



POLICY PAPER

Why Don't Swiss Buy More Fair Trade Chocolate?

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Consumers often state that they are willing to pay a higher price for fair trade, but actual fair trade consumption remains low. An online experiment finds that Swiss respondents want to buy fair trade chocolate, but do not pay enough attention when buying chocolate. In addition, fair trade labels do not necessarily increase consumer awareness of production conditions. These results suggest that production standards should be made more salient in stores and may need to be supplemented by government regulations to improve the welfare of producers in developing countries.

Chocolate – a harmful treat?

The bean that makes chocolate taste heavenly is cocoa. More than 70% of the world's cocoa beans are produced in only four West African countries: Ivory Coast, Ghana, Nigeria and Cameroon. Cocoa represents the primary source of income for a large share of these countries' population and is one of the leading sources of export revenues. On the other hand, cocoa farmers in Africa only receive 4-7% of the price consumers pay for chocolate in stores. Precarious living conditions remain a paramount issue for cocoa farmers. In Ivory Coast, about 60% of cocoa farmers live below 0.8 international \$ a day (Fairtrade Interna-

tional 2018). An estimated 2.1 million children still work on cocoa fields in Ivory Coast and Ghana (Fountain and Hütz-Adams 2018).

Scientific studies show a limited impact of fair trade labels

Various fair trade certification schemes aim to make agricultural trade a "better deal" for cocoa farmers, more sustainable for the environment and more transparent for the consumer. Among them, "Fairtrade International" is one of the most popular stand-

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ards in the world (see Box 1). But do these standards make a real difference for farmers?

Less than 1% of an estimated 500 million small-scale farmers worldwide are linked to Fairtrade certification. Moreover, a recent meta-analysis summarizing 168 scientific studies shows that despite a significant increase in the prices paid for certified products, and hence a slight increase in income for producers, fair trade labels did not have a significant effect on households' wellbeing, children's health or schooling (Oya et al. 2018). Why? Direct certification costs as well as indirect costs linked to new farming practices are high and partly offset the positive effects of higher prices.

Box 1: Fair trade or Fairtrade?

"Fair trade" and "Fairtrade" are not the same. **Fair trade** is a global movement for a trade model with better conditions for small-scale producers in low-income countries. **Fairtrade International** is one of many fair trade certification and labeling programs that promote fair trade. A good can be produced and sold under fair trade conditions but not necessarily be certified by Fairtrade.

A major challenge is low demand

More importantly, the demand for fair trade chocolate and other fair trade products is low. Even in Switzerland, which is the world leader in both fair trade and chocolate consumption, people spend on average 103 CHF per year on fair trade products (Swiss Fair Trade 2020), which is less than 3% of total food consumption (FSO 2020). Only 9% of chocolate consumed in Switzerland is fair trade. As a result of the low global demand for fair trade chocolate, only half of Fairtrade cacao production can currently be sold as Fairtrade cacao on international markets (Fairtrade International 2019). Farmers can only sell half of their output to certified channels whereas the cost of certification applies to the entire cacao production.

Online experiment with Swiss participants

Previous studies have found that consumers are willing to pay a higher price for fair trade products (e.g. Heimüller et al. 2015). Nonetheless, the consumption of fair trade products remains low. We conducted an online survey experiment (randomized controlled trial) with a representative sample of 2591 Swiss to find out why. Participants were randomly allocated to different groups that were confronted with different chocolate choices and information. Respondents received 2 CHF, which they could spend on different types of chocolate or keep for themselves. Participants were sent a bar code for the chocolate they chose via email that they could trade in Swiss supermarkets. In addition, we asked questions about participants' chocolate consumption and knowledge of cacao production and fair trade.

Some participants (group 1) had the choice between spending their 2 CHF on either conventional chocolate at a cost of 1 CHF and keep 1 CHF for themselves, or on fair trade chocolate at a cost of 2 CHF. Group 2 faced exactly the same choice, but this time we showed them a picture instead of text (see Figure 1). A third group was given additional information before they made their choice—either about living conditions of cocoa farmers in West Africa, or about the activities of Fairtrade Max Havelaar in Switzerland, or the limited impact of fair trade certification. Details about the experiment are provided in Lefoll et al. (2020).

Figure 1: How would you like to spend your 2 CHF? (group 2)

On this chocolate and keep 1 CHF



On this chocolate



High demand but low attention

About 65% of respondents choose fair trade chocolate if the choice between conventional and fair trade chocolate is presented in text format—even if the price of fair trade chocolate is twice the price of conventional chocolate. When the same choice is presented with a picture, respondents are 20 percentage points less likely to choose fair trade chocolate (see Figure 2). This result suggests that when the difference between conventional and fair trade chocolate is overshadowed by the packaging, consumers buy less fair trade chocolate. This result is confirmed by our survey. Almost 40% of the participants who indicate that they rarely buy fair trade chocolate in stores said that the reason is that they buy chocolate spontaneously and do not pay attention. These results imply that consumers want to be responsible, yet low attention limits higher fair trade consumption.

Figure 2: Respondents choosing fair trade chocolate over conventional chocolate and cash (group 1 & 2)

How would you like to spend 2 CHF?

Choice presented as TEXT



Choice presented as PICTURE



- % of population choosing fair trade chocolate
- % of population choosing conventional chocolate + 1 CHF cash

In addition, our results indicate that any type of information significantly increases the demand for fair trade chocolate compared to no information. Even information about the limitations of fair trade certification increased demand by roughly 10 percentage points. We find that information effects are the same for previously uninformed and informed consumers with regard to production conditions on cacao fields and fair trade regulations. This means that fair trade consumption is not limited by a lack of knowledge, but that information about cacao production or fair trade reminds people of the impact their consumption choice can have on cacao farmers.

High trust but low knowledge

When respondents were asked how much they trust fair trade chocolate on a scale from 0 (not at all) to 10 (very high trust), more than 80% give a score of 5 or above and more than 50% a score of 7 or above. Most consumers think that fair trade labels prohibit bad forms of child labor (true), minimum wages (not true) and a higher share of the sales price to farmers (not true). Hence, there is a mismatch between what fair trade chocolate (usually) stands for and what people believe it is (see Box 2). Whereas fair trade labels generate trust among consumers, they do not necessarily lead to increased knowledge about the production conditions of cacao. Although this information is transparently provided online, consumers do not read it.

Is consumer power enough to make the change?

Fair trade certification of cacao has positive effects on the well-being of West African farmers. Yet, it could have an even larger impact if consumers would more often buy fair trade products. Our results indicate that consumers in Switzerland trust fair trade products and are willing to pay much more for them. However, a lack of attention at the point of purchase seems to prevent them from doing so because the label is not enough to remind them of the impact they could potentially have on producers in developing countries. In addition, consumers do not

Box 2: What does fair trade chocolate stand for?

Correct:

- Minimum prices for cacao
- Premiums to community fund of farmers
- No child labor
- Ecological standards
- Transparency
- Long-term trade relations

Incorrect:

- Minimum wage
- Minimum income
- A higher share of the sales price for farmers
- Less profit for middleman

actively seek information about the standards of production of the food they buy from overseas. Given these results, production standards should either be made more salient on consumption good or stores should only offer products with high production standards – for consumers to make the change they want. More broadly, governmental regulations that guarantee ecological and socially sustainable sourcing would improve the welfare of farmers in low-income countries and consumers in high-income countries – by supporting the choice they actually want to make.

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Photos

p. 1: Ghanaian cocoa farmers spread cocoa beans for drying. Photo: Mwangi Kirubi / Farmerline / CC BY-NC-SA 2.0

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