

# UTZ Response

## Evaluation of UTZ in the Indonesian cocoa sector

By Aidenvironment

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## Background

The UTZ cocoa program took off in Indonesia in 2012. In 2014, already more than 20,000 farmers were part of the program. The program is growing rapidly with many groups in preparation phase for UTZ certification.

It was important for UTZ to evaluate the first steps taken while the program is still relatively young. Therefore, in 2014, UTZ commissioned Aid Environment to carry out an independent evaluation of our cocoa program in Indonesia.

The evaluation is meant to serve the dual purpose of demonstrating UTZ's contribution to positive change on farm and sector levels as well as creating a deeper understanding of how UTZ can increase its impact in the future. It uses an innovative approach that combines qualitative and quantitative methods to enable the identification of plausible impacts and cause and effect relationships.

Based on UTZ's Theory of Change, four impact pathways were formulated on productivity (including social and environmental performance), cocoa quality, and market access as well as UTZ contribution to creating a sustainable cocoa sector in Indonesia. The research was completed in December 2015.

## Research Methodology

This independent research uses a mixed method approach where by the findings of the survey data collected, field observations, key informant interviews and focus group discussions are aligned and compared to establish contribution of the program to the noted impact. Based on this process of triangulation, highly plausible evidence was established to answer the key research questions.

The research included different certificate holders and locations where UTZ Certification was implemented. Different partners followed different approaches in working with farmers to improve their practice and achieve UTZ certification. The field work took place in Sulawesi and Sumatra. In these two provinces, multiple locations and projects were visited for data collections from certified and non-certified farmers. This evaluation focuses on the following research questions:

1. Does UTZ Certification contribute to increased productivity and quality?
2. Does UTZ Certification contribute to better prices, better market access and to improved income?
3. What is the added value of UTZ certification when embedded in existing interventions?
4. What is the added value of UTZ in sustainable sector transformation?

The evaluation also identifies success factors and constraints in realizing impact and provides recommendations to UTZ to improve the outcomes and impacts at farm and sector levels.

# Main Findings

## Better Farming

One of the major findings of the study is that certified farmers have increased their productivity and quality compared to uncertified farms. Both farmers and program staff considered training and follow-up support provided by the program to be the main driver for this improvement. From the farmers' perspectives, it seems to be the most valued benefit as well.

As visible in the graphs below certified farmers on average have higher yields per hectare (figure 1) and per tree (figure 2). They experienced a yield increase more often in the past two years: 71% vs. 25% (figure 3). Non-certified farmers experienced a decline in yield: 70% vs. 20% (figure 4) more often. <sup>1</sup> The main influencing factor for those farmers that experienced an increase was improved tree handling, followed by fertilizer use, reduced pests and disease levels and tree age. Despite improvements, it is considered that the yield level remain below optimal level.

Figure 1: Average yield (kg/ha) (farm survey)

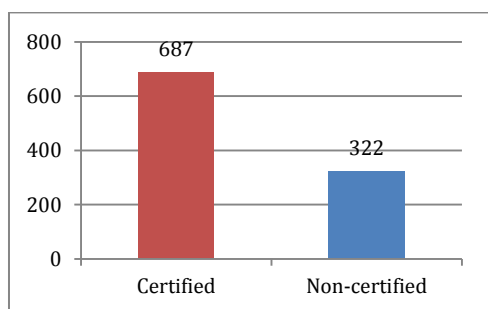


Figure 2: Average yield per tree age category (kg/ha) (farm survey)

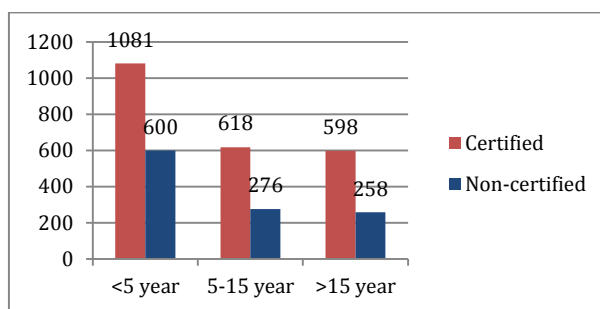


Figure 3: Estimated yield performance based upon farm conditions (field observations)

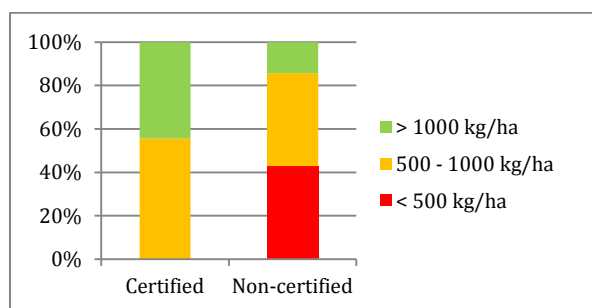
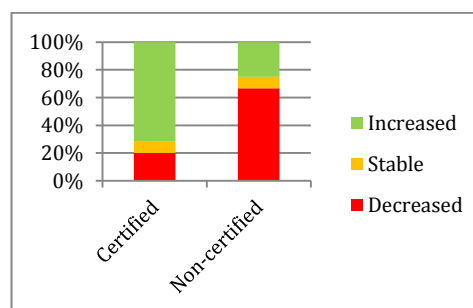


Figure 4: Perceived yield development in past 2 seasons (farm survey)



Providing trainings to group members is a requirement of the UTZ code of conduct. It is therefore not surprising that UTZ certified farmers receive more training than non-certified farmers. Indeed, farm surveys revealed that all certified farmers received training on cocoa farming, while one third of the non-certified farmers never received any training. Interestingly, the content of the trainings received differed between certified and non-certified farmers. Whereas standard training activities of the certificate holders focused on yield improvement, UTZ certification made them include more social and environmental practices. The

<sup>1</sup> Aidenvironment, 2015 - p.33.

intensity and thus quality of the trainings provided did as well differ. On average, for two years, certified farmers received 7.3 days vs. 3.3 days for non-certified.

Both field observations and surveys confirmed that the quality of the cocoa beans has improved since certification. The farmers indicate that farming practices such as pruning & sanitation, pest & disease management, and fertilizer use have improved. This was confirmed by the field observations that showed that certified farmers performed considerably better than non-certified. However, post-harvest practices such as sorting of the beans before selling or proceeding to fermentation varied mainly linked to price incentive or market prospect.

## **Better Access to Markets**

An important contribution of UTZ certification is the promotion of more direct trade relations between the farmers and the buyers. Sustained demand for UTZ certified cocoa encourages traders and exporters to purchase the certified produce which helps maintain the motivation of farmers to invest effort and time in applying the sustainable practices described in UTZ code of conduct. However, not all produced cocoa by the groups is sold as certified. This is partially due to the distances between location of the farms and collections points (which makes transport costly) and to established commercial trade relations between certified farmers, certificate holders and buyers.

## **Better Income / Better Life**

The farmers that did sell the certified produce to an exporter did receive a higher price due to certification premium and quality premium. Certified farmers received on average 9% and 15% higher prices. Farmers with at least half of their cocoa sold to an exporter, received on average 15% to 23% higher prices than those who sold less than 50% of their cocoa to exporters.

The farmers valued stable trade relationships with lead prices and training more than a premium. Farmers most appreciated the support received to improve yields. The direct relationship with the trader provided farmers with price information, for example through SMS-service, which allowed farmers to have a better negotiation position with the buyers.

Most farmers perceived an increase in income and profit through the program. They were generally more satisfied with the level of profitability compared to non-certified farmers. Additionally, certified farmers had a considerably higher motivation to produce cocoa than non-certified farmers. An intangible yet valuable benefit of taking part in the program is the boost of their self-esteem through good performance.

One important indication of satisfaction is that farmers wish to continue in the program. It should be noted that farmers joining the certification program tend to be more motivated (to start with) than the ones outside of the certification scheme; however the trainings and demonstration plots combined with experiencing increase in productivity further fuel the motivation of farmers to maintain their farm.

## **Better Care for Nature / Better working conditions**

Significant differences were reported between certified and non-certified farmers on improved chemical storage and safe handling of empty containers (0% certified vs 8% non-certified store agrochemicals unprotected/in house) and disposing agrochemical containers (9% of certified disposed them in open waste pits against 40% of uncertified farmers).

It is noteworthy that all farmers included in the sample did store pesticides in locked room box or outside of the house – thus out of reach of children, which is an important safety hazardous that has been successfully addressed.

Certified farmers reported improved use of Personal Protective Equipment (PPE) in comparison with non-certified farmers. Still, there is room for improvement as not all certified farmers use PPE: 80% of the certified farmers always used all recommended PPE, while this percentage among non-certified farmers is 42%. Additionally, it was noted by the surveyors that some farmers found challenging to completely stop the use of certain banned pesticides.

Record keeping of chemical fertilizers and pesticides is poor however this is only a UTZ requirement starting in the fourth year of certification (not yet reached by the surveyed farmers).

Although not all certified farmers already apply all the code requirements all year long, the programs have largely contributed to an improvement process on these topics which for many farmers were completely new.

## Sector Change

The analysis of the cocoa supply chain and sector in Indonesia highlights the contribution of the UTZ standard in defining sustainability. The UTZ program has allowed for more direct trading relationships and farmer support service. In addition, it has encouraged the revival of farmer groups' organisation structures. Due to the development of training material and guidance an increased consistency in farming support messages was noted. The assurance model and certification have realized accountability throughout the supply chain. This increased the demand for certified cocoa and has raised additional finance from brands and retailers which has been invested in the supply base. These all are pre-conditions for supporting a move towards a sustainable cocoa sector.

The contribution can also be noted outside of the cocoa sector itself for example through the increased collaboration between certificate holders and public extension services collaborating in programs some of whom adopted UTZ requirements also in their activities with other farmers.

While it is noted that some of the UTZ requirements have been adopted by public extension services, the analysis shows that there is still the possibility of a wider impact on sector practices through a more targeted approach to influence the development of an independent services delivery and public sector governance.

## UTZ' Response

We welcome the findings of the study as well as the recommendations of the research team. In a relatively short period of time, concrete and significant improvements were realised on farm level, with the adoption of better farming practices, safer working conditions and more environmentally friendly practices.

We would like to use this opportunity to thank the farmers as well as all UTZ partners for their tireless efforts that allow for and contribute to positive impact. The findings of this evaluation also point at some areas of improvements that we welcome and are responding to.

### Better Farming

The tangible improvements in both productivity and quality of the produce are a key finding as it is a key aspect of UTZ [Theory of Change](#) and is described in our [Productivity position paper](#). This finding is as well in line with findings of multiple impact studies commissioned by UTZ and others.<sup>2</sup>

The researchers note that the certified farmers' yields, even if they are superior to non-certified farmers, remain below optimal levels. Declining yield levels in Indonesia are indeed a major concern of the government and the sector as large. While we are glad that through the application of the UTZ code, farming practices are improving, we are keen to continue our work with the cocoa sustainability platform to support the developed 2020 roadmap for the sector.

A valuable recommendation is to investigate how to improve the quality of service delivery. This is indeed a priority area for UTZ. As confirmed through this evaluation, farmers benefit most from the provision of quality trainings. We have therefore created an online learning platform called the UTZ Academy. The [UTZ Academy](#) brings together knowledge from all over the world and allows our trainers to work together on the planning, design, roll out and follow up of our training courses. Additionally, we have developed several guidance documents on the implementation of the Code and training materials that are publically available.

### Better Access to Markets

One of the recommendations is to increase market demand for certified cocoa. While certified farmers performed better on most evaluation points, some certified farmers acknowledged that they did not manage to maintain the plantation in good shape throughout the year. Motivation of farmers is seen a key drivers for further compliance and application of farming and especially post-harvesting practices. Supporting demand for certified products is therefore essential for maintaining the incentive mechanism.

UTZ strives to maintain the demand levels for UTZ certified products. We do expect that the world demand for UTZ certified cocoa to grow in the coming period in light of the ambitious commitment of the lead chocolate companies.

According to our data on traced volumes and transactions the average Supply & Demand ratio for UTZ cocoa in Indonesia is relatively high (60% of total UTZ certified cocoa supply is actually sold as certified). However, there seem to be large differences between the certified groups.

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<sup>2</sup> Recurrent findings on this topic are summarised in UTZ impact study that examines the findings of 25 impact studies. (link to impact study: [https://www.utz.org/?attachment\\_id=4242](https://www.utz.org/?attachment_id=4242) )

## Better Income, Better Life

Most farmers perceived an increase in income and profit through the program. However few mention that they would like their children to continue farming cocoa which is an indicator for the perceived viability of the crop compare to other alternatives.

UTZ believes that a good connection with and understanding of the efforts and impact of certified cocoa production is key for markets to further invest in the sustainability of the sector. Therefore one of UTZ's roles is to strengthen that understanding and through that create a higher demand for certified cocoa. However, every producer has to make his/her choice on how much cocoa he or she wants to farm. UTZ supports that choice by developing a cost/benefit assessment tool and by highlighting (e.g. in the Code of Conduct) the importance of diversification.

## Better care for nature, Better working conditions

It is our goal to bring changes in farming practices that are environmentally friendly and safe for the farmers, their families and farm workers. Our data on the most common non-conformities from cocoa farms in Indonesia match the findings and reflect on the role of the assurance system in reinforcing compliance. Most of the detected and resolved non-conformities in Indonesia are related to agrochemical handling, storage and use (35% of audits) and good sanitation practices (20% of audits). This level of detection means that these are the requirements that are most difficult for farmers to comply with and it is also the areas where due to the corrective actions taken most improvement have been made (compared to non-certified farmers).

To improve the level of implementation of our code on these points, we have developed several guidance documents on various topics including pesticide handling. We are near the finalisation of the guidance document on pest management and pesticides handling for producer groups. We will explore how to communicate these supporting documents to our members and/or train the technical staff.

## Sector Change

One of UTZ's strategic goals is to build on the positive impact of the certification program in the field by [influencing the sector](#). As described in our [new strategy](#), in addition to our active role in developing the UTZ standards and maintain the quality of its implementation, we are working on creating partnerships with governments, civil society players or industry to fulfil our vision and mission of a sustainable farming sector.

At UTZ we believe that Better Farming leads to Better Future. The findings confirm the assumptions of our Theory of Change and our motto. It does as well provide valuable insights that we will analysis further internally to learn and improve.