions.

If anything, the challenges to cocoa will become greater, not smaller. Urgent and ambitious collective approaches will be necessary to mitigate the worst effects. Agroforestry, forest restoration, and strong regulatory pressure to avoid further deforestation are going to be key elements of any successful approaches.

Regulatory compliance

Rather than the current unreliable "one step forward and two steps back" approach of the European Union, regulators need to ensure they roll out and implement comprehensive regulations across all major consumer regions. Compliance to environmental regulations needs to be as matter-of-fact as corporate compliance is to other laws, such as anti-trust measures, labour rights laws, etc. A sustainable and resilient supply chain is a competitive one, and sustainability must be firmly seen as a key regulatory measure to increase the competitiveness of the cocoa sector.

Beyond deforestation and regulation

Deforestation regulations should provide a lower boundary for operations, not a high bar for some outliers to achieve. Beyond regulatory compliance, companies should be developing best practices on nature preservation activities, including

restoration programmes, biodiversity enhancing projects inside agricultural production, and a reduction of input footprints within farming systems. Agroforestry, regenerative agriculture, and radical supply chain transparency are all parts of this, going beyond the current flavour of the day.

Policies and interventions

To address cocoa-driven deforestation and improve the sector's sustainability, policies must take a more comprehensive approach. First, interventions should recognize the indirect sourcing of cocoa and the broader land-use impacts, particularly the displacement of food crops into forested areas. Transparency and traceability are also critical; companies must adopt standardized systems for tracking cocoa from the farm to the final product, ensuring that all aspects of the supply chain are monitored and reported. National traceability systems, which account for indirect sourcing and first-mile traceability, should be prioritized over company-led systems, which often leave gaps in monitoring.

Additionally, a more integrated approach is needed, one that brings together stakeholders from across the land-use spectrum—cocoa producers, farmers, food crop growers, and others—to address the interconnected issues of deforestation, poverty, and social inequality. This could involve integrated land-use planning to balance the needs of different sectors and promote more sustainable farming practices. Given the dominance of cocoa in many of these regions, it's also essential to explore how demand-side policies, like the EU's Deforestation Regulation (EUDR), can support supply-side solutions.

Summary

The environmental concerns in cocoa production are truly global in scope. Although environmental concerns are relatively recent additions to the global sustainability discourse in cocoa, issues such as climate change, changing weather patterns, deforestation and the loss of natural ecosystems have been felt and challenged by communities in the Global South for many years. Many of these issues are either rooted in, or exacerbated by, the poverty of cocoa farming households. Other challenges include threats to cocoa production by crop diseases and the increasingly visible destruction caused by small-scale open goldmining. Furthermore, cocoa production is at the risk of expanding into called "new frontiers of cocoa" – such as Ecuador, Cameroon, Sierra Leone, Liberia and the Democratic Republic of Congo.

However, the biggest environmental challenge in the cocoa sector is farmer poverty: cocoa farmers need to earn a living income in order to alleviate pressure on forests from cocoa production. Furthermore, most approaches to environmental challenges are designed without a clear focus on ensuring women are actively involved.

Crop losses

Pests and diseases are a threat to cocoa production. Viral crop diseases can lead to major losses. Black Pod and Cocoa Swollen Shoot Virus (CSSV) can lead to a loss of 30% or more of the West African annual harvest. The Witches Broom virus continues to damage cocoa production in Latin America.

Deforestation

Cocoa production is a driver of deforestation in all cocoa growing regions of the world. Historically, Ghana and Côte d'Ivoire have had particularly alarming rates of deforestation, but recently, cocoa production has started to expand into new geographies, as welll as growing in historic cocoa geographies. This shift carries significant environmental and social risks. The forests of Central Africa and Latin America are among the world's most biodiverse and ecologically vital ecosystems. Unregulated cocoa expansion threatens to replicate the mistakes of West Africa, where more than 80% of forests have been lost over the past 60 years, with cocoa as one of the main drivers. Without sustainable planning, this expansion could result in 'new frontiers of deforestation', leading to widespread deforestation, biodiversity loss, and deepening social inequalities.

Deforestation leads to a wide range of negative effects, including the loss of ecosystem services and habitat, loss of income and resilience for rural communities, and exposure to zoonoses. Deforestation also leads to tremendous climatological impact, including less carbon capture, changes in rainfall patterns, and reduced resilience in water capture.

Fighting deforestation requires traceability throughout the supply chain to understand where the cocoa is coming from, transparency to provide accountability. This should not be confined to just farms but include remaining forests. However, both industry and government actors remain reluctant to make data publicly available.

Landscape approaches are necessary, covering the various land-uses in the landscape and address the needs of multiple groups. Companies urgently need to invest in forest protection and restoration, and to support governments in this role. Simple compliance to regulations will not be enough, proactive supporting measures are needed.

Forest protection must be done in a way that upholds and respects human rights. There is a key and joint responsibility for both the private sector and origin governments to ensure such transitions and environmental protection are executed in a just manner.

EUDR

The European Union's Deforestation Regulation (EUDR) will require traceability back to the farm, proving that no deforestation has happened since 2020 and that the cocoa was grown in a legal manner. The advent of the EUDR has created necessary pressure for companies and producing governments to make progress after many years of promises. The EUDR has been delayed by a year and is again under pressure. The regulatory unreliability of the EU is causing severe damage to crucial planetary protection measures.

Though the EUDR is a key legislation, if it is not implemented properly, the burden of compliance will all too easily be foisted upon smallholders farmers, who need much stronger support than they are currently getting, but who are getting the costs of compliance pushed on them by downstream operators, as well as to also avoid the market to disengage with the most vulnerable of farmers.

Though a major part of the environmental focus in cocoa has been on the EUDR, it is important to remember that much more is needed than demand side regulations to halt deforestation. Demand side regulations will not on their own address the underlying drivers of deforestation, including addressing farmer poverty and governance failure in origin countries.

Lessons from Côte d'Ivoire and Ghana underline the importance of proactive, landscape-level planning, inclusive multi-stakeholder governance, enforceable deforestation-free supply chain commitments, the need to finance the

conservation of national parks and preserved forest as well as restore degraded areas.

Gold Mining

The expansion of gold mining is becoming a major issue in West Africa but also is a growing concern in the Amazon Bassin. Increasingly, this mining is done at a more professional level and is increasingly associated with organized crime. This causes tremendous environmental damage, to forests, soil, and to water. It is also a severe risk area for human rights concerns, including hazardous work and the worst forms of child labour. It also causes severe long term economic damage for the communities where the mining has taken place.

Climate Change

Climate change directly impacts farmer's incomes. Lower yields and crop losses are a result of droughts, erratic rainfall and increased occurrences of pests and diseases. At the same time, production costs increase due the needs of irrigation and additional pest control. Price volatility due to erratic harvests can cause resilience risks. Weather events such as La Niña and El Niño are becoming more frequent and more severe due to climate change.

Because of the change in climate conditions, some regions – including large parts of West Africa – will become unsuitable for growing cocoa. However, other areas that were previously unsuitable for cocoa production could become more interesting. There is a particular irony in the fact that deforestation caused by cocoa will over time contribute to an environment that means cocoa can no longer be grown in the exact areas that were deforested for the crop in the first place.

Selection and cultivation of improved cocoa tree varieties might help to become more resistant to droughts and extreme temperatures, and climate smart agricultural practices, such as soil and water management, might support the adaptation of cocoa farms to the challenges caused by climate change. Most importantly, diverse agroforestry systems are expected to be one of the most effective adaptation systems available.

Agroforestry

Cocoa agroforestry systems bring a wide range of ecological benefits, such as biodiversity conservation of flora and fauna, carbon sequestration, preserving and strengthening soil moisture and fertility, contributing to pest control, and microclimatic gains such as offering shade and moisture to undergrowth. Agroforestry can also be part of the solution for some of the socioeconomic challenges. Cocoa agroforestry systems can and should provide additional

income opportunities to farmers, and to serve as incentive for farmers to invest and maintain agroforestry systems in cocoa producing origins.

All monoculture cocoa should be replaced over time with agroforestry cocoa, with progressively more diverse agroforestry systems put in place. Agroforestry systems should be used to strengthen the resilience of cocoa production regions, diversify land-use practices and income sources, and to restore degraded land, rolling out agroforestry in previously deforested areas can help anchor rainfall and restore some tree cover. While cocoa agroforests can store more carbon than monocultures, they store far less carbon than the tropical forests they have historically replaced.

Because a common definition is missing, alignment in agroforestry is often at a lowest common denominator level. Furthermore, there is a lack of enforcement at all levels. Due to low adoption rates and low tree survival rates, the impact of agroforestry reforestation campaigns so far unfortunately has been low. Training and education with farmers and farm workers are needed to ensure success in any transition away from monoculture towards cocoa agroforestry. Payments of maintenance fees or premiums for agroforestry programmes could also help to incentivize farmers.

Despite these concerns, agroforestry is a crucial part of the future of sustainable cocoa. It helps mitigate climate change impacts and reduces harmful effects of pests and diseases. Though there must be an immediate benefit for farmers, the business case for agroforestry for the sector as a whole must be made within the context of long-term climate change adaptation and biodiversity preservation.

Carbon capture

Trees capture carbon, which is crucial in combatting climate change. Using agroforestry to capture and store carbon can count on general support, especially when coupled with ways to increase revenue for farmers. However, reality shows it is often a rather delicate topic, especially around the trade of carbon credits. The main concerns around carbon capture programmes revolve around two main questions: will the program benefit the farmer, and are the claims about the level of carbon capture credible?

There are several reasons why carbon removal claims are problematic in the current system. These include the difference in permanence between removal and reduction, the risk of agroforestry removals being undone, double counting, the unreliability of claims, and the tendency to prefer removals over reductions. Due to the difference in risk and permanence of agroforestry carbon removals, it is not possible to make credible claims on carbon neutrality.

Compensation for carbon removal must follow the Good Purchasing Practices principles; remunerative pricing at acceptable risks to the farmers, communicated transparently. It cannot be that payments for carbon are only equal to the cost of compliance; in that case, all that is added to the farmer is an additional cost-neutral work burden.

One of the few ways that agroforestry can be monetized at the moment is through carbon removal claim programmes. This is problematic, as it makes valid criticism of carbon removal claims delicate from a farmer income perspective. From a farmer income perspective, it is crucial to prevent that carbon becomes another commodity for which the farmer is not paid enough, especially if it requires extra investment and/or labour, or if it limits their freedom to decide on farming practices

Carbon capture must be pursued as a separate target to emissions reduction. No company or country should rely on offsets to achieve their urgent and direct emissions reductions; companies and governments need to stop emitting carbon, not compensating for their emissions elsewhere.

In any system of carbon capture and removal, the credibility of the claims is going to be essential. Few approaches have succeeded here to date. The lack of transparency of current offsetting programmes, their effectiveness and what communities receive is problematic. This is often even more acute in the insetting programs where verification is even weaker.

Clearly, trees capture carbon. Measuring how much carbon is being captured in various agroforestry systems is a good thing. Ensuring farmers are fairly remunerated for this, and do not bear undue burdens is a key part of this as well. In that light, companies need to urgently move, ensuring increased investments are as effective as they can be for both farmers and for nature.

Agrochemicals

The widespread promotion of agrochemicals is one of many examples of the cocoa sector's attempts to find quick-fix solutions. However, there are many environmental and health – and therefore human rights – risks to using them. Good agricultural practices (GAP), integrated pest management (IPM), regenerative agricultural practices, the use (and where possible their production on farm level) of organic fertiliser, and especially the implementation of diverse agroforestry are approaches that should be looked at instead.

A wide variety of pesticides are used to control pests and diseases in cocoa. The use of these pesticides warrants close attention, for both the protection

of farmers and the environment, as well as to avoid unintended longer term economic problems.

Many farmers suffer from health problems related to agrochemical use without sufficient protective equipment. Storage, use and disposal are often not adequate, and often personal protective equipment is not used. As a result, farmer health is regularly affected by pesticide use. Furthermore, the rising trend of children being exposed to pesticides is a cause for grave concern. Harm to children is significant and can lead to lifelong adverse effects. In addition, prenatal exposure to pesticides can lead to a wide range of birth defects and miscarriages.

Pesticides can cause a wide range of harm to natural ecosystems and can severely threaten local biodiversity, including birds, fish, and a variety of pollinators, including bees. Not only the pollination, but also the natural fermentation of cocoa is entirely dependent on thriving insect populations.

Regularly, farmers will water down pesticide to reduce costs. This can lead to pests and diseases becoming immune, causing even more crop damage over time

Though fertilisers could be one of the tools in the Good Agricultural Practices toolkit, they are by no means a panacea, and they should not be applied indiscriminately in a one-size-fits-all solution. For two decades, a key component of any company approach has been that farmers should use more chemical fertiliser, which in the past years has become unaffordable, even when it is available. Furthermore, if prices are not high enough, there is no business case for fertiliser use. High price volatility might also lead to situations where investments in fertilisers.

Part of the solution might be the increased adoption of organic fertilisers and better composting material which can often be produced at a local level and produced in a regenerative manner. Biochar can be another part of the solution to strengthen soil fertility, by using the remains of pyrolised organic material. It can also aid with water retention, and acts as a carbon sink against climate change.

The above points do not take away from the need to protect crops from pests and diseases and to improve soil fertility. However, this does not automatically mean that extensive agrochemical use is necessary or even warranted. Integrated Pest Management – especially in combination with diverse agroforestry systems – could reduce the need for pesticides and fertilisers significantly.

Where are we going?

Climate disruption will become a given, not only in West Africa but increasingly across all global cocoa producing regions, causing greater challenges. Urgent and ambitious collective approaches will be necessary to mitigate the worst effects.

Compliance to environmental regulations needs to be as matter-of-fact as corporate compliance is to other laws, such as anti-trust measures, labour rights laws, living income, etc. A sustainable and resilient supply chain is a competitive one, and sustainability must be firmly seen as a key measure to regulatory increase the competitiveness of the cocoa sector. Beyond regulatory compliance, companies should be developing best practices on nature preservation activities, including restoration programmes, biodiversity protection projects inside agricultural production, and a reduction of input footprints within farming systems.

Agroforestry, regenerative agriculture, and radical supply chain transparency are all parts of this, going beyond the current flavour of the day.

Additionally, a more integrated approach is needed, one that brings together stakeholders from across the land-use spectrum—cocoa producers, farmers, food crop growers, and others—to address the interconnected issues of deforestation, poverty, and social inequality.

Given the dominance of cocoa in many of these regions, it's also essential to explore how demand-side policies, like the EU's Deforestation Regulation (EUDR), can support supply-side solutions.

7

Human Rights

"Voluntary corporate social responsibility initiatives by companies alone cannot prevent human rights violations and environmental degradation. Some of the core challenges in the sustainable cocoa production will require legislation."

2015 Cocoa Barometer, p13

Where have we come from?

First steps in child labour

The first time that sustainability in cocoa made headlines was in the year 2000, when the issue of child labour in West Africa's cocoa farms exploded onto the front pages of global media. Within a year, in a pushback against potential regulation in the USA, the cocoa sector promised to get rid of child labour by 2005, in the so called Harkin Engel Protocol. Several industry bodies, including the WCF and ICI were launched in the wake of this first outcry. There was also resistance from governments suggesting the problem was exaggerated.

And then things stopped, and for many years not much was done, and little progress was made. The industry bodies acted as useful greenwashing fronts, and when the occasional media item was done, they acted as a buffer to avoid individual companies having to be accountable. Deliverables on Harkin-Engel were delayed several times, with the (renamed) Harkin Engel Framework expiring in 2020 with very little recognition for the sector's failure to make good on their promises.

More pace

Around the beginning of the 2010's, something changed[64]. Some individual companies started coming out with new approaches; in 2009, Nestlé launched their Cocoa Plan, in 2010, Mars announced they would switch to 100% certified cocoa sourcing, and in 2012 Mondelez launched a ten year investment strategy called Cocoa Life.

At collective level, changes started to appear as well. Cocoa Action, the first pre-competitive sector programme was launched in 2012, aimed at improving farmer livelihoods (albeit through pushing the farmers to become more productive) and to reduce child labour (albeit without concrete activities). In the same year, the sector came together for the very first World Cocoa Conference, held in Abidjan, where collective and individual commitments were made under the name of the Global Cocoa Agenda.

Though Cocoa Action, ironically, didn't lead to much action, it did open the door for sector wide collaboration. And though uptake and accountability of the Global Cocoa Agenda has been disappointing, on paper governments and private sector actors now have promises they must live up to.

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64 We'd like to think it has to do with the fact that civil society started working together more closely when the Voice Network was launched in 2010, but that might be a case of the proverbial mouse and an elephant crossing a bridge, where the mouse says to the elephant "boy, we're sure making the bridge shake, aren't we?".

Regulation

The cocoa sector, as one of the first sectors in the world, started to acknowledge that regulation was a key ingredient. Voluntary initiatives were not leading to the desired impact. Quite simply, there were no consequences when promises made weren't kept. Only with a level playing field would sustainability really be possible. In 2019, the Cocoa Coalition, an informal coalition of chocolate companies and civil society organisations started actively advocating in Brussels for ambitious due diligence regulation. In 2020, the European Commission started the development of what came to be known as the Corporate Sustainability Due Diligence Directive (CSDDD). This CSDDD was adopted in May of 2024, however it is currently under revision, and it is likely the final version will be significantly less ambitious than originally adopted.

Holistic solutions

Where in the early 2000's, there was some acknowledgement of the human rights challenges, there was not much understanding of what to do about the issues. Solutions proffered by civil society were simplistic and crude. Efforts by industry were marginal and largely aimed at reducing negative exposure. The interconnectedness and complexity of issues such as child labour, gender inequality, and farmer poverty were not seen or at best misunderstood. Rightsholders were not at the table, duty bearers were doing their minimum best – if they were doing anything at all, and the idea that human rights compliance could be mandatory was laughable at best.

Fast forward to 2025, and the world of sustainability has changed considerably. The world might be in a bad place, but it is much better than it was 25 years ago. Who knows how much progress can be made in the next 25 years?

Where are we now?

Although the focus on human rights violations in the cocoa sector is often on child labour, there is a wide range of problems facing cocoa-producing communities. Gender inequality, (infant) malnutrition, lack of access to education, human trafficking, insufficient health care facilities and sanitation, insecurity of land and tree tenure and rule of law, labour rights violations for smallholders, workers, and tenants; the list is long and by no means comprehensive. Producing nations are making progress in addressing key challenges, notably in access to education, health care, electrification and drinking water in rural areas. There is also increasing attention to the key issue of access to health care, both as a human right and as an enabler of other progress.

Living Income is a human right

Though every issue requires specific approaches, at the root of all these human rights issues is the structural poverty of rural communities. As living income is a human right, any human rights approach to the challenges in the cocoa sector should include strategies to address poverty and to close the living income gap.

Gender equality

Gender equality is a topic that gets mentioned regularly. Progress, however, is frustratingly slow. It is time, as a sector, that we stopped talking about it and started acting on it instead.

Women run many cocoa farms in West Africa. The available data are unreliable, but for Ghana roughly a quarter of the cocoa farms are run by women (Marston 2016). In many cases, women are excluded from land ownership, and partly due to a high rate of female illiteracy and innumeracy, often do not share in the rewards of the family's farms. Additionally, women are often confronted with sociocultural systems which prevent them from running their cocoa farm as a viable business.

Women work as labourers on cocoa plantations, often at lower pay than men. Their role is often not recognised or remunerated accordingly. Studies point that women comprise almost half of the cocoa labour force in West Africa and are involved in nearly all stages of cocoa production. For instance, women contribute up to about 45% of the direct labour force in Côte d'Ivoire (Greene & Robles, 2014).

Patriarchal norms translate into economic disparities. This disparity underscores the inequitable distribution of farm ownership and decision-making power. Women are often not seen as farmers. Even though women comoprise much larger share of the workforce, only 25% of cocoa farmers in Ghana and Côte d'Ivoire are women, (Danso-Abbeam et al., 2020).

Women's roles are often confined to subordinate positions, such as labourers or assistants, which limits their ability to benefit from the financial and developmental opportunities offered by farming. They also have a harder time accessing extension services, credits, and certification than their male counterparts, and are often underrepresented in farmers' organisations, public meetings, and leadership roles in communities

Although there are differences between the tasks of men and women, women are engaged in most of the steps of cocoa production, from preparing seedlings to selling beans. In addition to supporting cocoa production, women

are involved in household activities, children and adult caretaking, and food production, which adds up to a heavy workload. However, although women are involved in most stages of the work, women's involvement in decision-making on management of cocoa farms as well as on how family income from cocoa is spent is still far too low.

Unless specifically designed to do so, cocoa sustainability programmes often fail to reach the women in cocoa growing communities and if they do, are not targeted enough. This has negative consequences for the women themselves, and as such is reason enough to ensure that company and government programmes are set up in such a way as to ensure women participation and inclusion. It is important that women are not (purposefully or inadvertently) excluded.

Gender-inclusive design is also essential because women are change agents in and of themselves. Projects as diverse as poverty alleviation, infant nutrition, forest preservation and child labour sensitisation, all become so much more effective when women in the communities are involved. If women often do the labour on the fields, it is imperative they also receive training in Good Agricultural Practices. If women can earn more income, they tend to spend more on essential household items and services than if their male counterparts earn this money. Ensuring that women are involved in the child labour awareness projects results in broader community acceptance. Giving women land and tree tenure rights makes for better protection of forests and preservation of existing ecosystems.

Increasingly, projects do involve women's perspectives, but gender equality and female centred projects are still anything but universal. A sustainable improvement of the situation of women also includes a change of attitude of the men in the communities. The transformation from traditional, often restrictive customs to more equality between men and women needs greater efforts than are underway presently. There is a major responsibility for governments in producing nations in this regard, as well. Gender equality is a truly cross-cutting issue and should be a central component in all programmes of the cocoa sector.

Gender and income

Women are less likely to be employed as wage and salary workers compared to men (World Bank 2019) and are also less likely to be engaged in other economic opportunities in micro businesses. This inequality remains the rule rather than the exception in many cocoa growing regions.

This is deeply problematic, both because gender equality is a rights issue of itself, but also because women are change agents in and of themselves.

Supporting women to be economically independent is one of the smartest and most effective ways to tackle a wide range of problems, from deforestation through child labour to raising household income.

Globally, closing gender gaps in productivity and wages could add $1 trillion to global GDP. Empowering just half of smallholder women producers could raise incomes for 58 million people and boost resilience for 235 million people. (FAO 2023). Though these numbers are about agriculture everywhere, the principle stands firmly for the cocoa sector.

The way most sustainability programmes so far have approached gender and income is primarily through Village Savings and Loans Associations (VSLAs) and/or alternative income generating activities focused on women. Though these approaches are an important part of the mix, very little is done to strengthen the position of women as landowners and cocoa farmers themselves.

Female headed households
Many of the households that have been identified as 'high risk' for poverty are headed by females. The solution for these households is not to transition them out of cocoa, but to ensure that women's rights are respected and structural barriers they face are eliminated.

Women in male headed households
A key challenge is to strengthen the position of women in male headed households. The work that women undertake on farms, as well as in household care, is often invisible and unpaid. Women shouldn't be looked at as merely wives of cocoa farmers or 'helpers' or 'supporters' of their husbands, doing 'light tasks' on their husbands' farm; they are very much essential to cocoa farms. Women's work includes planting, weeding, harvesting, and fermenting cocoa beans, collecting water and wood for fuel, carrying the plucked/fermented cocoa beans through a long-distance for drying at homes before they are further sent for weighing at sheds, caring for children and elders, washing the clothes, as well as cooking and taking the food to the male farmers in the cocoa groves, etc. Despite this contribution they often have little to no say on how household income is spent.

Working hours
The gender perspective plays an important role when it comes to determining the labour hours invested in cocoa cultivation. Like child labour, female labour is often simply seen as free labour. The cost of hiring seasonal hired workers is often seen as unnecessary because of the "free labour" of women. The calculation of a living income also includes the factor "working hours" and working hours also include those performed by women.

Land tenure
The absence of legal access to land or land title registration effectively blocks women from key opportunities such as achieving financial access or admission into cooperatives, as farm ownership is often a major requirement for joining a cooperative.

Recipients of payments
Women are often not the recipient of payments; usually, the male household members sell the cocoa while women work on the farm. This means that the money may not directly get to the woman farmer, nor may she have a say in deciding how that money is spent. Women have much higher rates of illiteracy and innumeracy and also have a reduced access to markets. They do not have the same access to credit and inputs needed to professionalise.

Representation
Women often lack representation in community governance, especially in leadership. Even when women are the direct recipient of interventions, prevailing social norms can contribute to a lack of socio-economic visibility, agency, and power.

Women's empowerment
Some progress has been made in empowering women across producing countries with women farmers slowing self-organising into cooperatives, companies as part of their sustainability interventions are prioritizing women's empowerment. At the sectoral level, the Women in Cocoa and Chocolate Network (WINCC) is repositioning to become a critical actor in moving the gender discourse in the sector. However, there is still a lot to be done across the board to move these company led interventions into a more holistic approach supported by national governments intervention

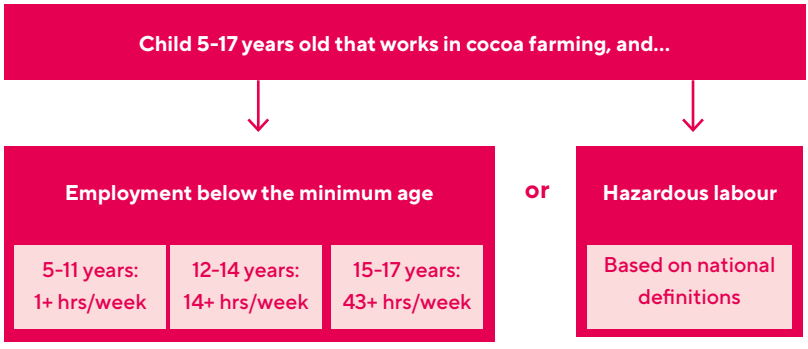
Gender lens
The design of interventions, policy, and trainings do not always account or accommodate for the barriers that women farmers face such as time poverty and disproportionate care work. Women do not automatically benefit from higher incomes. Therefore, every single programme and intervention must have a gender-specific approach, informed and validated by women farmers, ensuring rewards are distributed equally, and risks are shared justly. This so-called 'gender lens' is not just necessary in the start-up of activities, but it requires constant vigilance, to ensure continuity of gender equality.

Child labour

Infographic 18: **Chocolate Scorecard 2025 ranking on child labour**

Brands		Traders/processors	
1	Tony's Chocolonely	4	Cemoi
2	Nestle	5	Sucden
3	Hershey	9	ETG Cocoanect
6	Halba	12	Barry Callebaut
7	Ritter Sport	13	Puratos
10	Mars	18	Cargill
14	Lindt	19	Touton
25	Ferrero	20	Ecom
	Mondelez	21	OFI
		27	JB Foods
		33	GCB Cocoa
		35	Blommer/Fuji

Infographic 19: **Global definitions of child labour**



What is – and what isn't – child labour?

- *There is a lot of confusion about what does and doesn't constitute child labour. Not every child helping their parents on a cocoa farm is immediately involved in child labour, and not every task on a cocoa farm is immediately a cause for concern. There are, in short, three gradations of children working on farms.*
- **Child/light work** *can be summarised as a child that sometimes helps out on a farm for a limited time doing work that is appropriate for their age, and that does not interfere with their schooling and safe and healthy development of a child. Light work should always be done under adult supervision.*
- **Child labour** *is work that interferes with the child's schooling, or that endangers the health and wellbeing of the child. It also refers to labour for children under the age of 15, the age of compulsory education.[65] The conditions for this are defined in ILO's Core Convention 138, which is ratified by all major cocoa producing and consuming countries, with the exception of the United States of America.*
- *The* **Worst Forms of Child Labour** *(WFCL) are defined under ILO's Core Convention 182, which is ratified by every country on earth. They can be split into conditional and unconditional Worst Forms.*
- **Hazardous child labour**, *also called conditional WFCL, are called conditional because the conditions of hazardous activities are defined at a national level through consultative tripartite processes[66]. Hazardous activities in cocoa production include land clearing, carrying heavy loads, exposure to agrochemicals, use of sharp tools, working with dangerous machinery, and working long hours.*
- **Unconditional WFCL,** *such as trafficking, slavery, and forced labour are defined at a global level under ILO's Core Convention 182, which prohibits unconditional WFCL and mandates immediate and effective measures for its elimination. This convention is ratified by every country on earth.*

65 There are exceptions. In countries like Côte d'Ivoire and Ghana, work is permitted from age 14 as an exception. "Light work" is also permitted in safe environments with age-appropriate limits. Children up to age 11 may work up to 1 hour per week, while those 12 and older can perform appropriate tasks within each country's specific time restrictions. These regulations ensure that work never interferes with children's education, health, and safety.

66 Child labour is clearly defined through three key international conventions: the UN Convention on the Rights of the Child (which defines children as those under 18), ILO Convention No. 138 (which sets minimum working age), and ILO Convention No. 182 (which defines the worst forms of child labour for those under 18 and mandates immediate protection). Following these international standards, the governments of most cocoa producing countries have set up national definitions of child labour.

Definitions

Careful definitions are crucial to differentiate between permissible child/light work and forbidden child labour, and to ensure that helping out at the farm as well as youth apprenticeships are not confused with child labour. In order to avoid children being exposed to child labour, it is essential that communities understand what is and what isn't age-appropriate work. Furthermore, access to apprenticeships becomes important for children to develop age-appropriate skills and work experience that will lead to decent work in time. Although there can be differences in definitions between countries, it is still possible to say that in general hazardous child labour in cocoa includes land clearing, carrying heavy loads, exposure to agrochemicals, use of sharp tools, working with dangerous machinery, and working long hours.

Minimum ages

Up to the age of 11, children are largely forbidden from working on farms for more than an hour a week. However, from the age of 12 onwards, regulations state that children can do some work, although the number of hours a week working, as well as the kinds of work that are appropriate are clearly limited. From the age of 15 onwards, these hours can significantly increase. In order to avoid these children being exposed to child labour, it is essential that communities understand what is and what isn't age-appropriate work.

Clear communication

An important role for national governments, as well as various stakeholders involved in the cocoa sector, is to ensure clear and consistent communication and public awareness around key issues. Increasingly, government agencies in producing countries have started to downplay the issue of child labour, often conflating child work with the hazardous child labour. Assertions that most children would be merely helping on the farm after school do not correspond with the reality, which is that the children are in child labour because of the activities they are involved in. Ensuring a clear understanding of these sensitive issues is becoming an increasing priority, especially in West Africa.

Zero-tolerance

Care must be taken when enforcing child labour legislation. Random audits and adopting a zero-tolerance policy for any forms of child labour seem to have a counter-productive effect, making child labour even more hidden but no less prevalent. Furthermore, such processes might lead to penalising farmers or creating the public perception that farmers are the problem. However, farmers don't choose to make their kids work because they are bad people, poverty and other forms of vulnerability are the drivers of this. Farmers have the problems rather than cause them. The best recourse is often aiding cocoa farming households in taking away the reasons why children are working in the first

place.[67]

Addressing root causes

It is now a shared belief of the sector that what is necessary is structural monitoring coupled with tackling systemic root causes – such as farmer poverty, absence of (access to) quality education, inadequate local infrastructure and services, inadequate labour services in cocoa growing communities, and lack of awareness. This could be through providing resources so that children can attend quality education, helping the family to access essential services, social protection and income generation activities. Awareness raising and community development – including establishing educational infrastructure – are part of the necessary interventions there.

Poverty

Even the most effective child labour interventions will not be able to solve the challenges if the root causes of child labour are not addressed – in particular the structural poverty of cocoa growing communities and access to quality education (UNICEF 2018). There is an absolutely essential role here for both origin governments and the private sector.

Access to quality education

Where schools are absent, children are more likely to work on the farms.[68] Primary school attendance has increased in both Côte d'Ivoire and Ghana[69], although the quality of education still needs to be significantly improved. For both major West African cocoa producing countries, secondary education is a larger challenge, further exacerbating the issue of child labour, as children under the age of fifteen or sixteen – depending on the country – should go to school and cannot work full-time. In Ghana, secondary education on paper is free and universal, however the education system cannot cope with the numbers, and coverage throughout the country is far from complete. In Côte d'Ivoire, coverage is much less universal. There is also a strong gender imbalance in school attendance, which becomes more marked at higher ages. Often, older girls are kept at home to help with various household tasks.[70]

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67 In the case of unconditional worst forms of child labour, relevant authorities should consider stronger interventions, as forced child labour and trafficking are criminal offences. Furthermore, when there are cases of forced labour or trafficking – child labour or not – it is also essential to bring in the governments of the source countries of these migrant labourers, such as Burkina Faso and Mali.

68 See https://www.cocoainitiative.org/knowledge-hub/resources/education-quality-and-child-labour-review-evidence-cocoa-growing

69 In the case of Ghana, primary education is almost universal and has been for years.

70 This is also because secondary schools are often far away which generates safety concerns

Marginalised communities

The children of tenant and migrant farmers who live in hamlets far from most villages are at the highest risk of child labour. These children tend to have no access to support whatsoever, and they are far more likely to be working on their family's farms as the poverty is even more dire in these communities. Almost all of the current interventions are aimed at households that are to some extents better organised and better connected. Furthermore, if there is no gender lens in the programmes, interventions tend to help boys more than girls.

Progress

Though there are more children in hazardous child labour in cocoa than ten and twenty years ago, the severity of these cases seems to be decreasing. On average, children are involved in fewer kinds of hazardous activities, and the number of hours they are working on the farms is also reducing. However, due to the strong increase of numbers of households involved in cocoa production, the absolute number of children involved in hazardous child labour is still growing. Investments and ambitions must be increased by several magnitudes if targets on child labour are ever going to be more than greenwashing and empty words. The upcoming due diligence regulations should provide cause to increase ambitions; promises must be enforced with real consequences in the case of a failure to meet them, and companies will not be able to look away from key human rights issues – such as child labour – anymore.

Move away from transparency

For several years from the mid 2010's onwards, there was a trend of increasingly more companies reporting on the numbers of cases in hazardous child labour. This increased transparency was a necessary improvement and welcomed in previous Cocoa Barometers. However, this trend has reversed with increasingly fewer companies publishing numbers on identified and remediated cases of child labour. There are various reasons for this. Several lawsuits in the USA targeted companies that did disclose numbers, thereby incentivising intransparency. A US Department of Justice criminal investigation into child and forced labour in cocoa, launched late 2023 also caused legal departments to clamp down on transparently. This trend is deeply concerning; what is needed is more transparency and accountability, not less.

Framework for Action

In the fall of 2024, the governments of Côte d'Ivoire, Ghana and the USA, together with the chocolate and cocoa industry, signed a new "Framework for Action" under the Child Labor in Cocoa Coordinating Group (CLCCG). The CLCCG is the remnant of the industry promises made in 2001 to eradicate child labour. Over the past quarter century, ambitions have been scaled down and promises have been diluted. However, this last framework for action was the most holistic seen yet and included for the first time an acknowledgement that

part of the solution had to revolve around tackling the root causes of poverty. The Framework sadly missed any reference to forced and trafficked labour. Furthermore, the Framework was purposefully developed without significant input from rightsholders such as local communities, farmers, and civil society. In a next phase, companies and governments were going to work on a concrete set of actions. However, under the new administration, the involvement of the American government has been withdrawn to all extents and purposes, and it's an open question whether this framework will still see further development.

Approaches

Efforts around child labour in cocoa have now been in development for twenty-five years, and still the challenge remains a fundamental one. However, over the decades, several key types of interventions have started to take clear shape. On one side are the supply-chain based approaches, largely aimed at identification and remediation of current cases of child labour, mostly involving some kind of child labour monitoring and remediation system (CLMRS). On the other side are the landscape-based approaches, largely aimed at prevention and capacity building, including child labour free zones (CLFZs).

Child Labour Monitoring and Remediation Systems (CLMRS)

A Child Labour Monitoring and Remediation System, or CLMRS, is a means of identifying addressing and preventing child labour, embedded in a supply-chain or community structure. Information on every household in the system is collected, and when children are found to be in or at risk of child labour, suitable remediation and mitigation measures are provided. Various forms of support are possible at child, family, cooperative, or community level; from the provision of birth certificates or school materials to the establishment of an income generating project for the women of the village. Once a child is entered into this system, their exposure to child labour will continue to be monitored, as well as their school attendance. Impact analysis shows that these systems – when done properly – identify around 60% of the children in a community involved in child labour. About half of the identified children are no longer in child labour within three years. Though these numbers are encouraging and show a higher success rate than any other child labour even this best practice can only stop around 30% of child labourers from engaging in hazardous activities.

A properly functioning CLMRS system costs around US$75-95 per cocoa growing household per year, which is only about 6% of the costs of purchasing the cocoa at farm gate price in normal market circumstances. Before the current price crisis, the farm gate price is only about 5%-6% of the cost of a bar of chocolate at final sale. It is an interesting message by the cocoa sector that even a fraction of the final retail price is already considered too much in tackling an issue as egregious as child labour. As long as there is price pressure at farm gate level, the costs of running a CLMRS system will also be competing with other

interventions, such as farmer trainings and access to inputs. In other words; tackling child labour will also require less price pressure at farm gate level.

Components of a credible CLMRS

- *To prevent a devaluation of the terminology and a dilution of impact, there is an urgent need to establish common definitions, to define standards and benchmarks, and – as the upscaling advances – to improve coordination, harmonisation, and coherence. A credible CLMRS executes at least four functions; awareness raising, identification of cases, provision of support, and follow up*
- *A CLMRS is only credible if a company annually makes public:*
- *Number of households covered by the CLMRS (in absolute numbers, as well as in % of total sourcing, both direct and indirect)*
- *Number of children in the CLMRS (in absolute numbers, as well as in % of total sourcing, both direct and indirect)*
- *Number of cases identified in (worst forms of) child labour*
- *Number of children no longer in (worst forms of) child labour after one and two follow up visits*
- *Kind of support provided*

Dilution of impact

CLMRS were first developed for the cocoa sector by the International Cocoa Initiative (ICI) on behalf of Nestlé, based on concepts developed by the ILO. At first, other companies started rolling out similar CLMRSs, some through the ICI, others through their own projects. To reduce the costs, simplified alternatives for CLMRS' have been developed. Though the argument is that this makes the interventions more easily scalable, different monitoring systems using different methodologies can have radically less impact, even though they are all using the same name.[71] In the past year, the sector, under ICI leadership, has created common definitions of core criteria for usage of CLMRS. However, this alignment has led to a further lowering of ambition of the initial best practice systems, with the risk of a dilution of impact.

71 For example, Mondelez' 2023 Human Rights Due Diligence & Slavery Report claims that 75% of Cocoa Life communities in West Africa are covered by a CLMRS. However, the fine print reads that all this means that at least one household in the community were visited and interviewed in a two-year period, to identify children in or at risk of child labour, "even if any appropriate remediation... has not yet occurred." Clearly, greenwashing such as this must be called out.

Only organised farmers

Most CLMRSs are only available in farming communities or cooperatives that are part of company programmes. According to recent EU research[72] only 10-20% of farmers in the cocoa supply chain receive some intervention programmes. These tend to operate in the better-organised segments of the cocoa sector. However, most cocoa is still not traceable, and the non-traceable cocoa potentially comes from areas where producers are not organised into farmer groups and risks of child labour are likely higher.

Child labour free zones (CLFZ)

In complement to companies' efforts to identify and monitor risks and impacts, landscape approaches are a way to implement prevention and remediation measures - pulling all actors together within a given geography. Child labour transcends community boundaries and commodity specific supply chains. As such, it is important to not only tackle the issue of child labour at farm level or just within the cocoa growing communities, but to also understand the broader landscape and area-wise context in which these problems take place. Having a singular focus on child labour in cocoa supply chains could result over time in a displacement of the child labour from cocoa to other less scrutinised sectors, such as fisheries for the local market and mining.

The Child Labour Free Zone (CLFZ) initiative in Ghana is an area-based approach designed to eliminate all forms of child labour through integrated local action. Rooted in national guidelines developed by the Ministry of Employment and Labour Relations in 2020, the CLFZ model emphasizes education, health, social welfare, and livelihood improvement. Rather than focusing solely on children involved in specific supply chains like cocoa, CLFZs target all children in a defined area, ensuring universal access to schooling and child protection.

To be recognized as a CLFZ, communities must meet specific criteria. This includes having functional child labour monitoring systems that identify at-risk children and provide tailored support, as well as creating safe and accessible learning environments for all. Local bylaws and community-level action plans underpin these efforts, with resources allocated to improve education, social welfare, and poverty alleviation. Local governance is central to implementation, with Community Child Protection Committees (CCPCs) monitoring child welfare on the ground and District Child Protection Committees (DCPCs) providing coordinated responses through collaboration with social services and educational authorities.

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72 See https://knowledge4policy.ec.europa.eu/publication/ending-child-labour-promoting-sustainable-cocoa-production-c%C3%B4te%C2%A0divoire-ghana_en

Local governments play a pivotal role in ensuring that CLFZ initiatives are sustainable. Their responsibilities include receiving referrals from communities and taking appropriate remedial action, and monitoring schools to ensure a safe and conducive learning environment. By embedding child protection responsibilities within their regular planning, budgeting, and service delivery functions, district and municipal authorities can institutionalise prevention and remediation measures beyond the scope of individual projects. Collaboration between CCPCs and DCPCs ensures that community-identified cases receive timely responses and that local solutions are developed and maintained. This integrated approach strengthens community ownership and builds a sustainable, locally driven system for preventing and eliminating child labour.

The CLFZ mechanism raises awareness of children's rights, promotes school attendance, and supports vulnerable families economically. It fosters a sense of shared responsibility within communities and is adaptable enough to be applied in areas without significant private sector presence or formal supply chains. This makes it a crucial complement to supply-chain focused systems like the CLMRS, which may overlook children outside corporate-linked areas.

CLFZs are sustained through multi-stakeholder partnerships involving government agencies, NGOs, community leaders, and private companies. This collaborative model aligns various development efforts under a unified local strategy, offering a replicable framework for embedding child labour prevention into broader national systems. For greater effectiveness, national policy coherence and coordination among donors are essential, especially in resource-constrained settings like Ghana and Côte d'Ivoire. Here, private sector contributions are expected to supplement public funding, similar to joint efforts seen in the Cocoa & Forests Initiative.

Community vs supply-chain approaches

The supply chain approach and the landscape approach are both indispensable and mutually complementary frameworks for preventing and remedying child labour and human rights issues. They are not mutually exclusive, but rather they create powerful synergies that amplify their individual impact. For example, corporate support within supply chains serves as a valuable resource that supplements the often-limited remedial measures and resources available to governments and local communities, thereby enhancing the effectiveness of interventions at the ground level. However, corporate initiatives often operate in the same regions and tackle similar issues independently. This fragmentation can dilute impact. By adopting a landscape approach, stakeholders can align efforts, pool resources, and address systemic challenges more sustainably and comprehensively. Companies bear the responsibility to respect human rights throughout their entire supply chains. When cases of human rights violations or child labour are identified, businesses are required-both individually and

collectively as an industry-to implement prompt and continuous remedial actions. This obligation is clearly articulated in international guidelines and due diligence frameworks, which emphasize the need for companies to identify, prevent, mitigate, and remedy negative impacts, as well as to track the effectiveness of these measures and disclose relevant information.

The increased focus on the community development approach to prevention, risk assessment and remediation is an important step. However, it should not be seen as an alternative to individual and collective responsibility of companies to respect human rights in their supply chain and to remedy found cases. Both prevention and remediation are needed. Moving away from a supply-chain-based approach poses a real risk that companies become less accountable for the child labour in their supply chain.

Child labour per region

Child Labour in West Africa

In West Africa, the work of children on cocoa farms is part of daily life. Similar observations can be made in agricultural production across commodities and across the globe. Approximately 1.5 million children are working in cocoa production in Côte d'Ivoire and Ghana (NORC 2020). Of these, 95% are exposed to hazardous child labour, such as working with dangerous tools or harmful pesticides. The vast majority of child labourers are exposed to more than one type of hazardous work (NORC 2018).

There is an important role for national governments – supported by development agencies and the private sector – in combatting child labour, especially around access to education, social protection, awareness raising, and rule of law. Governments in Ghana and Côte d'Ivoire have developed National Action Plans (NAPs) aimed at eliminating child labour and are collaborating with various ministries, international organizations and development partners to achieve the goal. They have developed and implemented an extensive legal framework, as well as a range of relevant legal implementation initiatives. They have also run sensitization and awareness raising campaigns throughout their countries for the better part of the last decade, and national child labour monitoring systems have been in place for many years. However, due to low coverage and weak implementation, as well as a lack of linkage with the necessary referral systems, impact of these interventions has been low.

Child labour in other West African countries

Historically, almost all of the work on child labour focuses on Ghana and Côte d'Ivoire. However, other major African cocoa producing countries such as Cameroon and Nigeria cannot be assumed to be free from child labour. In fact,

there is no reason to believe the situation is much better at all. However, there simply is not enough data to be able to give any evidence-based analysis at present. With the current higher world market prices, there is a real risk that the increased cocoa production in these nations will lead to significant increases in child labour in these countries. The same goes for countries on the new frontiers of cocoa such as Liberia, Sierra Leone and the Democratic Republic of Congo. More data is needed, and it is incumbent on companies and governments to start creating the funding and space for such research.

Child labour in Latin America

Cocoa production in Latin America has a different dynamic than in Africa. Smallholder farms are larger, and Latin American cocoa is often grown on plantations. This also affects the child labour dynamics, as it is not always household labours on the plantations. However, 95% of cocoa growers in Latin America still remain smallholders. In many farms, children help out on the farms after school and in the holiday seasons.

In a similar manner as in Cameroon and Nigeria, proper data on child labour and child work in the Latin American cocoa context is missing. National child labour statistics are sometimes present, but they generally do not provide an indication of the number of children working in cocoa. More data is needed in order to be able to properly assess the situation, however it can be assumed that there are child labourers in Latin American cocoa production, albeit at lower prevalence rates and absolute numbers than in West Africa.

Labour Rights

Though in West Africa cocoa is largely grown by smallholders, wage labourers play a large role in the workforce in cocoa in Latin America. Furthermore, seasonal hired workers are common in the cocoa sector across the world. Additionally, there is an underreported challenge around sharecroppers and tenants throughout West African cocoa production. In Latin America, where cocoa plantations are often a lot larger, there is much more wage labour.

Wage labour in West Africa

The situation of most workers on West African cocoa farms is precarious. A large proportion of the employees work on a temporary basis and without any structured labour contracts. Most workers on cocoa plantations earn much less than a living wage (Smith 2017, Republic of Côte d'Ivoire 2008; Republic of Ghana 2008). As a result, there is a shortage of hired farm labour despite considerable under- and unemployment; people are neither willing nor able to work at below-subsistence levels. Most of the farmers cannot meet higher wage demands, as they earn very little themselves. Moreover, the income of female day labourers in cocoa farming is significantly lower than that of men. There are

reports of bonded labour, i.e. people having to work off debts on the plantations and therefore not allowed to leave their jobs until they have repaid their debt (Republic of Côte d'Ivoire 2008: 54ff; Republic of Ghana 2008: 151-157).

Wage labour in Latin America

Many cocoa farms and plantations in Latin America use hired labour; large plantations even depend on it. This can lead to challenges around labour rights and the freedom of association. Annually, the International Trade Union Confederation (ITUC) publishes an analysis on labour rights violations. Ecuador, Venezuela and Colombia are rated with "No guarantee of rights" (category 5, worst possible rating), Brazil, Mexico and Peru with "Systematic violations of rights" (4), Bolivia with "Regular violations of rights" (3) and the Dominican Republic with "Repeated violations of rights" (2). In the 2024 ITUC-report, Ecuador was on the list of "The world's 10 worst countries for workers" (ITUC 2024).

Tenants and sharecroppers

Most of the sustainability efforts in the cocoa sector are aimed at the cocoa farmers, generally considered to be the landowner. However, many of the people working on the farms are neither hired labourers nor farm owners but are tenants in some way. Though these systems vary, few sustainability approaches so far have taken their situation into account, and this will be something the cocoa sector needs to look at in far more detail in the coming years. The position of wage labourers, sharecroppers, and tenants, need to be brought much more into the various policy conversations in the cocoa sector, from livelihoods through to representation and workers' rights. As these various forms of workers are often hidden, designing effective interventions can be difficult. Their presence also has serious implications for a lot of the living income interventions, as there is a real possibility that a lot of the work done on farms is actually not done by the farm owners. There is a real need for serious and expansive research to bring these hidden farmers and workers into the sustainability debate.

Land and tree tenure

Closely connected to this issue is the challenge of land and tree tenure security. In many cases, land is owned by more prosperous people than those working the land. Tenural systems are complicated and varied across cultures adding to the challenges of security. There is also a major gender gap where it comes to land ownership. This directly leads to an increase in inequality. Furthermore, land and tree tenure rights, if not properly ensured lead to many practical challenges. Access to credit becomes much harder if there is no tenure security. Investing in new trees and in diversification also become a very risky enterprise if there is no land and tree tenure security. Furthermore, compliance to international regulations becomes harder too. For example, in Peru it is hard

to get land titles, and it is therefore hard to be able to claim legality as part of the EU's Deforestation Regulation requirements.

Natural resources

Closely associated to this issue, is the issue of right to use of other natural resources, such as water. This is increasingly a problem in a world where climate change and corporate capture are leading to pressure on natural water resources. In Latin America this is particularly problematic for indigenous peoples.

Health and safety at work

Beside the right to association, key worker rights issues revolve around health and safety at work. Work on cocoa farms is hard work, with long hours and heavy loads to carry. This can have a serious toll on workers' wellbeing. Furthermore, there are many hazards in the workplace, including the exposure to agrochemicals, use of dangerous tools such as machetes, and the regular absence of protective equipment.

Health care and sanitation

One of the major challenges in rural cocoa growing communities is the lack of sufficient health care and clean drinking water, combined with an environment in which tropical diseases often flourish. The lack of clean drinking water, the prevalence of diseases endemic in cocoa growing regions and complaints such as back and joint pain and poor eyesight lead to significant consequences. When health facilities are available, they are often not affordable to most rural families, causing them to wait with getting help until illnesses have become much more serious, and are harder – and more expensive – to treat. Poor health, furthermore, leads to loss of productivity and income for cocoa farms, and increases reliance on family labourers, including children. Ensuring farming communities have access to affordable health care, through health insurance, provision of clinics and medical supplies, etc. is therefore not only a key human right issue, it also helps make communities more resilient and more productive.

Migrant rights

Throughout history and across the globe, migrants are historically the scapegoats for many of society's challenges. Cocoa is not exception to this trope. Whether the migrant labourers are Burkinabes whose grandparents came to Côte d'Ivoire decades ago, recent Venezuelan refugee farm workers in Colombia, migrant labour from Haiti on cocoa farms in the Dominican Republic or internal migrants in Ghana, many are vulnerable. This vulnerability pushes them into situations of fragile employment, leading to dangerous working conditions, and sometimes to migrants being tasked with the less salubrious jobs including illegal ones. Though it can be in some cases that migration could be better managed, in all cases, migrants should be treated with respect and have equal rights.

Climate change

Climate change is not only an environmental challenge, it is also a human rights challenge. Many of the communities that are – and will be – hardest hit by the effects of climate disruption have done very little to cause the climate change and have profited very little from the overconsumption and emissions that have led to where we are. Climate justice is one of the human rights aspects that need to be taken into account going forward. Communities need to be supported in mitigation and adaptation strategies, and care must be taken that the Global North does not compel the Global South to pay the bill and do the work that has been caused by the overconsumption elsewhere.

Decolonisation

The current reality of the global cocoa trade – and the injustices and inequality that it contains – cannot be understood without the context of the past; the history of colonization informs trade structures that have transitioned into our era. The current cash crop driven economies in West Africa are a direct result of both colonial rule as well as by extensive interventions by the IMF and World Bank.

Though Europe and North America[73] send so called development aid towards the Global South, this is dwarfed by the value extracted from the Global South in cheap labour, agricultural products, and other commodities. The Global North still appropriates the vast majority of the wealth of its former colonies.

Sustainability programs in the cocoa sector are often shaped by Western notions of development, efficiency, and "best practices." Many of these initiatives—often unconsciously—reproduce colonial patterns of thinking by marginalizing the local knowledge systems, social structures, and cultural values of cocoa producers (Martin, 2020). These programs typically assume that Western approaches are universally applicable, overlooking the complex social, economic, and cultural realities of cocoa-growing communities.

To truly create fair and sustainable supply chains, it is essential to recognize and include the perspectives, needs, and knowledge of cocoa farmers as equal partners. This means promoting not only technical or economic solutions but also understanding the social relationships, local institutions, and cultural practices that shape the production and distribution of cocoa (Martin & Wilcox, 2017).

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73 This aid is being drastically cut in the current time frame. The United States have cut virtually all of their aid from one day to the next in the first half of 2025, which is expected to lead to the death of hundreds of thousands of people throughout the African continent. Many European countries are cutting their aid budgets significantly and are restructuring the remain funding towards the support of trade partnerships that mostly benefit the European countries themselves.

A decolonial approach requires actors from the Global North to critically reflect on their own values, assumptions, and positions of power. They must also be willing to learn from cocoa producers—for example, about local forms of cooperation, land use, or conflict resolution. Mutual understanding and genuine partnership can only emerge when both sides are familiar with and respect each other's social and cultural foundations.

Socio-anthropological research further shows that sustainable change can only succeed if it builds on local knowledge and priorities, and if people on the ground have the opportunity to actively shape and control programs (Martin, 2020). Otherwise, even well-intentioned initiatives risk cementing existing inequalities or creating new dependencies.

Representation

All too often, the cocoa sustainability conversation is about farmers, without having farmers at the table. It is about African or Latin American interests, without these interests being represented by African or Latin American organisations and governments. So far, strategies in the cocoa sector have been developed top-down, often based on analysis and needs of the chocolate industry or aimed at production targets set by governments. This has serious and far-reaching implications. Interventions are generally chosen that are convenient to those in power, not to those who are to benefit from the interventions nor by those expected to implement them. Language is used that might further inflame historic injustices or simply confirm existing power imbalances.

Barriers to representation can vary widely; absence of translation, costs of travel, visa restrictions,[74] or an absence of funding for hours, can already pose a high threshold. Prejudice and discrimination against people of colour abound – both in the Global South as well as against people of colour in the Global North.

The lack of representation at senior level in the chocolate and cocoa sector is stark. The fact that farmers and West African governments have been calling for higher prices for many years, but that companies simply are not willing to broach that subject is a good example of this.

A lack of representation can be unintended – part of the problem of privilege is that it is often blind to its own privilege – and to address this, all stakeholders should actively question to what extent this might affect their own operations.

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74 Visa restrictions are definitely intended barriers; their whole designed purpose is to exclude people from the Global South to move freely and at will. Stakeholders in the cocoa sector would do well to ensure that activities for a global dialogue – if held in person – are held in countries with the least possible travel restrictions for Southern participants.

Whether or not the lack of representation is intended, the lived reality for those that are not represented is equally harsh.

There is a direct power imbalance between those with money – and therefore decision-making capacity – and the recipients of support. Whether these are company-initiated or run by international organisations or NGOs; in donor-client relationships, southern implementers and communities are unequal partners. Not only is there a financial power imbalance, but in the north-south relationship, generally the risk is also largely borne by the "clients" in the Global South.

The voice of farming communities as well as of producing governments to actively tackle the issue of low commodity prices continuously is counteracted by global industry, for example. Instead, the importance is stressed of agronomic approaches, implying that it's the (lazy or uninformed) farmers that are to blame for their own poverty. If decisions are made by those in Europe and the United States, those decisions tend to favour those in power.

The division of labour in the production chain has been inherited from the colonial period; the decision-making power lies elsewhere than in West Africa, Latin America or Asia. Implicitly, there is an assumption that the injustice and inequality could be dismantled within the current division of labour. It is an open question whether this would even be possible.

Deliberative inclusion

Local stakeholders and the affected people themselves have at best been marginally involved. Strategies for an enabling environment must be developed and defined collaboratively at a national or sometimes even local level, with local ownership helping to ensure actions are fully integrated into socio-political and economic contexts. It is especially important that women are not (inadvertently) blocked from taking part – barriers to participation need to be accounted for. For example, land ownership or entitlement should not be a requirement for women to participate. Other factors such as literacy, education levels and gender-based violence should be identified and accounted for.

Dismantling unjust structures

Bridging the vast gap in representation will take a long time – and proactive engagement by everyone. However, change is always a day away if the journey never even gets started delivering on the low-hanging fruits, such as paying higher farm gate prices and inviting farmers to the global cocoa dialogue. There will also be setbacks, and part of the challenge is to not expect perfection from the start. Southern leadership – including farmers, researchers and activists – needs time, space, and resources to build its voice and power. With the current cuts in funding towards the Global South, this is by no means a given. Dealing

with the topic of racial injustice will require every actor – industry, government, and civil society alike – to recognise and openly deal with their own role in maintaining or dismantling the globally unjust structures that we currently all operate in.

Where are we going?

Regulations
The issue of human rights in cocoa is finally moving from voluntary commitments towards mandatory compliance, with the onset of the European Union's Corporate Sustainability Due Diligence Directive. Though the exact shape of that regulation is being negotiated – again – at present, it is clear that the cocoa sector is going to have to put in place a credible risk-based approach to tackle all material human rights challenges in the sector. Furthermore, they are going to have to start being a lot more transparent about any progress made and will have to change their policies if progress is insufficient. Though there will be many adjustments necessary, and though the sector will be working through the teething pains of such a systems change for a while, over time this should lead to a major leap forward in protecting the most vulnerable links in the value chain.

Sector collaboration
The level playing field should also open the door for even more sector-wide collaboration on key issues, especially child labour, living income, and gender equality. Such collaboration will drive down innovation and implementation costs, increase the collective learning capacity – especially on past failures. Human rights compliance should not be an issue of competition in the first place; it should be a shared accomplishment.

Corporate responsibility and community development
Going forward, it would be very beneficial to embrace holistic approaches, ensuring that individual corporate responsibility is coupled with collective community development. This will also require significant investments, both from the private sector as well as from consuming governments and international institutions.

From smallholder to all workers
Smallholder farmers are the backbone of the cocoa sector. However, they are not the only workers. Human rights also pertain to the myriad of sharecroppers, tenants, hired workers and caretakers that work on the smallholder plots. Furthermore, with an increasing amount of cocoa coming from larger plantation models, especially in Latin America, worker rights will also become increasingly

material. And the discussion cannot continue to focus largely on men as the default. Women must be at the centre of discussion.

Decolonisation

Voices of farmers, communities, and origin governments will need to have an increasing place at the table. At times, this place will be ceded with relative ease. But at times, this space will need to be taken despite opposition. Origin governments, farmer organisations, local civil society and community organisers are starting to become forces to be reckoned with of their own right. In a sector that is still largely organized around the extractive models of colonization, it is high time that this takes place.

Latin America and other African countries

The days that cocoa's sustainability discussion only dealt with Côte d'Ivoire and Ghana lie behind us. Latin America is in ascendancy, as are other origins in Africa. It will be essential to ensure there is sufficient data about the challenges in these other origins, and that all actors – industry, civil society, farmers, and governments – are included in the conversation.

Summary

Although the focus on human rights violations in the cocoa sector is often on child labour, there is a wide range of problems facing cocoa-producing communities. Gender inequality, (infant) malnutrition, lack of access to education, human trafficking, insufficient health care facilities and sanitation, insecurity of land and tree tenure and rule of law, labour rights violations for smallholders, workers, and tenants; the list is long and by no means comprehensive. Producing nations are making progress in addressing key challenges, notably in access to education, health care, electrification and drinking water in rural areas. There is also increasing attention to the key issue of access to health care, both as a human right and as an enabler of other progress.

Though every issue requires specific approaches, at the root of all these human rights issues is the structural poverty of rural communities. As living income is a human right, any human rights approach to the challenges in the cocoa sector should include strategies to address poverty and to close the living income gap.

Gender equality

Gender equality is a topic that gets mentioned regularly. Increasingly, projects do involve women's perspectives, but gender equality and female centred projects are still anything but universal. It is time, as a sector, that we stopped talking about it and started acting on it instead. Patriarchal norms translate into economic disparities and underrepresentation. Although women are involved in most stages of the work, women's involvement in decision-making is still far too low. Gender-inclusive design is also because women are change agents in and of themselves, all interventions become so much more effective when women in the communities are involved.

Child labour

Not every child helping their parents on a cocoa farm is immediately involved in child labour, and not every task on a cocoa farm is immediately a cause for concern. Careful definitions are crucial to differentiate between permissible child/light work and forbidden child labour, and to ensure that helping out at the farm as well as youth apprenticeships are not confused with child labour.

Care must be taken when enforcing child labour legislation. The best recourse is often aiding cocoa farming households in taking away the reasons why children are working in the first place. It is now a shared belief of the sector that what is necessary is structural monitoring coupled with tackling systemic root causes – such as farmer poverty, absence of (access to) quality education, inadequate local infrastructure and services, inadequate labour services in cocoa growing communities, and lack of awareness. If there is no specific attention to children

in marginalised communities, as well as girls in general, interventions tend to disproportionately help boys in established communities.

Though there are more children in hazardous child labour in cocoa than ten and twenty years ago, the severity of these cases seems to be decreasing. However, investments and ambitions must be increased by several magnitudes. The upcoming due diligence regulations should also help increase ambition. Although there was a trend for several years of more transparency on child labour, this has reversed with increasingly fewer companies publishing numbers on identified and remediated cases. This is deeply concerning; what is needed is more transparency and accountability, not less.

Several key types of interventions have started to take clear shape, including child labour monitoring and remediation system (CLMRS) and child labour free zones (CLFZs).

CLMRS were first developed for the cocoa sector by the International Cocoa Initiative (ICI) on behalf of Nestlé. They are a means of identifying addressing and preventing child labour, embedded in a supply-chain or community structure. Information on every household in the system is collected, and when children are found to be in or at risk of child labour, suitable remediation and mitigation measures are provided. Even this best practice can only stop around 30% of child labourers from engaging in hazardous activities. Due to an inflation of the use of the term, sector wide alignment on definitions on CLMRSs has led to a lowering of ambition of the initial best practice systems, with the risk of a dilution of impact.

Having a singular focus on child labour in cocoa supply chains could result over time in a displacement of the child labour from cocoa to other less scrutinised sectors, such as fisheries for the local market and mining. As such, landscape approaches are necessary as well, not only tackle the issue of child labour at farm level but at a broader landscape level. Child Labour Free Zones (CLFZ) are a key part of such area-based approaches

The increased focus on the community development approach to prevention, risk assessment and remediation is an important step. However, it should not be seen as an alternative to individual and collective responsibility of companies. Both prevention and remediation are needed.

In West Africa, the work of children on cocoa farms is part of daily life. Approximately 1.5 million children are working in cocoa production in Côte d'Ivoire and Ghana (NORC 2020). Of these, 95% are exposed to hazardous child labour, such as working with dangerous tools or harmful pesticides. The

vast majority of child labourers are exposed to more than one type of hazardous work(NORC 2018).

Although historically, almost all of the work on child labour focuses on Ghana and Côte d'Ivoire, other major African cocoa producing countries such as Cameroon and Nigeria cannot be assumed to be free from child labour. The same goes for countries on the new frontiers of cocoa such as Liberia, Sierra Leone and the Democratic Republic of Congo. Proper data on child labour and child work in the Latin American cocoa context is similarly missing. More data is needed, however it can be assumed that there are child labourers in Latin American cocoa production, albeit at lower prevalence rates and absolute numbers than in West Africa.

Labour Rights

Though in West Africa cocoa is largely grown by smallholders, wage labourers play a large role in the workforce in cocoa in Latin America. Furthermore, seasonal hired workers are common in the cocoa sector across the world. Additionally, there is an underreported challenge around sharecroppers and tenants throughout West African cocoa production. In Latin America, where cocoa plantations are often a lot larger, there is much more wage labour, which can lead to challenges around labour rights around health and safety, as well as around the freedom of association.

Health care

Ensuring farming communities have access to affordable health care, through health insurance, provision of clinics and medical supplies, is not only a key human right issue, it also helps make communities more resilient and more productive.

Migrant rights

The vulnerability of migrant workers in all cocoa growing regions pushes them into situations of fragile employment, leading to dangerous working conditions, and sometimes to migrants being tasked with the less salubrious jobs including illegal ones.

Climate change

Climate change is not only an environmental challenge; it is also a human rights challenge. Many of the communities that are – and will be – hardest hit by the effects of climate disruption have done very little to cause the climate change and have profited very little from the overconsumption and emissions that have led to where we are.

Decolonisation

The current reality of the global cocoa trade – and the injustices and inequality that it contains – cannot be understood without the context of the past; the history of colonization informs trade structures that have transitioned into our era. A lack of representation of rightsholders leads daily to interventions being designed in a top down manner, often not resulting in the right solutions for rightsholders

Where are we going?

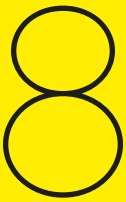
The issue of human rights in cocoa is finally moving from voluntary commitments towards mandatory compliance, with the onset of the European Union's Corporate Sustainability Due Diligence Directive. Though there will be many adjustments necessary, over time this should lead to a major leap forward in protecting the most vulnerable links in the value chain.

The level playing field should also open the door for even more sector-wide collaboration on key issues, especially child labour, living income, and gender equality. Going forward, it would be very beneficial to embrace holistic approaches, ensuring that individual corporate responsibility is coupled with collective community development. This will require significant investments, both from the private sector as well as from consuming governments and international institutions.

Smallholder farmers are the backbone of the cocoa sector. However, they are not the only workers. Human rights also pertain to the myriad of sharecroppers, tenants, hired workers and caretakers that work on the smallholder plots. Furthermore, with an increasing amount of cocoa coming from larger plantation models, especially in Latin America, worker rights will also become increasingly material. And the discussion cannot continue to focus largely on men as the default. Women must be at the centre of discussion.

Voices of farmers, communities, and origin governments will need to have an increasing place at the tables of negotiation and regulation. At times, this place will be ceded with relative ease. But at times, this space will need to be taken despite opposition. Origin governments, farmer organisations, local civil society and community organisers are starting to become forces to be reckoned with of their own right. In a sector that is still largely organized around the extractive models of colonization, it is high time that this takes place.

The days that cocoa's sustainability discussion only dealt with Côte d'Ivoire and Ghana lie behind us. Latin America is in ascendancy, as are other origins in Africa. It will be essential to ensure there is sufficient data about the challenges in these other origins, and that all actors – industry, civil society, farmers, and governments – are included in the conversation.



Governance

"Governments of producing countries should play a pivotal role to improve the situation of farmers. They should be transparent in taxes received on cocoa, and invest a significant part of this income in rural technical and social infrastructure (including roads, electricity, education, water and sanitation, and health care) or other indispensable public goods cocoa farmers rely on."

2015 Cocoa Barometer, p11

"In consuming nations, there is no legal threshold for sustainability, and although there are universal human rights, there are very few mandatory enforcement mechanisms in supply chains... Some of the core challenges in cocoa production will require legislation in consuming countries."

2018 Cocoa Barometer, p23-24

Where are we now

Historically, the majority of the sustainability discussion in cocoa has centred around farmers and the private sector and their respective roles and responsibility. However, the roles of these actors are very much dependent on the governance of the sector and of the global trade systems. Governments have a key role to play here, with a strong supporting role by other actors such as the private sector, standards and farmer organisations.

There are many reasons why governance needs to be part of the cocoa sustainability conversation. Government policies help address the root causes of poverty, and governance is also a key driver in enabling long term effectiveness of sustainability interventions.

At consuming government level, the key elements of good governance include a reliable and ambitious regulatory environment – where sustainability is becoming a matter of legal compliance instead of voluntary efforts, significant financial support for building capacity in origin governments, as well as a defence of the civic space necessary for a transparent and accountable sector.

For origin governments, key elements of good governance include rural development strategies, infrastructure, transparency & accountability, rule of law, and supply management. The current market crisis is, in a significant part, the result of poor governance and management of the sector by exporting governments.

Consuming Governments

Regulatory pressure

The current changing regulatory environment exists within a broader global context, which encompasses legally binding treaties such as the Paris Agreement, and soft law instruments such as the UN Sustainable Development Goals (SDGs), the 2011 UN Guiding Principles on Business & Human Rights and the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct. Although many companies have taken steps in addressing human rights over the past decade, the persistent lack of progress towards a system that is economically and ecologically just and equitable has prompted policymakers to shift towards mandatory legislation.

Over the past few years, the European Union has been leading a global shift with ground-breaking legislation[75] requiring due diligence on human rights

75 This suite of EU regulations is based on and in line with the soft laws mentioned earlier, including the UN Guiding Principles and the OECD Guidelines.

and environmental impacts in commodity supply chains. This is exemplified by the EU Regulation on Deforestation (EUDR, adopted in June 2023) and the Corporate Sustainability Due Diligence Directive (CSDDD, adopted in May 2024), and requiring transparent accuracy in reporting and marketing, exemplified by the Corporate Sustainability Reporting Directive (CSRD, adopted in January 2023) and the Green Claims Directive (currently in development).[76]

Other consuming countries are looking to mirror these new regulatory approaches. These countries include the United Kingdom, Switzerland, and New Zealand. The world's second largest consuming area, the United States, however, will most likely not be looking at any steps in this direction under the current administration.

EUDR and CSDDD

The European Union's Deforestation-Free Regulation (EUDR) requires products entering the EU market in seven key commodities including cocoa[77] to not originate from areas deforested after December 31st, 2020. It also requires coffee imported into the EU not to be associated with crimes as specified in the laws of countries of origin. Companies will need to prove that the products they source are traceable to farm level and are obtained and produced with full respect for the regulations of the countries of origin[78]. Based on the risk of deforestation per country or region, various levels of risk assessment and mitigation efforts will be needed. Products originating from high-risk sources will undergo more frequent scrutiny.

The Corporate Sustainability Due Diligence Directive (CSDDD) requires companies to: make due diligence an integral part of their company policies; identify and assess their actual or potential adverse impacts; to end, prevent and/or mitigate these impacts; monitor how effective their actions are; communicate about these efforts regularly and transparently; and adapt their efforts if their impact is insufficient.[79] The

76 Although forced labour so far has not been an issue with a lot of attention in the coffee sector, the chance that there is forced labour in the coffee sector in various sourcing regions across the world means that over time the EU's Forced Labour Directive could also become a relevant regulation. As an example, forced labour has repeatedly been documented in Brazil, where 40% the of the world's coffee is produced.

77 The other commodities are cattle, cocoa, oil palm, rubber, soya, and wood and certain derived products.

78 Including the rights of indigenous people and laws prohibiting child labour and slavery

79 This is largely – though not entirely – in line with the OECD Due Diligence Guidance for Responsible Business Conduct, which was recently updated and modernised.

CSDDD is not focused on a product or its import, but on the worldwide activities of the corporation itself. The CSDDD will cover impacts in the company's own operations, their subsidiaries, and their value chains. It is a realistic approach, acknowledging that there will be human rights and environmental challenges in the value chains. In simple terms, the CSDDD means that companies are no longer allowed to look away from the human rights and environmental violations in their supply chain and will be required to set up appropriate responses to the challenges in their supply chain. This inherently means there are no "safe harbour" clauses; efforts will always have to be taken in context. Companies need to ensure their activities are commensurate to the size of their problems. If companies are not taking this due diligence obligation seriously, consequences can include civil liability.

The EUDR was scheduled to go into force in December 2024 but was delayed because of tarrying by the European Commission. It is now scheduled to go into force in December of 2025, but there is mounting pressure for the EUDR to be further delayed and weakened. The CSDDD was scheduled to go into force in 2026 but has been put on hold while it is being renegotiated and watered down in a so-called 'Omnibus' procedure. In both cases, a right-wing turn in the European Parliament was the result of this deregulatory movement. Furthermore, both the EUDR and the CSDDD seem to be part of the ongoing US-EU trade negotiations, the precise outcomes and legal ramifications of which are still very unclear at time of writing.

Support on compliance

Consumer regulations are demand side instruments. In addition to this, there is a real need for supply side instruments, as well as support to those who need to implement these regulations – such as farmers, producing communities, and producing governments. This requires tremendous financial investments. However, as will be clear in the following chapter, at the same time as these regulatory changes, the Global North's willingness to invest in development is being rolled back at breakneck speed. This leads to the question of how the sector can work to ensure that these regulations lead to a system shift, rather than the real risk that this could all be terrible for farmers.

Capsizing to the right

Throughout the Global North, governments are taking a strong turn towards conservative nationalism. This has far reaching negative consequences for sustainability in global supply chains. For the past ten years or so, the arc for sustainability was in a positive direction, with increasing space, a decent amount of funding, and even hope for effective regulation. However, history moves in

cycles, and after a hausse, it seems that sustainability will be facing an uphill battle for the foreseeable future. It is time for the tough to get going, because the going will be tough.

Regulatory (un)reliability

After the EUDR and CSDDD were passed, as a product of due process, negotiation and compromise, the European Union went through an election cycle. The new Parliament was significantly more conservative, and the president of the EU saw an opportunity to start dismantling some of the key principles of these regulations. In October 2024, after personally ensuring guidance was delayed for many months, the president announced the EUDR would be delayed by a year, as there wasn't enough time to implement the guidance. Mere weeks later, the Commission announced that the CSDDD would be reviewed in what was euphemistically named an 'omnibus' proposal, to make it better aligned with two other EU regulations, the CSRD (on corporate sustainability reporting) and taxonomy. Under the guise of alignment and simplification, the Commission has attempted to undo years of hard legislative work in Brussels.

This pandering to specific interest groups does nothing to serve sustainability. It also is not in business interests, as companies need clarity and guidance, as well as a liveable planet with thriving people across it. The omnibus will achieve none of that, it will only delay and obfuscate responsibility. In essence, what the Commission is doing here, is simplifying a debate, not a regulation. Furthermore, this prevarication is also harming the European Union's credibility as a regulator. The result of this is regulatory uncertainty, rewarding laggards and penalising frontrunners, and has turned into a politicisation of what should be science-based thresholds and metrics. It also forms a future deterrence of investment in sustainable solutions that would deliver long-term competitiveness for European firms.

Reduced funding

The shockwaves about the sudden defunding of USAID have been felt around the world. However, this distracts from the stark reality that throughout Europe funding for sustainability is also being drastically cut. The Netherlands is cutting its ODA budgets from $7.4 billion in 2023 to $2.6 by 2027. Belgium will be cutting its foreign aid by 25% over the next five years. The UK will be cutting its foreign aid from $17.7 billion to $7.6 billion. France is reducing its aid spending by $2.1 billion. Germany reduced its ODA budget by around 15%. Simply put; Europe and the United States are giving far less money in development aid, which will cause competition for funding. This reduced government funding also poses a new reality for the private sector, as they will have to invest more in sustainability solutions in order to create the resilient supply chains it needs.

Attacks on civic space

Part of the right-wing shift is translated into strong attacks on the civic space. Increasingly, the space for organised dissent and critical dialogue is being questioned. This is not just a problem in the United States – although the scale of this in the US is entirely unprecedented in the post-WW2 era – but also increasingly in Europe. The recent unfounded attacks on the LIFE grants in the European Commission are a painful example.

Attacks on diversity

As argued elsewhere in this publication, at the root cause of the challenges in cocoa lies centuries of injustice of colonisation and white supremacy. Where the conversation should be focused increasingly on centring the voices of marginalised rightsholders, we are witnessing a direct attack on issues of diversity and learning historical lessons of injustice. These attacks are spearheaded by the white nationalism of the current US administration, but this thinking is rapidly gaining ground elsewhere.

Origin governments

Rural development strategies

Although the cocoa sector is a major economic force in most cocoa-producing nations, governments tend to view the sector as a never-ending natural resource and requires only minimal management. Governments need to recognize that their cocoa sectors require both management and protection and need to adopt a long-term vision for rural and agricultural development. Achieving the vision will require reliable, credible, and long-term governance. These must be holistic rural development strategies, coupled with inclusively developed landscape roadmaps.

Infrastructure

Developing and strengthening farmers' co-operative should be an integral part of the government's rural development strategies. Governments should put in place tools and policies that support farmer organisations. Governments need to ensure the rollout of affordable and available primary and secondary education, affordable and available health insurance, better coverage of health care clinics, the availability of clean drinking water and sanitation in all communities, and the rollout of nation-wide vaccination/medicine drives, the rollout and maintenance of roads, rail, and waterways to ensure a smooth access to market, both for export as well as for national developments, the rollout and maintenance of electricity grids and (renewable) power sources. Social protection systems need to be put in place, such as pension schemes, health insurance, and minimum wage systems based on a cost-of-living approach.

Transparency & Accountability

The effective and credible implementation and maintenance of rural development strategies and infrastructure investments requires a transparent and accountable government. Governments need to ensure that credible national traceability systems are functioning and act as convenors for independent accountability and governance frameworks. Producing governments could also play a key role in providing key sector data and market information. Governments should commit to improved financial transparency, on both income and expenditure from cocoa. Lastly, producing governments should ensure that civil society and farmer organisations are actively involved in dialogue and policy making for the cocoa sector.

Where has the LID gone?

The Ivorian CCC and the Ghanaian COCOBOD introduced a Living Income Differential (LID) at the end of 2019. All buyers of cocoa were demanded to pay an extra fee of 400 US dollars per tonne of cocoa on top of the market prices for the forward sales for the upcoming season 2020/21 crop. Based on the expected extra income, Ghana increased the guaranteed cocoa farm gate price for the 2020/21 season by 28 % to 1,837 US dollars per tonne, and Côte d'Ivoire by 21 % to 1,840 US dollars. Many companies welcomed the decision. From their point of view, it was a pre-competitive instrument as it made cocoa more expensive for all buyers. Nevertheless, some companies bought significant amounts of cocoa at the stock-market to avoid the extra 400 US dollars per tonne.

Publicly, companies supported the approach to create a sector where a premium guarantee some sort of minimum price. Nonetheless, the purchasing departments of many companies behaved different. They couldn't hedge the premium at the futures market and for that reason tried to get rid of it. While companies officially and in reality paid the LID-premium, they put a massive pressure on another premium paid for cocoa from Côte d'Ivoire and Ghana: the quality differential (for details see Oxfam België/Belgique, 2024).

At least for part of the sales of cocoa coming from Côte d'Ivoire and Ghana the quality premium turned negative. Income from cocoa was therefore not increased by 400 US dollars per tonne, but - if at all - at a much lower level. As a result, Côte d'Ivoire had to lower its minimum price mid-season 2021. According to newspaper reports the COCOBOD subsidised the export of cocoa and run into substantial debts.

In summer 2022, the CCC and COCOBOD started to publish the paid quality differentials. They wanted to return to positive quality differentials, so that the US$400 paid as an LID can fully increase the farmgate prices. The impact was there but limited. Quality differentials at least were not negative anymore, but around 0. Both countries wanted to reform the LID, and invited a group of experts to find ways to do this. This group met at the beginning of 2023, when cocoa prices were still on a relatively low level. Only months later, when the price for cocoa went up significantly, nobody was talking anymore about the LID, which is officially still in place.

The learnings from the developments after the implementation of the LID should not be forgotten, as a time will come when cocoa prices go down again and an approach to achieve a higher income for farmer might be necessary.

Rule of Law

The government's duty to uphold the rule of law is closely linked to the preceding paragraphs. Existing land use and environmental laws should be enforced much more consistently, especially regarding forest protection and encroachment by (illegal) mining. The enforcement of nationally approved chemical lists could greatly reduce the widespread use of Highly Hazardous Pesticides. National child protection laws are often only partly or haphazardly enforced.

There are the gaps in legislation that still need to be filled or improved upon. A lack of land and tree tenure security undermines the ability of farmers to actively engage in environmental protection efforts. Other gaps exist on gender equality, governance of cooperatives, and government transparency and accountability.

Not only the enforcement and development of the law needs to be strengthened, but also the availability of and accessibility of grievance and complaint mechanisms, both on environmental and human rights abuses. These are necessary for rightsholders, as well as NGOs, journalists, and investigators to hold power accountable, whether it is corporate or government. Additionally, affordable and timely access to justice, and measures to ensure safety and tackle corruption are all necessary to provide a reliable environment for cocoa farmers to earn a decent livelihood.

Supply management and markets

Though supply management is not a silver bullet, it must be part of the toolkit of policy measures to increase sustainability in the cocoa sector. The current market situation shows that supply management solutions are part and parcel

of any successful living income policy, and that avoiding an oversupply can be a highly effective tool to ensure prices remain at a sufficiently remunerative level. In that light, unregulated supply and demand should not be allowed to determine the remuneration for cocoa farmers. Government policies and the availability of cocoa in the world market are effective tools for enacting price policy. It is urgent that governments roll out supply management solutions.

With current higher market prices due to a supply deficit, it would stand to reason that a lively conversation would be taking place on supply management. However, despite chocolate and cocoa companies always pointing to supply and demand as being the main determinant for cocoa prices, the discussion on supply management policies is largely absent.

Instruments

Instruments can range from the buffer stocks and national production quotas – such as implemented in the cocoa sector for much of the 1970s and 1980s – through to more subtle tools such as rural development policies or land reform. Provident pension schemes, land and tree tenure security, and the availability of government support extension services all form a part of a long-term supply management strategy. These interventions are already being rolled out but at a very slow pace or inadequate. Supply management as a tool to protect farmers from the vagaries of the world market is not a though unique to cocoa. A recent article in a leading Dutch newspaper also made similar arguments on the behest of Dutch farmers. (Boersma/Lohman 2020)

Global expansion

Though Côte d'Ivoire has implemented policies against increasing productivity since the price collapse of 2016/17, this does nothing to curb increases from newly developed cocoa farms. At the same time countries such as Ecuador[80], Brazil, Peru, Cameroon and Nigeria are strongly growing their cocoa sector, as described in the environmental chapter of this Barometer. The International Cocoa Organisation (ICCO) has been trying to get a working group of government and private sector exports together on supply management, but progress is painstakingly slow, largely due to a lack of political will and alignment.

Food sovereignty vs cash crops

As a global issue, governments should align on common strategies to ensure transparent policies that put farmers first. These strategies should be firmly embedded in national rural and agricultural development strategies in cocoa producing countries that focus on both food sovereignty as well as on rural

80 Though Ecuador claim that 75% of their export is Fine Flavour Cacao, the reality is that at least 70% of Ecuador's cocoa exports nowadays constitute conventional cocoa. See the 2022 Latin America Baseline Cocoa Barometer (Huetz-Adams/Campos/Fountain 2022)

infrastructure. Despite being agricultural powerhouses, both Côte d'Ivoire and Ghana are net food importers. A just transition towards food sovereign agriculture is necessary. Cash crops, such as cocoa can play a major role in enabling this transition.

Effect of regulations from the Global North

Upcoming regulations in the Global North will affect the way cocoa can be brought to market. Their final texts as well as their implementation and enforcement will determine whether they are effective. Traceability to farm level, ensuring the right definitions are used so there are no loopholes, and ensuring that all companies are required to be compliant are all key issues that are still at stake. What will also be key is the question of who will pay. It is going to be essential to ensure that smallholder farmers are supported to comply with regulation, and that these necessary legislative developments do not cause an extra burden for farming communities that are already struggling. This calls for a more strategic partnership and collaboration between the governments of the both the consuming and producing countries.

Heavy metals in cocoa

Besides the sustainability regulations developed by the EU, health and safety regulations about heavy metal residues affect the cocoa sector, especially in Mesoamerica and South America. This is particularly a point of conversation around the problem of cadmium, although nickel and lead levels are also topics of interest.

Cadmium is naturally present in the composition of the often volcanic soils in Latin America, and does not come due to an external input. Because it is in the soil, it makes it a bigger challenge to reduce the levels in the final product. There are several ways to deal with this issue the cadmium content of chocolate.

As the cadmium enters the cocoa through the soils, and not throught the use of external inputs such as agrochemicals, reducing the cadmium level in the beans themselves is more of a challenge. However, the changing of cultivation methods, as well as the adoption of tree varieties that absorb less cadmium are also part of the solution. (Ramtahal 2017, Meter et al. 2019).

A second option, which is currently used extensively, is by mixing the cocoa with too high cadmium levels with cocoa from others origins until the residue levels are within the tolerated thresholds. This can also be done by adding more sugar or milk, or other ingredients. Though this is a solution to the cocoa going into bulk products, it is often not a solution for the higher end of the specialty market, who often operate with single origin bars.

Strengthened institutions

Existing institutions must be strengthened, both at a governmental level, as well as in local communities. This strengthening can be in the form of capacity building and professionalisation, but sometimes also is as straightforward as fighting corruption, reducing inefficiencies and the providing adequate social services. In producing countries, there are no multistakeholder platforms such as the ISCOs in Global North to collectively and inclusively set agendas and work towards achieving sustainable cocoa sectors in origin countries. Significant developments in farmer organizations particularly cooperatives in Ghana (Ghana Cooperative Cocoa Farmers Association) provides a window for enhanced farmer participation in the discourse that directly affect them. At farming community level, Village Savings and Loans Associations (VSLAs) should be universally rolled out, and farming communities should also be strengthened in understanding their legal rights, both vis a vis buying companies as well as the government and local rulers. This calls for a stronger local governance system with a robust local economic development strategy.

Equality

There is an increasing focus on better-off farmers, ignoring the plight of the lower income farmers. However, these have as much right to a living income as any other. A top-down approach is adopted and there are few farmer voices heard in this conversation, while gender equality is largely side-lined in this conversation.

Infographic 20: **Chocolate Scorecard 2025 brands overall ranking**

1	Tony's Chocolonely	3	Cemoi
2	Halba	7	ETG Cocoanect
4	Ritter Sport	9	Puratos
5	Nestle	11	Sucden
8	Mars	16	Touton
12	Hershey	18	Barry Callebaut
13	Lindt	21	Ecom
14	Ferrero	22	OFI
	Mondelez	23	Cargill
		32	GCB Cocoa
		33	JB Foods
		36	Blommer/Fuji

United Nations guiding principles on business and human rights

The United Nations Guiding Principles on Business and Human Rights clearly state that the corporations' responsibility to protect human rights "exists independently of States' abilities and/or willingness to fulfil their own human rights obligations and does not diminish those obligations". In other words, even when governments are not doing what they should, this cannot be an excuse for companies not to do what they can.

Stable demand

Chocolate sales have been expanding steadily over decades, with only small disruptions for the global cocoa and chocolate industry. In most leading chocolate consuming nations, demand for chocolate has remained very stable. Even the current higher prices are not leading to spectacular drops in consumption, even though some effects can be felt. Though there has been talk for decades about possible expansion into the Asian markets, demand in that continent still is far behind that in Europe and North America, despite tremendous investments by the sector. However, even small swings in supply and demand can lead to major market swings, as the sector has witnessed in

2016 with a sharp downturn in the market due to relatively small oversupply, and in the past year due to a similarly relatively small supply shortage.

Profits and risk

Though cocoa farmers struggle to make ends meet, chocolate remains a highly profitable endeavour for the companies further downstream. Margins will be made, whether the world market prices are low or high. What is much more relevant than the level of the market prices, is the amount of risks companies need to take. Most traders, grinders and chocolate producers do not want any price risks and try to secure their deals at the futures market. However, with the fluctuations and unpredictable markets of the last year, some companies have been exposed to risks and have had to pay significant sums in margin calls. What is surprising is that not a single major cocoa or chocolate company has gone bankrupt or been acquired in a takeover[81], despite the market situation – although Mondelēz did try to take over Hershey, but this attempt was turned down by Hershey.

Shareholders as main beneficiaries of the chocolate industry[82]

Distributive issues in the global cocoa and chocolate industry are usually approached by focusing on five groups of actors: Consumers, chocolate corporations (retailers, chocolate manufacturers, cocoa traders/processors), producer country intermediaries (traders and exporters), and farmers. However, such an approach misses one group of actors that is central in distributive matters: the shareholders owning chocolate corporations, and which have the claim on the profits that 'big chocolate' generates. Contrary to conventional wisdom, it is not the shareholders that fund the chocolate corporations, but the chocolate corporations fund the shareholders.

To understand distributional questions, we can trace the annual financial results of major chocolate corporations and cocoa traders that are listed on the stock market and thus publish their incomes and expense statements, and their assets and liabilities. The major shareholders in these firms are large asset management firms such as Black Rock or Vanguard, which in turn administer funds for pension funds, life insurances, wealthy individuals but also retail investors.

81 During the final stages of the development of this Barometer, the Hartree/Touton merger was announced. To all extents and purposes, this merger does not seem to be caused by the current market uncertainty, but due to the pending retirement of Touton's CEO.

82 This guest research was done by Felix Maile, Department of Development Studies, University of Vienna and Bernhard Tröster, Austrian Foundation for Development Research (OEFSE). See also Staritz/Troester/Grumiller/Maile (2022)

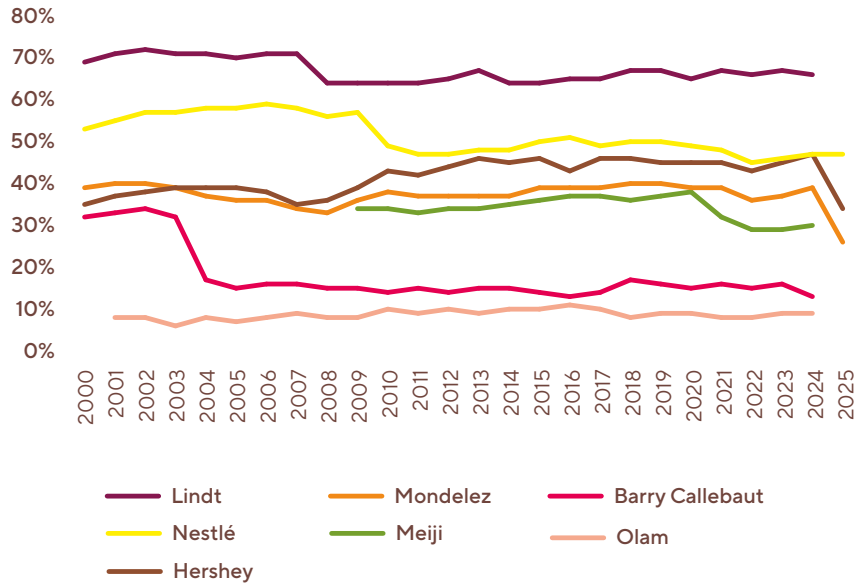
Infographic 21: **Largest publicly-listed chocolate corporations.**

Firm	Country HQ	Revenue 2022 in millions US$	Top 3 Shareholders (% of total shares)
Nestlé Brand	CH	**105,318**	**UBS Asset Management** (5,6%); **BlackRock** (5,2%); **Vanguard** (4,4%)
Olam Trader	SG	**40,769**	Mitsubishi (14,7%); Kewalram Chenrai (7,2%); Temasek (7%)
Mondelēz Brand	US	**31,496**	**Vanguard** (9,9%); **BlackRock** (5,8%); **Capital Group** (5,5%)
Hershey's Brand	US	**10,419**	**Vanguard** (12,7%); **Capital Group** (7,2%) **Black Rock** (6,7%)
Barry Callebaut Trader	CH	**8,991**	Jacobs Holding (30,5%) Artisan Partners (10%) Jacobs Family (5,3%)
Meiji Brand	JP	**7,008**	Master Trust Bank (15,6%); Custody Bank of Japan (5,6%); Nippon Life Insurance (2,4%)
Lindt Brand	CH	**5,555**	Lindt Pension Fund (15,5%); **UBS Asset Management** (5%); Norges Bank (3%)

The highest gross profit margins, which measure the profit rate on producing or sourcing cocoa products, are posted by chocolate brands. Premium brands such as Lindt generate profit margins above 65%. Other brands such as Mondelez, Meiji, Hershey or Nestlé operate at 35-50% gross profit margins. By comparison, cocoa trading firms such as Olam and Barry Callebaut capture much lower profit per cocoa product, usually between 8% and 20% (see Figure 1). This is due to the business model of traders, which focus on capital-intensive large volume-low margin business, whereas brands capture profits through their intellectual property with minimal investment requirements.

Since 2000, the profit margins of big chocolate corporations are quite stable[83]. The level and the fluctuations in global cocoa prices have had little impact on profits in the past quarter century. One reason for the margin stability of big chocolate corporations is the possibility to hedge price risks through entering cocoa future contracts on commodity derivative markets. Other upstream actors in the cocoa supply chain (farmers, traders in producing countries) do not have this option and face the risks of fluctuating cocoa prices. The second reason is the ability to pass higher input prices onto the selling prices.

Infographic 22: **Gross profit margin (%) on chocolate products, top 7 chocolate corporations**



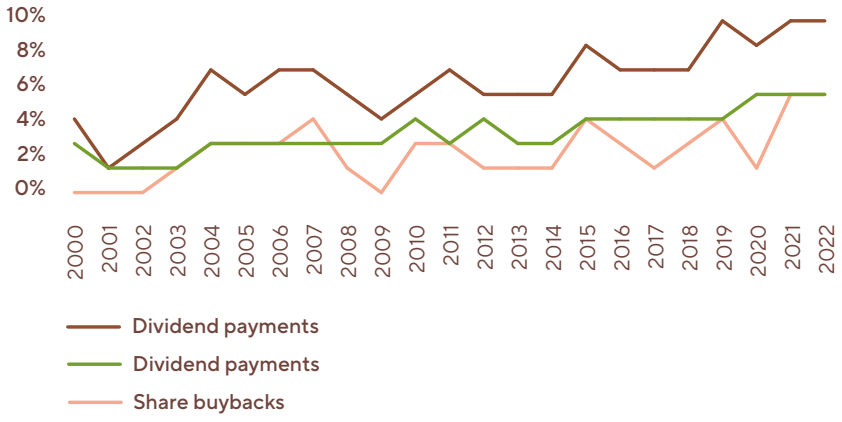
**Note: 2025 profit rates based on combining half-year results published in mid-2025. They were only available for Mondelez and Hershey and Nestlé*

The high gross profit capacity of chocolate brands translates into high level of payouts to shareholders. The shareholders are either remunerated via dividends, or through share buybacks, in which chocolate corporations repurchase their own shares to boost the stock price of the firm and

83 There are not a lot of data available yet in the current higher market circumstances, and though company profitability has gone down for two of the three companies for whom data is available, they are still operating gross profits.

create higher dividend payments per share in the future. Both payments for dividends and share buybacks have increased steadily in the past 3 decades. In recent years, chocolate corporations spent on average 8,4% of their total revenue on dividends or share buybacks. Put simply, for a 10 Euros spent on chocolate bars, almost one Euro is channeled to the shareholders of that chocolate brand.

Infographic 23: **Shareholder payouts (%, on annual revenue). Average for top 7 firms.**

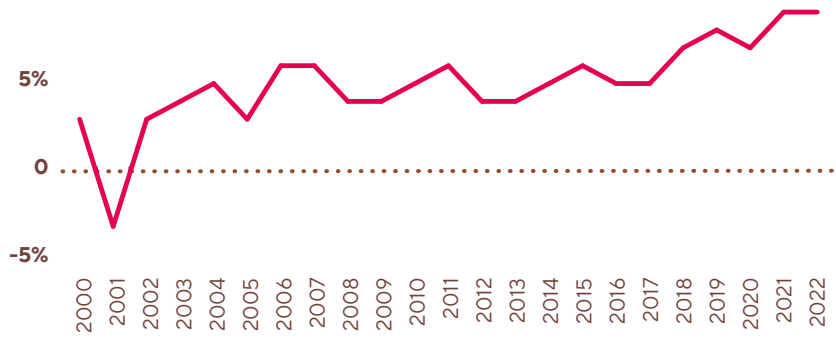


Large chocolate and cocoa corporations finance their operations through capital markets. They do this either by issuing stocks to shareholders, which buy a stake in the company, or by issuing bonds to bondholders, which buy a claim on future re-payment of that bond. The main source of finance for chocolate corporations throughout the past three decades was bond financing, because of the low interest rates for most of that period. In most years, bond issuance equates to more than 5% of the generated revenue. By comparison, funds generated from stock markets (i.e. shareholders) are rather meager, accounting for 1% of annual revenue on average. With the exception of a massive USD 8 billion share issuance by Mondelez in 2001, chocolate corporations have barely used the stock market to finance their operations.

The distributive relationship between chocolate corporations and shareholders thus turned into a one-way street. Since the early 2000s, net financial flows from lead firms to stock markets have been negative for all financial years. By 2022, this net negative finance flow accounted for on average 9.2% of the revenue when measured against the revenues of chocolate corporations. In sum, shareholders barely finance the operations

of chocolate corporations, but they extract massive dividend payments and share buybacks.

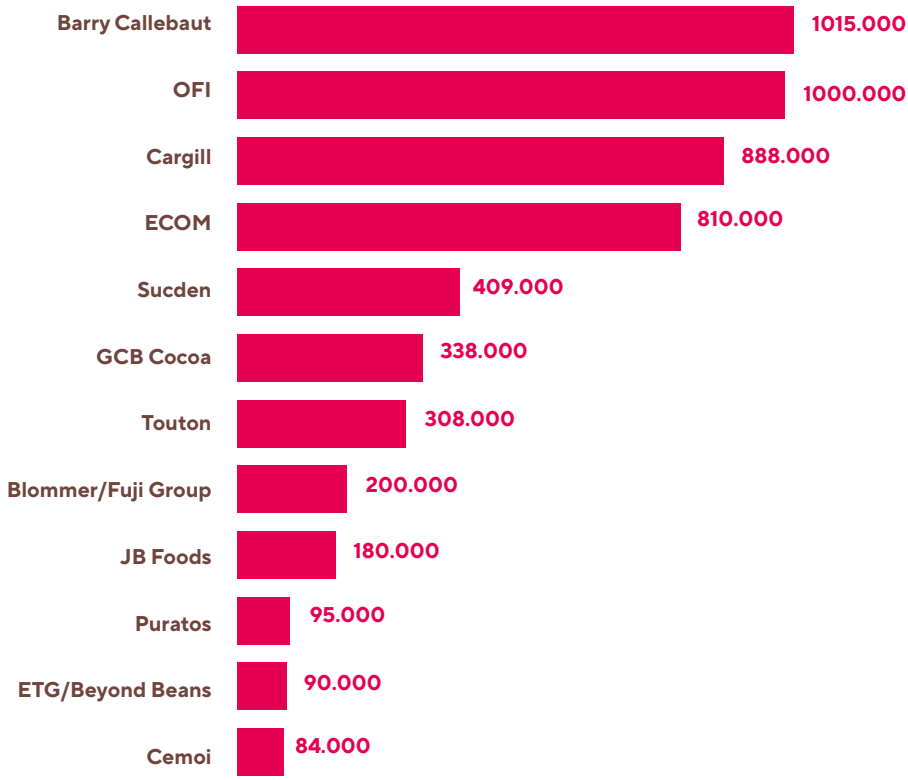
Infographic 24: **Net financial flow from corporations towards shareholders (%, compared to annual revenue). Average for top 7 firms..**



Highly concentrated market

Volumes of the major trading, grinding, and processing companies have remained stable over the past years. Although tonnages do not add up to a total volume used – these companies partly trade with each other – 4.5 million metric tons of cocoa bean equivalents pass through the six biggest companies. Each of the largest four companies trade as much or even more cocoa than is grown in Ghana in a normal harvesting year, the world's number two cocoa producer. The enormous market concentration in the cocoa sector puts a burden of responsibility on the leading companies concerning human rights due diligence and the avoidance of deforestation in their value chains.

Infographic 25: **Tonnages traders/grinders**



Traceability

Infographic 26: **Chocolate Scorecard 2025 traceability**

Brands		Traders/processors	
1	Tony's Chocolonely	3	Cemoi
4	Ferrero	8	ETG Cocoanect
5	Ritter Sport	10	Touton
6	Halba	12	Barry Callebaut
7	Nestle	15	Ecom
9	Lindt	17	OFI
11	Hershey	18	Sucden
16	Mars	20	Cargill
	Mondelez	22	Puratos
		31	JB Foods
		33	GCB Cocoa
		34	Blommer/Fuji

An important part of the responsibility of companies is to ensure full traceability throughout the supply chain. At present, there are many ways that companies are approaching traceability. Some rely on the figures from standard-setting organisations and cooperatives. Others work with GPS localisation and polygon-mapping, which are much more reliable than the self-reporting of cooperatives and farmer groups.

The figures for 2023 reveal a mixed picture. According to traders/grinders, the share of cocoa traceable to cooperatives or even to farm level decreased compared to the figures given for the previous Cocoa Barometer. This might be partly due to the fact that in the times of scarce supply, companies scramble to buy everywhere regardless of the source, it might also be caused by a deeper look into the reliability of figures.

Meanwhile, chocolate companies partly saw a different development. Volumes also stayed relatively stable. The chocolate companies all report higher, partly even significantly higher volumes of traceable cocoa compared to the last Cocoa Barometer questionnaire.

Cocoa butter

These data on traceability are deceiving, as at least part of cocoa sourcing remains untraceable: most companies buy cocoa butter of unknown origin. Some companies are working on this. Tony's Chocolonely has had traceable cocoa butter for several years now, and Lindt & Sprüngli has a target of 100% traceable butter by 2025. The EUDR puts a lot of pressure on companies to make them better value chain transparent. With the beginning of the year 2025, companies importing cocoa products including butter? to Europe will have to know, whether beans come from.

Costs of traceability

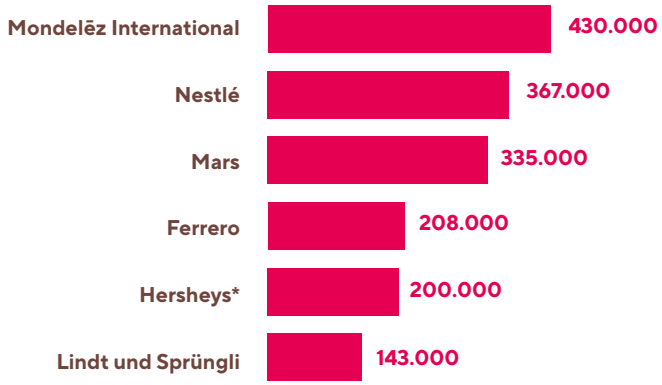
Creating traceability along the value chain down to farm level comes with a cost. Furthermore, transparency leads to follow-up costs; knowledge about the origin of the cocoa comes with knowledge about poverty, malnutrition, child labour, underpaid workers, other human rights violations, and deforestation. Cocoa traders, grinders, and processors are in most cases not the producer of the final chocolate product. As such, they depend on chocolate brands and retailers to pay for these additional costs.

Legal barriers

Part of the reason why traceability is not universal yet is a lack of ambition and funding by the private sector. Another part – at least in Côte d'Ivoire – is national legislation. By law, at least 20% of cocoa sourced by companies must be bought via local exporters. These local exporters cannot or do not want to provide the traceability needed, as they source through local middlemen such as pisteurs and traitants.

"With great power comes great responsibility", Uncle Ben told his nephew Peter Parker in the Spiderman comics. As is clear in this overview, Mondelēz is by far the biggest chocolate brand. This makes it even more disappointing that they refuse to participate in global transparency efforts such as the Chocolate Scorecard. Their refusal to participate had them score lowest on every category in the Scorecard.

Infographic 27: **Tonnages chocolate brands**



Farmer organisation

Strong worker and farmer organisations could help both farmers and their employees to claim their own rights. So far, however, only a small proportion of workers and farmers are organised, and existing organisations are too weak to enforce true change. Almost all efforts in cocoa reach only farmers that are already (loosely) organised in cooperatives. Most cocoa farmers, however, are not organised, and are not being reached. Concerted strategies must be developed to reach these 'higher hanging' fruits, and to help them get organised.

Of the main cocoa producing countries, only Ecuador has ratified ILO Convention 141 on Rural Workers' Organisation, launched in 1975, which promotes the formation of associations for employees, tenants, small farmers and smallholders. None of the major cocoa producing countries presently has a policy in place to support farmers and workers to get organised.

Challenges

Strong autonomous farmer organizations should become the bedrock of the sector. This will require strengthening the role, functioning, quality, and structure of cooperatives. At present, there is a wide range of cooperatives, from large to small, and from cooperatives created by the government to ones that have developed organically. For most cooperatives, internal governance is weak, leading to a variety of challenges, including inefficiencies, corruption, and a lack of transparency. Moreover, it means that many cooperatives are not able to

act as advocates for their members in policy-making processes. In some cases, cooperative structures may be mis-used as fronts by local traders – or, in Côte d'Ivoire, by big landowners – to gain access to money or training.

Gender equality

Cooperatives often do not sufficiently represent women farmers, as their members are usually predominantly male. This has many causes. Furthermore, usually only one person per household can be member of the cooperative, which by default means the men become the cooperative member. The low levels of female members in turn allows the cooperatives to gear their actions (representation, service provision, advocacy) more to male farmers' needs. Barriers that prevent female farmers from becoming members include high membership fees and strict requirements of land or tree ownership. Women only cooperatives are growing but are saddled with weak leadership and a tendency to defer to male support defeating voice and agency.

Governance

For cooperatives to play the positive role that they could play, they must be farmer-led, professionally run, financially independent and accountable to their members. A first step to achieve that is for cooperatives to ensure that they are democratic bodies which genuinely represent both their male and female farmer members.

A study conducted on in Ghana on 660 Village Savings and Loans Association (VSLAs) with a membership of 16,651 people, showed that though women form about 60% of the membership, only about 13% are in leadership positions across the groups (Barry Callebaut 2024). This brings to the fore the deep seated imbalance when it comes to women's participation in leadership and decision making.

Role of supply chain actors

There's also an important role for governments and exporters to play here. The small margins and - consequently - large volumes cooperatives are pressed to generate often don't allow bottom-up cooperative structures to grow. Rather, the model works for financially strong middlemen. Cooperatives should be supported in such a way that they can participate effectively in multi-stakeholder policy processes. This is a process that will take time, resources, and potentially a review of the laws governing cooperatives.

Access to finance

One of the key elements is access to finance. At the moment, cooperatives often can´t pay the farmer members directly, which leads to selling outside the cooperative. Improved financial products with sufficient flexibility for working capital would be a key element for stronger farmer organisations.

Good Practice; Corporación Chakra, Ecuador

A good example of how farmer organisation can be done in a way that empowers local communities, with an active participation of both women and youth, is the Corporación Chakra in Ecuador. This initiative by local producers' associations, started in 2019, promotes conservation of the ancestral chakra system and sustainable use of natural resources with active participation of women and youth. An interinstitutional collaboration gives a so-called "Chakra Seal" to producers that meet 7 key principles.

Standards

The race for certified volumes in the past decade has not led to the bar being raised. Even though at least a third, perhaps even more than half, of all the global cocoa production is grown under a certification label or an own company sustainability label, major problems persist; chocolate companies and retailers tend to look for the cheapest label, neglecting the potential negative effects of this price pressure. If anything, the relevance of certification standards has been declining. For a long time, it seemed the only tool available to achieve sustainability was certification. With an increase in sector efforts, in data and research, and in experience with implementation, the sector now has a wider range of interventions at its disposal.

The sustainability lie

Many companies know their cocoa comes from farms that struggle to feed their family, to send their children to school, and aren't able to hire adult labourers instead of working with their own children on the plantations.

Despite this knowledge, more and more companies claim that their products are sustainable. When criticised from NGOs for doing this, they often reply that the cocoa is certified by standard-setting organisations or by company projects.

In the summer of 2025, the Dutch consumer authority published a report stating that there are no sectors making as many vague or misleading sustainability claims as the cocoa and coffee sectors. They have subsequently announced they will increase their scrutiny of the sustainability claims in the cocoa (and coffee) sectors (ACM 2025).

According to the first globally agreed on definition of sustainability, this is pure greenwashing. "Sustainable development is development that meets the needs of the present without compromising the ability of future

generations to meet their own needs. It contains within it two key concepts: the concept of 'needs', in particular the essential needs of the world's poor, to which overriding priority should be given; and the idea of limitations imposed by the state of technology and social organization on the environment's ability to meet present and future needs." (Brundtland 1987)

Cocoa farming families usually cannot cover their essential needs. According to recent studies there's no big difference between families living on farms supported by projects or being certified and others. (Le BASIC 2022 66-69)[84] Additionally, the deforestation in the cocoa sector reinforces the global climate crisis and this threatens the prospect of all future generations in the cocoa belt. To call cocoa coming from these regions sustainable completely ignores the situation of cocoa farmers and of the ecosystems.

Certified is not the same as sustainable

Claiming sustainability off the back of a certification system is misleading. However, the terms "certified cocoa" and "sustainable cocoa" are still often – wrongly – used interchangeably. Certified cocoa cannot be claimed to be sustainable merely based on certification, whether this certification is Fairtrade, Rainforest, ARS1000, organic, or any other standard.

Standards focussed on farmers, not the multinationals

Thinking that farming standards are the answer implies that bad farming is the problem. Whereas most standards do have a trader code of conduct, the focus has historically been on the farming standard. For chocolate companies to be able to sell a product as certified requires very little fundamental change in the way they operate. Certification has done very little to close the power gap between multinationals and farmers. If a farmer is required to change most of his/her business practices to be able to sell their product, why shouldn't the same be asked from large multinational corporations?

Benefits of certification

There are several ways in which certification plays an important role to make value chains more transparent; it is, at the moment, one of the few ways by which higher prices and premiums can potentially be delivered to the farm gate, it offers support to farmer organisations through financing and enabling cooperatives, and this backbone provides a framework by which many other necessary interventions – such as Child Labour Monitoring and Remediation Systems (CLMRSs) and village savings and loans associations (VSLAs) – can be

84 The same study calculates what farmer receive for conventional and for certified cocoa sold on the German market. Differences are very small, see page 54-58.

rolled out. However, it remains an open question whether certification is the most efficient tool on these issues for it to be part of the solution.

Advocacy

Both Fairtrade and Rainforest Alliance engage the cocoa sector in advocacy efforts that go beyond the direct interest of promoting their own standards. This is a necessary and welcome acknowledgement that Voluntary Sustainability Standards (VSS) are only part of the solution and that farm standards operate in a broader social context. In that light, it is good that both standards are strongly advocating the need for regulation and broader landscape approaches. At the same time, standards engaging in advocacy also creates complexities around the business interests of the VSSs, as a large part of their earnings still is based on tonnages sold.

Competition with sustainability programmes of chocolate companies

Both standard organizations are in direct competition with the sustainability programmes of some cocoa and chocolate companies. Some of the companies have introduced their own seals, such as Mondelez the Cocoa Life seal or Nestlé the Nestlé Cocoa Plan. Both Fairtrade and the Rainforest Alliance fear that large licensees will opt for their in-house sustainability programmes and abandon the original standards. The companies' own programmes are much less transparent than Fairtrade and Rainforest Alliance, potentially leading to a race to the bottom. Impact studies are only partially published, and many companies have not even published their standard. Furthermore, the democratic consultation processes that are in place in particularly Fairtrade and Rainforest Alliance are absent in in-house sustainability programmes, that have a much more top-down hierarchy.

ARS 1000

In addition to the VSSs and the company programmes, the West African governments have now developed a regional standard, the African Regional Standard on Sustainable Cocoa (ARS 1000). This standard is planned to become a minimum set of criteria to which cocoa farming in Ghana and Côte d'Ivoire should adhere to. It is being rolled out at time of writing, but it will take several years to be able to judge how much of a game changer this will be. It shows, however, that origin governments are increasingly working on policies beyond forward selling. It is also a positive development that in Ghana, civil society has been consulted in the development process of the standard.

Where are we going

Whether the market will stay as high as it is now is an open question. The trade wars currently taking place could have strong effects on the cocoa market. However, climate disruption could also mean the prices stay higher.

Regulations

It is an open question how effective the sustainability regulations will remain after the current deregulatory wave has passed. And the right-wing turn in global policies might also have major effects on how the world will develop. But regardless of whether the conditions are favourable or not, progress has been booked so far, and the sector must fight to ensure the path forward is one of improvement rather than decline.

Collective responsibility

As the cocoa sector faces uncertainty from climate change, trade wars, and shifting political winds, its future remains unclear. Yet, recent regulatory progress and sector reforms must be defended and expanded. The path forward must be one of collective responsibility, meaningful reform, and unwavering support for farming communities.

Rightsholders at the table

One major point for hope is the increasing presence of the voice of the Global South in the sustainability conversation. Even though decisions are still far too often taken in the corridors of power and board rooms of the Global North, both origin governments and rightsholders from origin are more and more part of the dialogue, as they should be.

Visible vs invisible farmers

Most – if not all – sustainability interventions in the cocoa sector are based on the realities of so called 'visible farmers'; farmers that are well organised, operate within the direct supply chain, etc. However, there are many farmers that are not visible. These could be sharecroppers and tenants as well as farmers without tenure security. A lot more data is needed on this important missing – but very large – group of farmers. These invisible farmers have many additional challenges compared to visible farmers. These challenges include exploitative tenure arrangements, less access to sustainability programmes and incentives, additional vulnerability due to financial dependency, less worker rights due to a lack of documentation, vulnerable to discrimination, etc.

Summary

There are many reasons why governance needs to be part of the cocoa sustainability conversation. Government policies help address the root causes of poverty, and governance is also a key driver in enabling long term effectiveness of sustainability interventions.

Consuming governments

At consuming government level, the key elements of good governance include, firstly, a reliable and ambitious regulatory environment – where sustainability is a matter of legal compliance instead of voluntary efforts. The EUDR and CSDDD regulations are good examples of such regulations. However, such regulations do need to be drafted and implemented with sufficient support for smallholders to ensure they are not left behind.

The current regulatory unreliability of the EU on regulations is causing severe uncertainty for private sector and farmers alike. The right-wing deregulation wave in Brussels also ignores the crucial fact that sustainable and resilient supply chains are a key ingredient for competitiveness.

Furthermore, significant financial support by consuming governments for building capacity in origin governments also is necessary, as is the defence of civic space, necessary for a transparent and accountable sector. The current reductions of funding for development cooperation across the Global North, as well as the pressure on diversity and inclusion, are cause for grave concern.

Origin governments

As a global issue, origin governments should align on common strategies to ensure transparent policies that put farmers first. These strategies should be firmly embedded in national rural and agricultural development strategies in cocoa producing countries that focus on both food sovereignty as well as on the development of rural services and infrastructure. Holistic rural development strategies, coupled with inclusively developed landscape roadmaps, are the key strategies within this context.

This must be coupled with the roll-out of affordable and available primary and secondary education and health care, presence and maintenance of roads and clean water, and other key infrastructure, as well as social protection systems. Access to justice must also be affordable and available, and enforcement and development of regulations to strengthen rule of law is also necessary. All of this must be done in a transparent manner, so that local communities, civil society, media and other rights holders can hold their governments accountable.

The current exceptional market circumstances are, in a significant part, the result of poor governance and management of the sector by exporting governments. Though supply management is not a silver bullet, it must be part of the toolkit of policy measures to increase sustainability in the cocoa sector. Unregulated supply and demand should not be allowed to determine the remuneration for cocoa farmers. Despite chocolate and cocoa companies always pointing to supply and demand as being the main determinant for cocoa prices, the discussion on supply management policies is largely absent. Instruments can range from the buffer stocks and quota through to more subtle tools such as rural development policies or land reform.

In producing countries, there are no multistakeholder platforms to collectively and inclusively set agendas and work towards achieving sustainable cocoa sectors in origin countries. This calls for a stronger local governance system with a robust local economic development strategy.

Private sector

Even when governments are not doing what they should, this cannot be an excuse for companies not to do what they can. Though cocoa farmers struggle to make ends meet, chocolate remains a profitable endeavour for the companies further downstream. Margins will be made, whether the world market prices are low or high. The enormous market concentration in the cocoa sector puts a burden of responsibility on the leading companies

An important part of the responsibility of companies is to ensure full traceability throughout the supply chain. Traders saw a decrease of traceability compared to the previous Cocoa Barometer, probably partially due to the scramble of the market. Brands saw a different development, with all chocolate brands reporting higher traceability. This is probably largely due to the upcoming EUDR requirements. Cocoa traders, grinders, and processors are in most cases not the producer of the final chocolate product. As such, they depend on chocolate brands and retailers to pay for these additional costs.

Trading firms focus on capital-intensive large volume-low margin business, whereas brands capture profits through their intellectual property with minimal investment requirements. The high gross profit capacity of chocolate brands translates into high level of payouts to shareholders. In recent years, for every 8 Euros spent on chocolate bars, almost one Euro is channelled to the shareholders of that chocolate brand. Shareholders barely finance the operations of chocolate corporations, but they extract massive dividend payments and share buybacks.

Farmer organisation

Strong worker and farmer organisations could help both farmers and their employees to claim their own rights. Most cocoa farmers, however, are not organised, and are not being reached. Concerted strategies must be developed to reach these 'higher hanging' fruits, and to help them get organised.

Cooperatives often do not sufficiently represent women farmers, as their members are usually predominantly male. Furthermore, many cooperatives struggle with governance issues. For cooperatives to play the positive role that they could play, they must be farmer-led, professionally run, financially independent and accountable to their members.

There's an important role for governments and exporters to play here. Margins for cooperatives need to be squeezed less. One of their key challenges also is access to finance. Furthermore, cooperatives should be supported so that they can participate effectively in multi-stakeholder policy processes.

Standards

Thinking that farming standards are the answer implies that bad farming is the problem. As such, the race for certified volumes in the past decade has not led to the bar being raised, even though at least a third of all global cocoa is grown under a certification label or an own company sustainability label. Claiming sustainability off the back of a certification system is misleading. However, the terms "certified cocoa" and "sustainable cocoa" are still often – wrongly – used interchangeably.

Nonetheless, there are several ways in which certification plays an important role to make value chains more transparent; it is, at the moment, one of the few ways by which higher prices and premiums can potentially be delivered to the farm gate, it offers support to farmer organisations through financing and enabling cooperatives, and this backbone provides a framework by which many other necessary interventions can be rolled out.

Where are we going

It is an open question how effective the sustainability regulations will remain after the current deregulatory wave has passed. And the right-wing turn in global policies might also have major effects on how the world will develop. But regardless of whether the conditions are favourable or not, progress has been booked so far, and the sector must fight to ensure the path forward is one of improvement rather than decline.

As the cocoa sector faces uncertainty from climate change, trade wars, and shifting political winds, its future remains unclear. Yet, recent regulatory progress and sector reforms must be defended and expanded. The path forward must be one of collective responsibility, meaningful reform, and unwavering support for farming communities.

A major point for hope is the increasing presence of the voice of the Global South in the sustainability conversation. Even though decisions are still far too often taken in the corridors of power and board rooms of the Global North, both origin governments and rightsholders from origin are more and more part of the dialogue, as they should be.

Most – if not all – sustainability interventions in the cocoa sector are based on the realities of so called 'visible farmers'; farmers that are well organised, operate within the direct supply chain, etc. However, there are many farmers that are not visible. These could be sharecroppers and tenants as well as farmers without tenure security. A lot more data is needed on this important missing – but very large – group of farmers. These invisible farmers have many additional challenges compared to visible farmers. These challenges include exploitative tenure arrangements, less access to sustainability programmes and incentives, additional vulnerability due to financial dependency, less worker rights due to a lack of documentation, vulnerable to discrimination, etc.

9

The road ahead

"The huge number of conditions to be put in place and actions to be taken to enable the transition towards truly sustainable tropic commodity sectors, may seem daunting. Redesigning a supply chain to make it equitable for all stakeholders involved is not something done overnight, nor can it be achieved in isolation. It is a long-term process and can only be done through intensive cooperation between all the different stakeholders groups involved."

The shared road towards sustainability, Tropical Commodity Coalition, 2012, p90

Interconnected challenges

The cocoa sector is facing a range of deeply interconnected challenges, all of which must be addressed holistically. These include child labour, poverty, education, environmental degradation, and healthcare—all of which are tightly linked and cannot be solved in isolation. The concept of intersectionality underscores the necessity of tackling these problems together. At the core of these challenges are systemic issues such as gender inequality, the silencing of rightsholders, and the legacy of exploitation and racism embedded in the global cocoa trade. Addressing these issues requires nuanced and inclusive solutions, not simplistic fixes. However, current sustainability programmes often fall short due to the top-down nature of decision-making, where actors in powerful positions—mainly from the Global North—design interventions without adequately including those most affected.

Sector collaboration

Meanwhile, collaboration across the sector is increasingly recognized as essential to meaningful progress. Positive steps have been taken through networks such as VOICE, the Plateforme Ivoirienne pour le Cacao Durable (PICD), and the Ghanaian Civil-society in Cocoa Platform (GCCP) and the initial actions on the Coalición Cacao 2030 in Ecuador. Even unlikely partnerships, like those in the Brussels-based Cocoa Coalition between civil society and multinational companies, show potential. Still, such collaborations remain the exception rather than the norm. At the same time, market dynamics are shifting. While cocoa prices are currently higher—driven by short-term supply issues like disease and ageing trees—there is concern about overproduction in the near future. Farmers, incentivised by higher prices, are investing in replanting and new plantations. This may bring a production boom by 2027, particularly in countries like Ecuador, Peru, Cameroon, and Nigeria. The danger is that this expansion may come at the cost of deforestation, especially in new cocoa frontiers like Liberia and the Democratic Republic of Congo. It could also lead to a decrease of sustainable practices in cocoa, because of the competition between buyers to get cocoa at any price, without taking into account sustainability or good agricultural practices.

Oversupply and market volatility

The threat of future oversupply echoes past market collapses, which have had devastating consequences for farmers. As such, there is an urgent call for coordinated supply management and for efforts to "decommoditise" cocoa—shifting away from a system that treats each ton as interchangeable and drives down prices at the farmers' expense. A key issue in this conversation is living income. Despite strong rhetoric from companies, few are making concrete commitments or changing their business practices to ensure farmers earn enough to live on. Most industry efforts remain focused on technical fixes like cash transfers and good agricultural practices, which, while helpful, are

insufficient alone. Price remains a central factor—without paying farmers more, the poverty gap cannot be bridged. Companies are beginning to acknowledge this, but price remains a contentious topic.

Climate resilience

Environmental issues are also becoming more pressing as climate change increasingly disrupts cocoa production. Regulatory responses, especially from the European Union, have been inconsistent and need to be strengthened. Deforestation laws should be a baseline, not an ambition. Beyond compliance, companies must embrace best practices in agroforestry, biodiversity protection, and supply chain transparency. These practices must go beyond the current trends and aim for systemic change, such as regenerative agriculture and radically transparent supply chains. Climate change is not only reshaping cocoa production conditions—it is demanding bold action that extends beyond isolated interventions.

Human rights

Likewise, human rights issues are entering a new phase with the European Union's Corporate Sustainability Due Diligence Directive. Though still being finalized, it signals a shift from voluntary commitments to mandatory compliance. This will require companies to adopt credible, transparent, and risk-based approaches to tackle abuses such as child labour and gender discrimination. Collaboration will be crucial here too—human rights protection should be a shared responsibility, not a competitive advantage. Transparency, adaptability, and a willingness to change policies when progress stalls will be crucial as the sector works through the growing pains of this transition.

Global approach

Moving forward, the sector must balance individual corporate responsibility with collective action, especially in community development. This involves recognizing all workers—sharecroppers, caretakers, hired labour, and especially women—as central to the conversation. The scope of sustainability discussions must also broaden beyond Côte d'Ivoire and Ghana to include emerging producers in Latin America and other African nations. The days of focusing only on a few major cocoa-producing countries are over. A global, inclusive approach will be essential to ensure all origins are part of the solution and receive the support they need.

Navigating an Uncertain Future

The enabling environment remains uncertain, with trade wars, political shifts, and climate change all capable of significantly affecting the cocoa sector. It's unclear how long the current higher prices will last or how effective sustainability regulations will remain amid global deregulatory trends. However, recent progress offers hope. The future of cocoa sustainability will depend on whether

the sector can sustain and build upon this momentum, navigating uncertainty with ambition and collaboration rather than regression. Regardless of external conditions, it is imperative that the sector continue moving toward long-term, equitable improvement for farmers, communities, and ecosystems alike.

10

Key recommendations

For all stakeholders

- Scale up efforts significantly, to reflect the size and urgency of the problem.
- Implement a sector wide commitment to living income.
- Implement a global moratorium on deforestation.
- Ensure that the enabling environment of purchasing practices and governance policies are strongly improved before good agricultural practices are emphasised.
- Involve farmers (men and women) and civil society as co-decision makers in all sustainability collaborations through inclusive and deliberative processes.
- Develop effective transparency and accountability mechanisms.
- Support a shift from monoculture to diversified production.
- Support capacity of farming communities to self-organise and have a bigger voice.
- Ensure that all sustainability approaches are tailored to include women and youth.

For companies

- Develop a time-bound living income action plan that includes purchasing practices.
- Commit to a living income reference price.
- Engage farmers in long-term asymmetric contracts.
- Implement transparent and effective CLMRSs to cover the entire supply chain.
- Implement full supply chain traceability to farm level.
- Implement holistic environmental and human rights Due Diligence policies.
- Full supply chain transparency on sustainability payments, including Living Income Differentials, country differentials and certification premiums.
- Support the costs of farmers to be able to compy all new enevironmental and social standards

For voluntary standards

- Make Living Income and the payment of a living income reference price a key requirement.
- Strengthen and enforce the Trader Codes of Conduct, requiring as much change from multinationals as cocoa farmers need to.
- Provide technical and financial support for the logistics of implementing the new EUDR regulations to prevent the burden from falling on farmers.

For governments of cocoa consuming nations

- Enshrine living income as a key part of any Human Rights and Environmental Due Diligence regulation, requiring time-bound action plans by corporations
- Support representation of civil society and farmers
- Provide sustained financial and technical support to build producing country capacity, and to tackle farmer poverty, and to facilitate appropriate implementation of mandatory human rights and environmental due diligence.

For governments of cocoa producing countries

- Work towards decoupling the price of cocoa from the commodity market to reflect the costs of production – including a living income.
- Implement supply management solutions.
- Significantly increase transparency and accountability of how public funds are collected spent.
- Develop and implement national cocoa monitoring and traceability systems on both deforestation and child labour
- Enforce protection of remaining forests.
- Embed cocoa plans in national rural and agricultural development strategies that focus on food sovereignty and rural infrastructure.
- Include access to investigation, new technology and finances in the national cocoa plans
- Disclose annually the tonnages of cocoa sold, price received for cocoa sales, including all differentials, and price setup of farm gate price vs. world market price.

11

Colophon
Bibliography

Colophon

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We appreciate the effort of companies and standards bodies in answering our questionnaires, as well as the many respondents to the Consultation Papers that were the lead-up to the 2025 Cocoa Barometer.

The final responsibility for the content and the views expressed in this publication lies solely with the authors. The 2025 Cocoa Barometer is based on publicly available data as well as the off-record information provided to the authors. The authors welcome any corrections to data provided and challenge all actors of the cocoa sector to be much more forthcoming with public data on the core challenges the sector faces.

Justification of AI usage
The text of this Barometer was written and reasearched by humans. To the extent that AI was used, it was for making interim translations for internal consultation purposes.

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15 Anniversary Keeping the cocoa sector accountable since 2010

Justification of tables and figures

Infographic 2: Changes in volumes West Africa & Latin America, ***page 24***
Calculations by authors based on Quarterly Bulletin of Cocoa Statistics

Infographic 3: Global production per major production country 1990-2025, ***page 25***
Based on Quarterly Bulletin of Cocoa Statistics

Infographic 4: Price development global price of cocoa, ***page 26***
Source; International Monetary Fund, via Chocolate Scorecard

Infographic 6: Production Changes per country 22/23 – 23/24, ***page 29***
Calculations by authors based on Quarterly Bulletin of Cocoa Statistics

Infographic 7: Farm gate price vs world market price by country, ***page 33***
Calculations by authors based on interviews with various companies, cooperatives and NGOs. Data from Ecuador from Ministry of Agriculture.

Infographic 8: Global production and imports, ***page 35***
Quarterly Bulletin of Cocoa Statistics

Infographic 9 ***(page 43),*** **14** ***(page 83)***, **16** ***(page 96),*** **17** ***(page 106),*** **18** ***(page 128),*** **20** ***(page 162),*** **26** ***(page 169):*** source Chocolate Scorecard. www.chocolatescorecard.com

Infographic 12: Purchasing practices of the major cocoa and chocolate companies, ***page 49***
Own research by authors

Infographic 13: Raising the Bar: A Timeline of Cocoa Sustainability in the 21st Century, ***Page 76-77***
We are grateful to the many sector experts that provided input to this timeline.

Infographic 21, 22, 23, 24: Research provided by Felix Maile, Department of Development Studies, University of Vienna and Bernhard Tröster, Austrian Foundation for Development Research (OEFSE). See also Staritz/Troester/Grumiller/Maile (2022)

Infographic 25: Tonnages traders/grinders, ***page 168***
Data for ofi & Blommer/Fuji Oil; GCB Cocoa and JB Foods; estimates by authors. For fiscal year 2023/2024, Cargill reported to have sourced between 775,000 and 1 million tonnes, the authors took the middle of that range. All other data self-reported by companies

All data for 2024, except for Barry Callebaut and Cargill: fiscal year 2023/2024; ETG/ Beyond Beans: Fiscal year 2024/25

All data using ICCO conversion rates: Cocoa butter 1.33, Cocoa paste/liquor 1.25, Cocoa Powder and cocoa cake 1.18

Infographic 27: Tonnages chocolate brands, ***page 171***

Data for Mondelēz and Herheys: estimate by authors. All other data self-reported by companies. All data for 2024, except for Ferrero: fiscal year 2023/2024;

All data using ICCO conversion rates: Cocoa butter 1.33, Cocoa paste/liquor 1.25, Cocoa Powder and cocoa cake 1.18

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Green America
Green Development Advocates
INKOTA
Inades Formation
MIGHTY EARTH
OXFAM
Public Eye Berne Declaration
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