



Brussels, 23 February 2021

## COCOA TALKS

### EU VIRTUAL MULTI-STAKEHOLDER ROUNDTABLES ON SUSTAINABLE COCOA

**SUBJECT: SUMMARY REPORT ON MEETING 2 ON STANDARDS.**

On the 23<sup>rd</sup> of February 2021, the European Commission hosted Meeting 2 of the *Cocoa Talks*, its multi-stakeholder dialogue on sustainable cocoa, on the topic of Standards. The objective of this meeting was to:

- Present the state-of-play on standards and norms for sustainable cocoa;
- Review the challenges and opportunities of the current framework of voluntary certification systems;
- Review forthcoming international standards, including ISO 34101 and the African Regional Standard for Sustainable cocoa ; and
- Discuss ways to foster greater coherence of private standards, voluntary third-party certifications and forthcoming international standards.

Three-hundred and forty-two people attended the meeting, which lasted for three-and-a-half hours.

**Ms. Ewa SYNOWIEC, Director for Trade Relations with Africa, Caribbean and Pacific, for Trade and Sustainable Development and for the Green Deal, from the European Commission** opened the meeting by noting that the topic of ‘Standards’ goes to the heart of the EU multi-stakeholder dialogue on sustainable cocoa. She explained that standards, in the broad sense, set the criteria that must be met in order to define a product as sustainable. She further explained the link between standards and certification / labelling systems, which reassure buyers and consumers that a product meets a defined standard. This is the context in which the International Standards Organization (ISO) and the European Committee for Standardization (CEN) developed ISO Standard 3401, an international standard for sustainable and traceable cocoa. Similarly, Côte d’Ivoire and Ghana – within the framework of the African Regional Standards Organization (ARSO) – have also been working towards the establishment of a regional standard for sustainable cocoa. Ms. Synowiec expressed the view that a high level of coherence between these different requirements for sustainable cocoa could benefit all stakeholders and could help to ensure the free flow of high-quality goods across borders. She also acknowledged the work of NGOs and the private sector in setting up and implementing voluntary standards and third-party certification systems, noting however that these remain only partial solutions to the problem. Ms. Synowiec also mentioned the forthcoming legislative work on due diligence and deforestation that may influence the discussion by setting out the requirements for products to enter EU market. She presented the key pillars of the Trade and Sustainable Development Chapters in the EU trade agreements that rely on international standards and conventions. She expressed willingness to engage with Ghana and Côte d’Ivoire on such Chapter in the Economic Partnership Agreements with both countries to advance engagement on trade and sustainable development issues

**Mr. Duncan Brack, independent policy expert and Associate Fellow at Chatham House (Royal Institute of International Affairs)**, proceeded to deliver the expert presentation. He defined standards as *a set of rules, guidelines or characteristics for products or production methods, produced by a recognised body*. He explained

that standards are usually voluntary but may also be mandatory; in the latter case, they should be called ‘technical regulations’. Mandatory standards (or ‘technical regulations’) are mostly product-based, meaning that they refer to the inherent characteristics of a specific product which can be verified through inspection or testing. Sustainability standards are more complex, since they do not refer to the inherent characteristics of the product, but rather to the conditions under which the product has been produced, manufactured, grown, harvested or processed, and the impacts of these activities on economic, social and environmental factors. He listed some of the uses for standards: setting minimum standards for allowable production, trade and sales; communicating information to traders or consumers; differentiating products in the market; incentivising the adoption of sustainability practices.

Mr. Brack then introduced the five main standards to be discussed over the course of the meeting, sub-categorized into three groups:

- standards set out in national regulations (Organic);
- standards set out in voluntary certification schemes (Fairtrade, Rainforest Alliance); and
- standards set by international or regional bodies (ISO 34101, African Regional Standard or ARS).

He presented some data on the coverage of voluntary sustainability schemes,<sup>1</sup> showing substantial growth over the past decade and explaining that the growth in certified cocoa has outstripped all other agricultural commodities except cotton.

In the second part of his presentation, Mr Brack compared the four main sustainability standards – namely ISO, ARS, Fairtrade, Rainforest Alliance – with regards to their *production criteria*. He acknowledged that each of these standards cover a vast number of topic areas, but specified that his comparison would concentrate on a selected subset of topics, notably: (i) compliance with national laws; (ii) child labour; (iii) other labour rights / human rights; (iv) forests; (v) land rights; and (vi) prices / premiums / wages / incomes.

He indicated that he would not be covering Organic, as it does not make reference to most of these criteria. The results of this comparison are available in the PowerPoint presentation, which has been made available to participants.

In the third section of his presentation, Mr. Brack discussed the implementation frameworks for each of these standards. He pointed out the need for real-world evidence to assess the quality of implementation, which is available in the case of Fairtrade and Rainforest Alliance but not in the case of ISO or ARS, since the latter have not yet been implemented. He ended with a summary of five independent studies on the impacts of certification, suggesting that there is *some* evidence of positive impact, though these impacts are perhaps not as significant as one might expect.

In his concluding remarks Mr. Brack noted the various benefits and challenges of existing standards and certification programmes. He assessed the case for greater coherence, mentioning evidence that multiple standards / certification programmes can cause confusion and duplication of effort by farmers, traders and consumers, and quoting the European Cocoa Association’s call for “one solid, credible and recognised standard easily implementable and used as a benchmark for other cocoa sustainability programmes” (May 2020). However, he noted that coherence cannot address the need for wider systemic change - the need to create an enabling environment for sustainable cocoa production - and underlined the positive case for diversity and competition between standards as a means to stimulate innovation and serve different market demands’. Mr. Brack concluded that there is only value in defining a common core of elements for cocoa sustainability standards if it is used for something, outlining some options that can be explored further in Meeting 4 of the *Cocoa Talks* on the topic of Regulations. However, he reminded the audience that voluntary standards do have some advantages over regulation, including frameworks for stimulating continuous improvement that can develop and evolve more quickly. They are therefore an essential element of the ‘smart mix’ of approaches to sustainability.

**Ms. Rosemarie Tanoé, Head of Standards and Certification, Conseil Café Cacao, Côte d’Ivoire**, delivered a presentation on the African Regional Standard on Sustainable Cocoa, ARS 1000, on behalf of the Conseil Café Cacao (CCC) of Côte d’Ivoire and the Ghana Cocoa Board of Ghana. She outlined the broader context in

---

<sup>1</sup> The data was limited to Fairtrade, Organic, Rainforest Alliance, UTZ, since ISO and ARS have yet to begin certifying cocoa.

which ARS 1000 was developed, notably the strategic partnership between Côte d'Ivoire and Ghana that was formalized in the Abidjan Declaration of 26<sup>th</sup> of March 2018. Within the framework of this partnership, and in concertation with one another, the regulators of Côte d'Ivoire and Ghana concluded that ISO 34101 does not fully address the concerns of cocoa-producing countries and decided to fill the gaps through the elaboration of the ARS 1000. Therefore, the two countries approached the African Standardization Organization (ARSO) to do the harmonization process. The African member states including all African producing countries have been associated to the work. The objective of ARS 1000 is to establish a common standard for sustainable cocoa production, applicable to all cocoa value chain actors, that can act as an alternative to the existing proliferation of voluntary sustainability programmes and third-party certification schemes which, according to the two producing countries, have not had a tangible impact on farmers' revenues or living standards. ARS 1000 is based on ISO 34101; however, certain clauses have been simplified and others have been modified, particularly those that could have had a negative impact on cocoa farmers or could potentially cause confusion *vis-à-vis* national laws and regulations.

Ms. Tanoé further elaborated upon the envisaged relationship between ARS 1000 and private sustainability programmes and third-party certification schemes. She explained that these voluntary initiatives will not be eliminated but will have to meet the requirements set by ARS 1000 and obtain approval from the regulator when establishing criteria that go beyond ARS 1000. Harmonised fee schedules will be created to regulate price premiums for sustainable cocoa – including those applied by voluntary third-party certification schemes – as well as the costs of training programmes and audits. The regulator will grant a license to certification schemes that meet these requirements.

Ms. Tanoé concluded by listing some of the benefits expected from the implementation of the ARS 1000, including progress on all three pillars of the sustainable development framework. She insisted that voluntary certification schemes and sustainability programmes have not achieved their stated objectives due to the absence of proper coordination by a regulator. She specified that Clause 9.1.3. of the Procedure of the Model for the Harmonization of African Standards (ASHAM) of the African Standardization Organization allows for further modification of the Standard, which can thus adapt to future regulatory developments at the EU level without waiting for the 5 years' revision of ARS 1000. Finally, she urged the European Union to support the adoption of the Standard by all value chain actors, including European companies and consumers.

### **Panel discussion**

**Mr. Joseph Larrose, Head of Sustainability at Touton**, observed that standards provide a reference point and a framework for the delivery of cocoa sustainability programmes, helping to communicate important information to farmers, farmers' organizations, traders and consumers. This is the reason why industry players have proactively engaged with standard-setting organizations and certification bodies for over twenty years, playing a notable role, for example, in the development of the CEN-ISO Standard on Sustainable Cocoa (34101) and in the revision of the standards set by private certification schemes. To ensure impact and increased uptake of standards, he listed three core elements: credibility, coherence, and capacity-building.

To be **credible**, he claimed, standards must set rigorous production and performance criteria for all actors in the supply chain, coupled with strong governance and control systems. Mr. Larrose expressed his belief that ISO 34101 and ARS 1000 already provide a strong foundation when it comes to production criteria, conveying the gratitude of industry players to the governments of Ghana and Côte d'Ivoire for their efforts to include the private sector in development of ARS 1000. However, Mr. Larrose called for additional efforts to be directed towards governance and control systems.

Insofar as **coherence** is concerned, Mr. Larrose stressed that standards must facilitate compliance with incoming EU legislation on due diligence and deforestation. He called for a 'foundational' mandatory standard, which could be used as a reference or benchmark for other sustainability programmes and schemes, and which would set a 'minimum common denominator' for sustainable cocoa. However, this standard should also stimulate competition and innovation between existing certification schemes, since these schemes can raise the bar by providing additional elements beyond the core 'common denominator'. Furthermore, he insisted that this mandatory standard should apply equally to all stakeholders, creating a 'level playing field' along the value chain, from farmers to retailers.

He ended with the third element: **capacity-building**. He noted that any proposed ‘mandatory’ standard needs to be implemented by all value chain actors, across the board, noting that this will require significant capacity-building for farmers, farmers’ organizations, traders, certification bodies and producing-country governments. He stated that the EU has a crucial role to play in providing financial and technical support.

**Mr. Antonie Fountain, Managing Director of the VOICE network**, warned against expecting too much from sustainability standards. He drew a sharp distinction between ‘sustainable cocoa’ and ‘certified cocoa’, insisting that the two terms *do not mean the same thing*. This is because sustainability does not depend only on farmers and farm-based standards, but also on other supply chains actors and the broader enabling environment. In his view, farmers cannot be the shock-absorbers of all problems, and yet standards usually focus on farmers’ agricultural practices, without mobilising other actors on topics like fair pricing, long-term contracts, supply chain transparency and traceability. He urged the EU not to make the mistake of looking at ‘labelling’ as an easy solution to a complex problem, encouraging instead to put in place a due diligence regulation and to forge a strong partnership agreement with producing countries. He questioned the notion that there are ‘easy wins’, insisting that standards cannot solve the structural and systemic issues.

**Ms. Kristin Komives, Director of Programmes at the ISEAL Alliance**, agreed with previous speakers that standards play an important part in the quest for sustainable cocoa and will continue to do so. She also acknowledged that standards and certification are not sufficient to address the enormity of the challenges faced in the sector. She pointed towards studies, evidence and systematic reviews of sustainability standards that are available, observing that sustainability standards have been effective at ‘immediate’ objectives, without necessarily having achieved the ‘end goal’ of sustainability such as ending deforestation or raising household incomes. This provides additional evidence that Standards cannot address more systemic issues, but also underlines the importance of contextual elements such as national regulations, the broader financial system and the implementation mechanisms that surround specific standards. She called on participants to learn from available evidence, to understand what works and what does not, in order to build new and collaborative solutions on that basis. For example, she advocated for the development of due diligence legislation that build on existing standards and certification mechanisms. She concluded with a few remarks on how different sustainability standards can work together to move producers towards more sustainable practices, and in this context, she pleaded for more coherence and closer collaboration between existing initiatives.

**Ms. Ruth Rennie, Director of Standards and Assurance at the Rainforest Alliance**, representing both Fairtrade and Rainforest Alliance, informed participants that voluntary certification schemes have sought to address sustainability both at the farm-level, through good agricultural practices and capacity-building for farmers’ organizations, but also at the supply-chain level, by normalizing the process of channelling premiums from brands and retailers through to farmers’ groups and the farmers themselves. She agreed that Standards alone cannot achieve the transformation of the cocoa sector, but insisted that credible standards are a key part of a ‘smart mix’ of measures. She supported calls for human rights and environmental due diligence legislation and for a ‘level playing field’. But she also stressed the importance of a ‘living income’, noting that a sustainable cocoa sector is impossible unless farmers can earn a living income, and for bilateral partnership agreements with producing countries, to incentivize the creation of an enabling environment and effective regulations in producing countries. She agreed on the need for coherence and convergence at a high level, but rejected calls for ‘one standard’, advocating instead for a continued diversity of choice in implementation models. She reiterated the need for capacity-building for farmers, and stressed that other supply chain actors must also play a role, channelling resources to and forging long-term relationships with farmers and farmers’ organizations. Lastly, she highlighted the need for complementary measures stressing that voluntary standards can support buyers to demonstrate compliance with mandatory due diligence requirements and national regulations.

**Ms. Aminata Bamba, Head of Sustainability at Ecookim**, discussed the benefits and challenges of certification schemes, from the point of view of farmers’ cooperatives in Côte d’Ivoire. Ecookim is a union of 30 cooperatives, of which 17 are active in the cocoa sector, representing up to 31,000 farmers. The union obtained its first certification, Fairtrade, in 2010, adding UTZ, Rainforest Alliance and Organic certifications by 2018. These certifications have allowed the union to access finance and to establish long-term partnerships with buyers. Thanks in part to the premiums it obtains from the sale of certified cocoa, the Union is able to provide training to farmers, to invest in education, and to provide access to drinking water. It has also reaped

the benefits of certification by improving the governance and the management of its member cooperatives. Lastly, certification has helped farmers to increase their revenues. However, the union experiences some challenges related to certification. The cost of certification is significant, and yet the union is not able to sell all of its certified cocoa as certified. Secondly, farmers that have been certified to more than one standard are confused regarding the different requirements. Lastly, Ms. Bamba deplored the persistent problems faced by farmers who are not members of a cooperative, and cooperatives that are not certified, since they do not have access to training or to information on child labour or deforestation. She informed participants that the Living Income Differential (LID) has allowed some of the benefits associated with certification to be universalized. She also praised the African Regional Standard for providing a harmonized set of requirements for farmers, but called for the continued presence of voluntary standards and certification schemes to allow farmers to take advantage of different market opportunities. She concluded by reminding participants that it is impossible to produce ‘sustainable cocoa’, and to avoid child labour, if farmers are unable to achieve a living income and if they remain below the poverty line.

### **Question and Answer Session**

The moderator began by asking the expert, Mr. Brack, to provide some **clarification on the extent to which “sustainability standards” imply the absolute achievement of an ideal outcome as opposed to continuous improvement.** Mr. Brack agreed in theory that “sustainability” is a dynamic concept and cannot be achieved in an absolute sense. However, he questioned whether individual consumers would be able to draw the distinction between ‘sustainable’ and ‘responsible’ cocoa, whereas companies, governments and third-party certification bodies themselves certainly do not view sustainability standards as an ‘end point’. A second question addressed to Mr. Brack pertained to **the ‘mass balance’ approach in existing certification schemes and how it can mislead consumers concerning the real impact of the product they purchase.** Mr. Brack responded that, in an ideal world, one would ensure that certified cocoa was ‘segregated’ or ‘identity-preserved’, but he emphasized that, in reality, there are considerable costs to keeping commodities segregated. In this regard, mass balance can be an acceptable stage on a route towards a more all-encompassing standard, as it does help to direct resources and investments to cocoa farmers that are attempting to produce their products in a sustainable manner. Ms. Rennie endorsed Mr. Brack’s comments, observing moreover that ‘mass balance’ allows certified cocoa to benefit from a much wider market.

A question addressed to Ms. Ruth Rennie pertained to **the Living Income Reference Price developed by Fairtrade International, of at least 2.10 US dollars in Ghana at farm gate level and 2.20 US dollars in Côte d'Ivoire.** The participant asked **why the Living Income Reference Price is not made the minimum by all certification schemes?** Ms. Rennie reminded participants that the concept of ‘living income’ is at the core of Fairtrade’s business model, while observing that her own organization, Rainforest Alliance, acknowledges the importance of the issue by using the living income benchmark tool to measure the gap towards a living income. . But she stressed that implementing requirements that raise the price of cocoa is complicated and requires the buy-in of many parties. Ms. Komives echoed Ms. Rennie’s comments and also mentioned the market dynamics that make it difficult to achieve a ‘living income’, as higher prices may also create a gap in demand for sustainable cocoa. Mr. Fountain expressed his own belief that there is no road to living income without fair pricing systems, and brought up the Living Income Differential as the key policy development in this area.

The Cocoa Marketing Company intervened to emphasize the centrality of the Living Income Differential. **Mr. Vincent Okyere Akomea, Managing Director of Ghana Cocoa Marketing Company Limited (which is part of Ghana Cocoa Board),** estimated that only ten per cent of Ghanaian farmers are covered by existing certification systems and that those farmers nevertheless face a gap in demand for certified cocoa. Certification schemes do not, therefore, offer a pathway towards economic sustainability, explaining the decision to introduce the LID. He further explained that the international proliferation of sustainability requirements generate additional costs for cocoa farmers, and may even merit further price premiums. Going beyond the issue of the price premium, Mr. Akomea expressed his conviction that ARS 1000 could contribute towards greater harmonisation of standards.

Questions to Ms. Tanoé requested **further detail on the alleged ‘negative impacts’ of certification schemes in Côte d’Ivoire and Ghana.** Ms. Tanoé cited the 2018 Cocoa Barometer, which finds that more than half of certified farmers still live under the poverty line, and that a relationship of ‘dependence’ is created between certified farmers’ organizations and the buyers that pre-finance their operations. She also offered some observations from the field, including the perception that price premiums for Rainforest Alliance and UTZ-certified are collected in a non-transparent manner and have consistently fallen in recent years.<sup>2</sup> She further mentioned the long duration of audits, which last for 3-6 months; this creates the risk to producers that cocoa sold at the beginning of a harvest may not fetch the expected premium at the end of the harvest, if the cooperative does not pass the audit process.

---

<sup>2</sup> In particular, Ms Tanoé conveyed a common complaint that there is no advance agreement between exporters and farmers’ organizations, defining the overall payments made to ‘pre-finance’ farm operations the amounts subsequently deducted from the price premiums paid to the farmers.