GLOBAL EXCHANGE

THE NEWS ON CHOCOLATE IS BITTERSWEET:

NO PROGRESS ON CHILD LABOR, BUT FAIR TRADE CHOCOLATE IS ON THE RISE

By Global Exchange (www.globalexchange.org), June 2005

INTRODUCTION

In June of last year, at the All Candy Expo in Chicago, school children dressed up as M&Ms handed out flyers asking chocolate companies to make sure their products aren't made using illegal child labor. They encouraged chocolate buyers and suppliers to buy their cocoa beans from farms that are fair trade certified, ensuring that farmers are paid a decent wage and children aren't enslaved or working under illegal conditions.

The U.S. chocolate industry had finally acknowledged, three years earlier, that illegal child labor is a major problem at cocoa farms in West Africa, especially the Ivory Coast, which supplies 40 percent of the world's cocoa. To avoid legislation that could have forced chocolate companies to label their products with “no slave labor” labels (for which many major chocolate manufacturers wouldn't qualify), the industry agreed to a voluntary protocol to end abusive and forced child labor on cocoa farms by 2005.

But, like last year, when the children in their M&M costumes reminded the chocolate industry of its promise, little progress has been made by the industry this year in meeting the goals set forth in the voluntary protocol. With less than one month remaining until the protocol deadline, it has become apparent that the chocolate industry is nowhere near meeting its obligations to ensure that child slaves are not used to produce cocoa in the Ivory Coast. Industry's voluntary initiative to eliminate the worst forms of child labor by July 1, 2005, also known as the Harkin-Engel Protocol, is failing to produce any real effective change on the ground. The multinational chocolate corporations continue to lack transparency and a real commitment to change their business practices.

Meanwhile, as the industry has dragged its feet on the need to eradicate illegal child labor from its production process, another phenomenon has developed. More and more consumers have begun purchasing Fair Trade chocolate - that is, chocolate that has been certified by an international monitoring group to meet certain labor, wage, and environmental standards.

This report documents these two trends: the lack of movement in the chocolate industry as a whole on the issue of illegal child labor and the forward movement by consumers who are concerned about the working conditions of cocoa workers and have begun demanding Fair Trade chocolate.

BACKGROUND

Child Labor in Agriculture

The world's agricultural sector is suffering from a crisis. An increasing number of children are working in hazardous conditions in agricultural fields producing cotton, bananas, rubber, tobacco, cocoa, tea and coffee. According to the International Labor Organization (ILO), more than 211 million children between the ages of 5 and 14 work globally and about 70% of them are in agriculture. They work for long hours, are exposed to harmful pesticides, and suffer from workplace injuries from handling dangerous tools and equipment.

What is even more disconcerting is that many of the children are working on commercial farms producing for export to developed countries' markets. These farms in turn are either managed by or directly source to large multinational agro-business corporations engaged in multi-billion dollar trade. Unfortunately, when world prices of commodities fluctuate or are already very low, such as in cocoa, farmers in developing countries are pitched against each other to compete to produce for the lowest costs. The result is a trend where children replace adult workers for cheaper labor or are simply used as slave labor.

(According to the ILO, child labor "… consists of all children under 15 years of age who are economically active excluding (i) those who are under five years of age and (ii) those between 12-14 years old who spend less than 14 hours a week on their jobs unless their activities or occupations are hazardous by nature or circumstance. Added to this are 15-17-year-old children in the worst forms of child labor. Among the worst forms of child labor is child slavery.)

The Complicity of the Chocolate Corporations

While farmers are struggling under low market prices and the policies of international financial institutions, corporations are profiting off of the very same conditions. The chocolate companies are actually exacerbating the child labor crisis through their actions in the commodity markets. By keeping commodity prices low, the chocolate companies keep cocoa farmers in poverty, the poverty at the root of the child labor problem. At the same time, the companies are ignoring a proven, effective and immediate solution for the problem-Fair Trade Certified cocoa.

Corporations contribute to the problems on cocoa farms in two main ways: 1) denying responsibility for producer poverty and thus failing to take actions to ensure stable and sufficient prices and; 2) engaging in trading practices that lead to low market prices and instability, such as speculation and stock manipulation.

The main way that chocolate corporations have perpetuated abusive child labor and other forms of exploitation is through their refusal to ensure that producers receive a stable and sufficient wage. Companies let the market price rise and fall as it may, and concern themselves with farmer income only insofar as they realize that farmers must earn enough to keep growing cocoa that meets the industry's quality and quantity needs. Of course, the sad truth is that farmers manage to continue farming in the face of pitifully meager earnings by cutting spending on basic needs and labor. Such sacrifices somehow do not enter the picture for the industry. Price stabilization is a concept that companies see as problematic, and something that would simply encourage overproduction and remove incentives for quality improvement.

Meanwhile, multinational corporations' trading practices have also had clear effects in the Ivory Coast, where foreign cocoa exporters have increased their power through consolidation while small Ivorian firms have consequently lost their leverage. Ten major exporters, led by US companies Cargill and ADM, control the cocoa sector in the Ivory Coast. The biggest cocoa bean buyer during the 2001/2002 season was the Cargill group, which purchased 13 percent of the total crop. American rival Archer Daniels Midland (ADM) was number two, with 10 percent of the crop, followed by France's Bollore group with eight percent. The biggest local exporter was Coopyca, which ranked number 19 and had purchased only 12,631 tons or less than one percent of the crop. When the Ivorian government tried to generate desperately needed revenue by increasing export tariffs in 2001, the large exporters simply refused to export anymore cocoa until the new tariffs were lowered-dictating a favorable financial situation for themselves.

Pushing the Industry into Action

Despite all of the ways that major chocolate and cocoa processors manipulate cocoa production and the world market, the industry initially denied any responsibility for abusive child labor, stating that it does not own cocoa farms and can't even track the source of its cocoa because beans from different farms are mixed together before exportation.

Fortunately for child and adult cocoa workers, such claims did not convince consumers or key critics. In 2001, media exposés by Knight Ridder and others made public the existence of child slavery on Ivory Coast cocoa farms, resulting in an avalanche of negative publicity and consumer demands for answers and solutions. Two members of the U.S. Congress, Senator Tom Harkin (D-Iowa) and Representative Eliot Engel (D-N.Y.), took up the issue by adding a rider to an agricultural bill proposing a federal system to certify and label chocolate products as “slave free.” The measure passed the House of Representatives and created a potential disaster for Mars, Hershey's, Nestle and other major chocolate manufacturers who would not qualify for the “slave free” label. Before the bill could reach the Senate, the Chocolate Manufacturers Association (CMA) hired former senators George Mitchell and Bob Dole to lobby against it. Given the distinct possibility of both consumer boycotts and punishing federal legislation, the industry agreed to take action to solve the child labor problem.

The industry drafted a “Protocol to eliminate the worst forms of child labor and forced labor in the growing and processing of cocoa beans and their derivative products.”

The Industry Protocol

The Protocol establishes the industry's commitment to end abusive and forced child labor on cocoa farms by 2005 and outlines the basic steps the industry will take to achieve this goal. In a Joint Statement released in November 2001, the industry spelled out its commitments and plans in detail:

a) execution of a binding memorandum of cooperation among the Signatories that establishes a joint action program of research, information exchange, and action to enforce the internationally-recognized and mutually-agreed upon standards to eliminate the worst forms of child labour in the growing and processing of cocoa beans and their derivative products

b) incorporation of this research that will include efforts to determine the most appropriate and practicable independent means of monitoring and public reporting in compliance with those standards;

c) establishment of a joint foundation to oversee and sustain efforts to eliminate the worst forms of child labour and forced labour in the growing and processing of cocoa beans and their derivative products. The Signatories welcome industry's commitment to provide initial and ongoing, primary financial support for the foundation.

The foundation, known as the “International Cocoa Initiative” has the following goals:

- Support field projects and act as a clearinghouse for best practices that help eliminate abusive child and force labor in the growing of cocoa;
- Develop a joint action program of research, information exchange and action to enforce internationally recognized abusive child and forced labor standards in the growing of cocoa; and
- Help determine the most appropriate, practical and independent means of monitoring and public reporting in compliance with these labor standards.

On paper, this document seems to have the potential to achieve some measure of improvement. The industry has also taken input from several NGOs, including the International Union of Foodworkers, ILO, Free the Slaves, and the Child Labor Coalition, and has incorporated some of their key concerns into the plan. However, less than a month away from the Protocol deadline, little concrete progress has been made. Some of this is certainly due to the fact that civil war in the Ivory Coast has made it dangerous to work there. However, this cannot explain the lack of progress in other cocoa producing countries in West Africa. What is holding back progress is the industry's failure to support real solutions and exchange a small portion of its massive profits to ensure a sufficient return for farmers and workers.

Shortcomings of the Protocol

A number of non-governmental groups working on human rights, labor rights, and child labor have raised concerns that the industry plan, while a step in the right direction, falls short in its means and its mission.

The International Labor Rights Fund (ILRF) has stated: “ILRF supports…efforts to end the exploitative use of children in cocoa harvesting by working with the industry initiative. However, ILRF believes that the initiative, as currently defined pursuant to the industry's Protocol, Joint statement, and Memorandum of Cooperation, is inadequate alone to effectively address the complex problem of child labor in the cocoa sector. The industry led initiative has resulted in a privatized mechanism without binding and enforceable rights. Privatized self-regulation may serve well in various contexts, but when it comes to child labor, we must demand more.”

Global Exchange has voiced strong concerns that the Protocol does not ensure stable and sufficient prices for cocoa, and thus fails to tackle the root cause of abusive child labor. The ITTA itself admitted that average cocoa revenues make "it difficult for families to have sufficient income to meet their needs.” These needs include labor costs, and if these cannot be met, farmers will continue to use abusive child labor practices. Beyond these points, the Protocol involves "voluntary standards," meaning that even after it is full effect, companies don't have to follow it. Such criticisms all point to the need for solutions that pay farmers stable and sufficient prices, require independent monitoring, and require mandatory compliance among the chocolate and cocoa industry.

In addition to raising concern about what the Protocol is missing, several NGOs have voiced concerns about what it involves. The industry has publicized the establishment of a few pilot projects, largely operated through the Sustainable Tree Crops Program and other related initiatives that the industry has already been funding and operating for years. Such programs have already proven ineffective in improving farmer incomes and preventing abusive child labor. In addition such projects are essentially limited charity efforts that leave farmers at the mercy of the market and dependent on the corporations that control it, and offer no guarantee as to the nature and stability of the proposed benefits. Although farmers could potentially receive higher incomes by improving cocoa quality and taking more control of processing and marketing, this will not happen with certainty unless the chocolate industry offers cocoa farmers a fair price and works to stabilize the market at such a price.

As for educational efforts, these seem to be built on the assumption that cocoa farmers somehow think that abusive child labor and replacing school with work are acceptable. Cocoa farmers are humans, they are parents, and certainly they want their children to be well treated and experience the opportunities available in their society-including school. Equally problematic, the chocolate industry's plans force farmers to take the financial responsibility to end abusive child labor, despite the fact that the chocolate industry knows full well that the world cocoa price fails to give farmers the resources to do so.

INDUSTRY'S EFFORTS TO DATE

The chocolate industry will not fulfill its promise to monitor and certify by July 2005 that the cocoa it imports from the Ivory Coast is not made by forced child labor.

Since 2001, the chocolate industry has been a reluctant participant in its own voluntary Protocol. Rather than focusing on its own culpability for creating the conditions that reward farms and plantations for using forced child labor, industry refused to implement any meaningful changes to its own supply chain. Instead, it has been attempting to use the Protocol to shift responsibility for reform of its own abusive labor practices to third parties, including national governments and the ILO. Industry, through statements to the press, has unilaterally changed its own commitment to develop and implement certification of its cocoa supply. It now states that the responsibility for monitoring and certification lies with the government of the Ivory Coast.

The Ivory Coast's ability to carry out such a program is questionable. In 2004, the U.S. Trade Representative suspended The Ivory Coast's trade privileges with the United States, on the basis of its inability to control the illegal expropriation of foreign investments. Even if the Ivorian government agrees to implement a certification program, it is evident that the proposed certification system will not be aimed at identifying which farms or plantations actually use illegal child labor. Instead, it may merely provide a statistical portrait measuring whether labor conditions have improved on a country-wide basis. Furthermore, despite their obligation to implement certification standards by July 2005, the chocolate industry has indicated that its obligations under the Protocol will be fulfilled by its simply having establishing pilot projects in Ghana and The Ivory Coast designed to test a cocoa farm labor monitoring program.

Case Study - the Ivory Coast

The Ivory Coast, as the world's largest cocoa producer, accounts for over 40% of the world's supply, producing 1.32 million tons in the business year 2002/03. The majority of the cocoa is imported into the US and Europe by multinational companies such as Cargill, Nestle, and Archer Daniels Midland, and processed into chocolate and other cocoa products retailed by well-known firms such as Hershey and M&M/Mars.

The U.S. State Department Human Rights Report on the Ivory Coast for 2003 estimates that approximately 109,000 child laborers worked in hazardous conditions on cocoa farms in what has been described as the worst form of child labor.

There are several causes of child labor in The Ivory Coast's cocoa sector. The world price of cocoa declined consistently throughout the 1980s and most of the

1990s. Ivorian cocoa farmers who used to be protected by a government supported price system suffered tremendously when the World Bank and the International Monetary Fund forced The Ivory Coast to dismantle the government cocoa board and introduced structural adjustment programs. These policies led to a decline in the living standards in rural communities dependent on cocoa, and farmers and farm workers became extremely vulnerable to exploitation. As farmers were forced to cut production costs due to lower returns, the use of cheap child labor on cocoa farms became widespread.

Initially, efforts to eliminate child labor and trafficking of children were carried out by the ILO with the help of West African governments. In October 1999, the ILO launched a new initiative, 'Combating Trafficking in Children for Labour Exploitation in West and Central Africa,' with support from the US Department of Labor. The nine participating West African countries included Burkina Faso, Mali, The Ivory Coast, Ghana, Togo, Benin, Nigeria, Cameroon and Gabon, which led to signing of several regional and bilateral agreements to fight child trafficking. The governments of The Ivory Coast and Mali signed a bilateral cooperation agreement in September 2000 to fight cross-border child trafficking.

The problem continued unabated as confirmed by media exposes, the ILO and by US government reports. An investigative study completed in July 2002 found 284,000 child laborers working in hazardous conditions on cocoa farms in West Africa, 200,000 of whom worked in The Ivory Coast. It also found that 11,994 children had no family ties and 84,300 were working in hazardous conditions such as applying pesticides and using dangerous tools such as machetes. An estimated 2,100 working children were recruited through intermediaries. The continuation of the child labor crisis demonstrated that the isolated efforts of West African governments and the ILO were not enough to solve the problem.

In response to increased international attention on the issue and fearing sanctions from governments and consumers abroad, the government of The Ivory Coast signed more bilateral anti-child trafficking agreements with neighboring countries to recommit to fighting cross-border trafficking. In an attempt to show the international community it was doing everything it could, the government cracked down on all border crossings and mistakenly detained and sent back children, many of whom were not victims of trafficking.

Meanwhile, the issue of child slavery also caught the attention of the US Congress. Representative Eliot Engel (D-NY) introduced an amendment to the 2002 Agriculture Appropriations Bill to set aside $250,000 for the Food and Drug Administration to develop “slave free” labeling requirements on cocoa products. The bill was approved in the House of Representatives by a vote of 291-115 in June 2001.

Given the multimillion-dollar trade in cocoa between the U.S. and The Ivory Coast, the bill would have had a tremendous impact on the chocolate industry. In response, the chocolate industry stopped the bill by agreeing to voluntarily adopt key portions of the bill as the Harkin-Engel Protocol.

Non-Industry Initiatives

Apart from providing minimal financing for certain educational projects, the industry has taken a hands-off approach to the child labor issue. The US Government has taken a much more substantial role. A Child Labor Regional Project has been attached to the already existing USAID-funded Sustainable Tree Crop Program (STCP). STCP is a program jointly developed and funded by USAID and the global chocolate manufacturing industry, to raise economic and social standards of rural households. The ILO/IPEC administers the child labor component of STCP under the West Africa Cocoa/Agriculture Project (WACAP) with the US Department of Labor spending five million dollars to fund the vast majority of the project.

The ILO, through its WACAP program, has initiated pilot programs to monitor child labor in cocoa in Ghana and The Ivory Coast. The effectiveness of the pilot projects are determined by a set of vague standards such as changes in the practice of growing and processing cocoa by farmers, changes in attitudes towards worst forms of child labor, an improved environment for children to exercise their rights and increases in educational opportunities (formal, non-formal and vocational).

Hiding behind the pilot projects, the industry is trying to remedy the problem of child labor via co-financed projects that attempt to promote voluntary change in farmers' practice without any real change in their own practice. However, without any real change in industry business practices, such as paying fair price to farmers and formally contracting to only source from farmers who produce cocoa in accordance with ILO

Conventions 182 and 138, these projects will be unable to achieve sustained and widespread effects.

Nearing the End of the Protocol and Future Approaches

Global Exchange has concluded that the chocolate industry will not fulfill its promise to monitor and certify by July 2005 that the cocoa it imports from the Ivory Coast is not made by forced child labor.

Unsatisfied with industry's weak commitment to reform, Global Exchange, the ILRF, and the Fair Trade Federation have been pursuing a parallel legal strategy at the Court of International Trade intended to force the US Customs Service to enforce its own rules and regulations prohibiting the importation of any good produced by forced child labor. Under US law, a mandatory enforcement approach is possible. The Sanders Amendment of 1997 to the Tariff Act of 1930, 19 USC Åò1307, prohibits imports of articles produced or manufactured with bonded child labor. Therefore, the ban on child labor produced imports has been in effect since before the Harkin-Engel Protocol.

However, in an attempt to protect their ill-gotten cocoa, the chocolate industry, through the Chocolate Manufacturers Association (CMA)-a trade group representing, among others, Archer Daniels Midland, Cargill, Hershey and M&M/Mars- has intervened as Defendants in the lawsuit against Customs. Fearful that enforcement of the law will destroy their business model that is dependant on child labor, the industry has argued in essence that, despite the clear legal restrictions on imports of forced child labor made goods, the Court of International Trade should not disturb the Protocol process by ordering Customs to enforce the law. This argument, which has no foundation in law, is essentially asking the court to forgo its own obligation to enforce the law in favor of a voluntary certification process that even industry cannot guarantee will be implemented.

THE ALTERNATIVE - FAIR TRADE CHOCOLATE

A Growing Demand for Fair Trade Certified Chocolate and Cocoa

As the chocolate industry has dragged its feet on the issue of illegal child labor on cocoa farms, American consumers-who spend $13 billion annually on cocoa products-have taken action the matter into their own hands by increasingly demanding that the chocolate they purchase was produced under Fair Trade conditions.

Fair Trade ensures cocoa farmers receive a fair price for their harvest, creates direct links between farmer-owned cooperatives and buyers and provides access to affordable credit. Slave labor is strictly prohibited and farms are inspected to ensure that Fair Trade standards are being met. Fair Trade also promotes environmentally sustainable farming, making it the most comprehensive model of positive economic development available.

Fair Trade Certification was introduced to ensure a fair price for small-scale farmers in the global South (Africa, Asia and Latin America), whose livelihoods have suffered as a result of the current conditions of international trade. Fair Trade is an international certification and monitoring system run by the Fair Trade Label Organizations International (FLO), a 17-member international umbrella organization formed in 1997. TransFair USA is the FLO-affiliated labeling agency in the United States.

The promise of the burgeoning market in fair trade certified chocolate can be seen in the robust growth of Fair Trade Certified Coffee.

In 2004, retailers sold about $300 million in Fair Trade Coffee - 34 million pounds - or 6% of the gourmet coffee market - sales should grow to 50 million pounds this year according to TransFair. Four hundred companies now sell fair trade products including Starbucks, Pete's coffee, Dunkin Donuts, Proctor & Gamble maker of Folgers, and Sara Lee - one of the world's top bean buyers. Ben and Jerry's recently introduced three flavors now made with fair trade certified coffee extract - Coffee Heath Bar Crunch, Coffee Coffee Buzz Buzz Buzz and Coffee.

Fair Trade chocolate is mirroring this trend. Since TransFair USA began certifying Fair Trade chocolate and cocoa in September 2002, 28 companies and importers have been licensed to offer Fair Trade Certified semi-finished and branded chocolate products.

- Less than 1% of the 13 billion dollar chocolate market is fair trade certified, but it's a growing market. From 2003 to 2004, sales grew 78% and TransFair USA expects to double the volume of products it certifies in 2005.
- Sales of Ithaca Fine Chocolate's “Art Bar” - the first chocolate bar in the U.S. to be certified fair trade - have doubled nearly every month. And Cocoa Camino's Fair Trade Certified milk chocolate bar was

featured as one of Bon Appetit's "Best Chocolates" in its February 2003 issue.

- Already, Fair Trade Certified hot cocoa and chocolate bars are offered in over 1600 retail locations around the US, including several Safeway, Tully's, and Whole Foods stores.
- In April of 2005, the world's largest food ingredient supplier, ED&F Man introduced a new division, Corgins (www.corigins.com) to supply high quality, organic and fair trade ingredients to the growing natural foods sector.

The Relevance of Fair Trade to Abusive Child Labor and the Industry Protocol

Fair Trade is a well-designed and fully implementable system that has proven effective in reversing the ill effects of free trade. It is a comprehensive and already proven model that could lend itself well to the chocolate industry's stated goals, if the industry would only back its words with meaningful actions. The following points identify how Fair Trade offers the solution the industry is seeking:

- Fair Trade guarantees farmers a stable living wage under direct long-term contracts and access to credit, ensuring that farmers can cover the costs of labor, production, and meet basic needs over the long-term.
- Farmers are organized into democratic cooperatives that have control of their own production and marketing, promoting continued self-sufficiency.
- Fair Trade prohibits abusive child labor and forced labor, and mandates sufficient wages for hired workers.
- Fair Trade verifies compliance of labor and wage standards through yearly independent monitoring.
- Cooperatives keep records of all farmer sales, offering the ability to trace cocoa directly to the farm of origin.
- Fair Trade requires that farmer cooperatives reserve a portion of their revenues for community development projects and farmer training, removing the need for outside charity and ensuring that 100 percent of funds earmarked for development work go to the communities that need them.
- Fair Trade encourages environmentally sustainable farming methods such as organic and shade cultivation, ensuring that farmers use methods that benefit the earth and maintain community health.

Benefits of Fair Trade

Fair Trade Certified chocolate is now available from 11 origins, including Ghana, Ecuador, Bolivia, and the Dominican Republic. More than 50,000 Fair Trade cocoa farmers are earning a fair price for their high quality crop.

Fair Trade offers the most effective means of controlling for the volatility of the cocoa market, which has repeatedly wreaked havoc for producers. Fair Trade intrinsically offers a stable price without placing additional responsibilities on the already struggling governments of cocoa producing countries or the companies themselves because its effectiveness cannot be weakened by outside forces or changes in the world market price.

Fair Trade also ensures a quality cocoa bean supply. According to TransFair, by guaranteeing farmers a fair price, Fair Trade allows cocoa farmers to invest in post-harvest techniques that bring out the individual flavors of the particular cocoa-growing region. Cocoa importers work with Fair Trade cooperatives to experiment with fermentation levels and ensure the highest quality of fine flavor beans. Fair Trade cocoa beans aren't "faceless" cocoa beans bought on an international exchange, but beans that can be traced back to an individual cooperative and even individual farmers. The care and quality management exercised by Fair Trade farmers can be tasted in the end product.

The best testaments to Fair Trade come from cooperative members themselves. Lucy Manusah of the Kuapa Kookoo Cooperative in Ghana has said: "Before becoming a member of Kuapa in 1994 we were always in financial crisis and we always had our children at home. Now because of better and more timely payments, including the bonus from Kuapa, I can afford the fees to send my children to school."

Asamoah, also from Kuapa Kokoo, stated: "We had very hard times in the 1980s when the price of cocoa beans went down. The money we used to get from selling our cocoa beans to the government didn't give us enough to buy materials or a pump for our own water supply. Many farmers were so desperate that they sold the cacao trees for wood. Things are better now that I have joined a cooperative."

CONCLUSION & RECOMMENDATIONS

As the chocolate industry's Protocol process enters into its final months, Global Exchange will continue to fight for the rights of child laborers in the cocoa industry by holding the multinational cocoa companies directly responsible for ending the illegal labor practices from which they profit.

As chocolate industry participants once again gather in Chicago for the All Candy Expo, our organization will be presenting the following recommendations to chocolate corporations. Meanwhile, we remain committed to a multi-pronged approach, including litigation, legislation and campaigns, in order to eliminate chocolate goods produced by child labor from the US consumer market.

Recommendations to the Chocolate Corporations:

Use Fair Trade Cocoa

The first and foremost recommendation is for the US chocolate and cocoa industry to immediately establish purchasing contracts with Fair Trade cooperatives, and establish direct long-term contracts offering the Fair Trade price to all the rest of their producers outside of the Fair Trade system. Companies should promote Fair Trade just as aggressively as they promote current products and concepts. Typically, the initial amount for a Fair Trade contract is five percent of a company's total purchases, a level that would allow companies to make an immediate commitment to Fair Trade while maintaining support to current producers. As the Fair Trade system grows, companies should continue to increase their Fair Trade purchasing levels.

Support Cooperative Development

Companies have cited the limited size of the Fair Trade system as an excuse to withhold support for Fair Trade. Instead of seeing this as a problem, companies should see this as an opportunity to facilitate increased enrollment into the Fair Trade system. Cooperative formation is a sure step toward success for farmers with limited resources and is already a focus of many agencies affiliated with the World Cocoa Foundation. Companies that really want to solve the problems they perceive in the size of the Fair Trade cocoa system should leverage their support with these and other relevant organizations to facilitate its continued expansion.

Support the Strengthening of the International Cocoa Agreements -With the Participation of the United States

The International Cocoa Organization (ICCO), founded in 1972, sought to achieve market stability through “International Cocoa Agreements” (ICAs). Somewhat like state-run stabilization funds, ICAs operate via stock management and a floor price. The ICA in its initial form was successful in maintaining sufficient cocoa prices and helping both cocoa producing and consuming countries benefit from cocoa production. Through trade liberalization and lack of support from key players such as the United States-and sometimes the Ivory Coast-the ICA lost its power and farmers were left helpless. Bringing the ICA back to its original form, with support from the United States, will do much to repair and prevent the economic damage that has been wrought upon producers and cocoa producing countries. Given that the United States is the world's largest cocoa consumer, it has the greatest responsibility to support the ICA. The US companies that bring in the largest profits from cocoa processing and retail sales of chocolate and cocoa products should lead the way in bringing the United States into the ICA, and empowering the ICA to achieve market stabilization at sufficient prices.

FOR MORE INFORMATION

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International Labor Rights Fund

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TransFair USA

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