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GEOGRAPHICAL KNOWLEDGE: A CATALYST FOR RECONFIGURING GLOBAL PRODUCTION NETWORKS?

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ABSTRACT

This paper explores how geographical knowledge can foster the reconfiguration of global production networks (GPNs), particularly in agri-food sectors reliant on Global South commodities like cocoa. These networks often reflect colonial-era patterns, where raw materials are sourced in the Global South, yet value-added processing occurs in the Global North. For the first time, this study examines Fairafric, a German company financed by crowdfunding, with a chocolate factory in Ghana, as a case of how geographical knowledge can reconfigure production networks. Using the GPN framework and applying a mixed-methods approach, including qualitative interviews and a farmer survey, the findings indicate that geographical knowledge enhances customer support for products manufactured closer to the source of raw material, catalysing local development and employment in rural Ghana. This shift promotes ethical consumption, investment and value capture in producing regions but also reveals structural and regulatory global production network challenges that could limit wider transformation.

Key words: Cocoa; chocolate; Ghana; mixed-methods approach; crowdfunding; rural development

INTRODUCTION

The commercialization of agriculture through value-chain inclusion frequently fails to ensure equitable benefits for smallholders in the Global South.¹ Instead, it tends to perpetuate risk imbalances and exploitative dynamics that are reminiscent of colonial trade practices (Idrisu *et al.* 2022). Raw materials come from growing countries in the Global South; processing and distribution, including ownership of brand names, are largely located in the Global North (Fountain & Huetz-Adams 2022). Hickel *et al.* (2022, p. 2) emphasize that this labour division serves Northern economic growth through an ‘unequal exchange’, maintaining significant economic imbalances and limiting the economic potential of the South. One

example is the global cocoa-chocolate production network² in which the labour division is associated with a spatially unequal value capture: Approximately 90 per cent of the profit margin for dark chocolate is captured by chocolate manufacturers and retailers, while cocoa-growing countries receive less than 7.5 per cent (FAO & BASIC 2020, p. 6). This results in poor living conditions for cocoa farming families. In addition, cocoa cultivation is associated with ecological problems; for example, deforestation and intensive chemical usage (Fountain & Huetz-Adams 2022).

There are various approaches and strategies that address the consequences of the configuration of global production networks. These include sustainability certifications like organic or fair trade, corporate

social responsibility initiatives and major programmes like the Sustainable Cocoa Initiative of the European Union (EU). What these efforts have in common is that they do not fundamentally change the configuration of the global cocoa-chocolate production network but maintain the basic labour division between cocoa production in the South and chocolate production in the North.

Initiatives from the Global North to fundamentally change this labour division tend to take place in the niche of start-up companies. Examples include the German companies Meybol Cocoa, which produces chocolate in Peru, and Fairafric, which produces chocolate in Ghana. Other examples are Moyee Coffee, a Dutch company that harvests, roasts and packages coffee in Ethiopia, Kenya and Colombia; and Beyond Good, a US-based company that produces chocolate in Madagascar.³ These companies are reconfiguring agri-food production networks in a niche, and some have ambitious plans to grow. The success of these companies producing goods in the Global South for sale in the Global North is hindered by additional costs. For instance, ingredients required for finished products are frequently imported at high cost due not only to higher logistics costs but also to higher import duties on processed products. These higher costs result in higher selling prices in the target markets (Rossi-Hansberg 2019; Nwajiuba *et al.* 2020). For the success of the respective products, consumers must be willing to pay more (Getzner & Grabner-Kräuter 2004), and investors must also believe in this success and take the corresponding risks. This raises the question of what added value consumers and investors can expect from Global North companies producing in the Global South for target markets in the Global North? As with the general marketing of ethical food, geographical knowledge that distinguishes the products from others appears to be a basis here (see Franz & Hassler 2010; Hassler & Franz 2013). In this context, the dissemination of good stories is central to marketing. Inherent in this approach is the risk of ‘new forms of “distancing” and “othering” by creating ‘a moral link between producers in the Global South and consumers in the Global North’ to

motivate the latter to buy respective products or even invest in their production (Braun & Gröne 2021, p. 262).

This article presents a case study of Fairafric, a German company that established a chocolate factory and training centre for chocolate making in Ghana. Fairafric not only appeals to the ethically minded chocolate consumer but also offers investors ethical opportunities to invest (Fairafric 2024a). The purpose of the analysis is twofold: Firstly, to demonstrate what additional costs and other obstacles arise from production in the Global South for distribution in the Global North; and secondly, to analyse how geographical knowledge can be used to reconfigure global agri-food production networks and its impact. We draw on the Global Production Networks (GPNs)⁴ analytical framework (Henderson *et al.* 2002) and combine it with Cook and Crang’s (1996) concept of geographical knowledge to conceptualize the role of narratives. Drawing on contributions from development and economic geography (e.g. Deng *et al.* 2022; Ballinger 2018; Rossi-Hansberg 2019), we understand geographical knowledge not as static or given, but as situated, relational and actionable. This allows us to examine how actors draw on such knowledge to strategically shape how production networks are imagined, (re)configured and communicated. By applying this perspective to the case study of Fairafric, we aim to show how the mobilization of geographical knowledge shapes efforts to challenge conventional North–South production structures.

The following section describes the materials and methods utilized, followed by an exploration of how geographical knowledge is constructed in global agri-food production networks. Afterwards, cocoa cultivation in Ghana and the case study will be analysed. Finally, conclusions will be drawn.

MATERIALS AND METHODS

This article presents findings from a mixed-methods approach: 53 interviews conducted during 2021–23 with Ghanaian cocoa smallholders, representatives of companies, institutions and experts in the global

cocoa-chocolate production network in Ghana and Europe. Additionally, a quantitative survey was carried out in 2021 with a total of 210 smallholder cocoa farmers in five different growing regions in Ghana. The selection and approach of experts took place after an analysis of the sector's actors. The experts were contacted via email, a business-focused social media platform and at conferences. The selection of farmers in Ghana took place by random sampling in pre-defined regions. Non-English-speaking experts were interviewed with the assistance of interpreters, who also translated the quotes into English. The qualitative data were analysed by applying a qualitative content analysis (Mayring 2022). The quantitative data were collected by means of a standardized questionnaire, which was pretested and adjusted to take into account the specific local circumstances. The statistical data were analysed using software applications and established standardized analysis procedures (cf. Rudolf & Kuhlisch 2008).

The case study of Fairafric was selected as it represents a Global North company that challenges the conventional production network architecture in the global cocoa-chocolate sector. This allows an investigation of how a company's embeddedness within the local context, including physical, economic and social factors, can increase value capture at the source and foster sustainable economic impact. Fairafric's willingness to be subjected to scientific analysis and the preparedness of employees in a variety of positions in Ghana and Germany to be interviewed contributed to the selection of this company as a case study. Additionally, Fairafric's website, social media presence, newsletters for consumers and information for investors were analysed.

The research instruments were developed in accordance with the ethical guidelines of the Central Commission for Research Ethics of the author's home institution. As required by the institutional ethics policy, all individuals interviewed or surveyed were informed about the background and purpose of the research prior to the interview or survey. Their anonymity was guaranteed, and their informed consent to participate was obtained. As white European academics, we are

conscious of the fact that our perspectives and privileges influence our experiences. Consequently, we are committed to conducting collaborative, respectful and socially just research, especially in cross-cultural and post-colonial contexts.

GEOGRAPHICAL KNOWLEDGE IN GLOBAL AGRI-FOOD PRODUCTION NETWORKS

From the 18th to the mid-20th century, global commodity production followed distinct geographical patterns, with industrialized economies in the Global North primarily assembling manufactured goods exchanged mainly among themselves, while surplus products were sold to non-industrialized economies, often colonies (Ouma 2019). Raw materials and agricultural products, in turn, were sourced from these non-industrialized economies. This international labour division underwent significant changes in the mid- to late-1970s. Firms in industrialized economies initiated vertical disintegration, relocating labour-intensive manufacturing processes to countries in the Global South (Lim 2017). 'In this new international labour division, production moves offshore primarily in search of low-cost, relatively docile labour in the periphery' (Schoenberger 1988, p. 106). In the 1990s, investments in the Global South no longer comprised only unskilled labour-intensive activities but increasingly included more complex, capital-intensive production. This initially concerned the industrial upgrading of the so-called Asian Tigers, followed later by other emerging economies (Starosta 2016). While this shift has led to substantial economic development in certain countries of the Global South, like China and India, and specific agglomeration regions within them, other areas, especially rural spaces, remained largely unaffected by these transformations. Simultaneously, the architecture of agri-food production networks from the Global South, intended for Northern markets, has remained largely unchanged, often mirroring the colonial labour division. Basic commodities are produced in the Global South, while processing and refinement predominantly occurs in

the Global North (e.g. Ouma 2019; Fountain & Huetz-Adams 2022). Nevertheless, a food processing industry has also emerged in locations in the Global South, with a primary focus on the domestic market (e.g. Deribe & Kassa 2020). In contrast to other sectors where processing for consumer markets in the Global North has been relocated to the Global South to take advantage of lower wages, labour costs in the food industry have less influence on the choice of location due to the potentially high degree of mechanization. Hygiene and residue regulations, and tariffs, which act as barriers to imports into the Global North (e.g. Martinez & Poole 2004; Mohan *et al.* 2013), cannot be offset by lower wages. This results in a spatially uneven distribution of value capture in the respective global production networks, with a minimal share in the Global South (Ouma 2019). Consequently, working conditions and wages in agriculture are often poor, with few employment opportunities outside of the sector in rural areas. While there are numerous initiatives attempting to enhance the living conditions and value capture of farmers, the fundamental architecture of the global production network is usually not questioned in these efforts.

The impact of consumers and investors on the (re)configuration of production networks is constrained by various factors. Firstly, it is evident that ethical considerations exert an influence on the actions of only a subset of consumers and investors (Chen & Antonelli 2020; Rossi & Rivetti 2020). Secondly, most consumers and investors lack the requisite knowledge to make informed decisions regarding the configuration of production networks (Bollhorn & Franz 2016). Thirdly, there is a lack of transparency in trade relations and their associated effects (Krauss & Barrientos 2021). Simultaneously, customs regulations in the Global North make the import of processed products more expensive than raw materials. Although a change here would be an important contribution to a stronger shift of production to the Global South, it is not to be expected as it is not in the economic interests of Global North countries (Acquaye *et al.* 2023). They have no interest in fully relocating their

production processes, including refinement and brand ownership, to the Global South, as doing so could diminish the value captured in their own countries (Ouma 2019; Fountain & Huetz-Adams 2022). This reluctance, combined with the continued demand from Global North countries for raw material imports and the export-driven economic frameworks of many Global South countries, creates a reinforcing dynamic. This dynamic sustains existing global production network architectures, perpetuating the current patterns of value capture and the unequal labour division (Hickel *et al.* 2022; Iddrisu *et al.* 2022). To address these challenges, it is essential to facilitate the involvement of non-governmental organizations (NGOs) and private sector companies that prioritize ethically driven development. These entities can leverage the support of ethically conscious consumers and investors to support sustainable change (Acquaye *et al.* 2023).

Entrepreneurial initiatives that aim to configure the global production network by relocating production to the Global South must overcome various obstacles, including tariffs, hygiene and residue regulations, country-specific market trends and a lack of production knowledge. Nwajiuba *et al.* (2020, p. 324) have made the assessment that 'Among the top barriers to entrepreneurship and MSMEs [Micro, Small and Medium Enterprises] growth include finance, corruption, political instability, unskilled workforce, crime, taxation, customs and trade regulations'. These increased costs necessitate higher pricing in the markets of the Global North. However, consumers must be willing to pay a higher price (Getzner & Grabner-Kräuter 2004). Achieving this requires investors to believe in the success of such initiatives and be willing to take corresponding risks. Prompting the question of the added value that consumers and investors can derive from it. In common with the general marketing of other ethical food products, geographical knowledge that sets these products apart seems to be fundamental (see Franz & Hassler 2010; Hassler & Franz 2013). The effective dissemination of positive narratives becomes central to marketing. To conceptualize the role of narratives, we draw on the concept of geographical

knowledge by Cook and Crang (1996) who refer to knowledge about the spatially located background of a product as geographical knowledge. This can be conveyed through product names, information on the product or advertising; the knowledge is constructed by different actors and may differ from the actual embeddedness of production networks (Hassler & Franz 2013).

[G]eographical knowledges—based in the cultural meanings of places and spaces—are then deployed in order to “re-enchanted” (food) commodities and to differentiate them from the devalued functionality and homogeneity of standardized products, tastes and places. (Cook & Crang 1996, p. 312)

An example is Russian sparkling wine, which is marketed as champagne in Russia, while real champagne may only be called sparkling wine. This example shows how the ability to connect products to specific geographical knowledge is linked to power relations in production networks. Places can serve as sales arguments, as Hodgson and Bruhn (1993) found for Hawaiian coffee. In their case study, the representation of geographical knowledge on packaging in the form of geo-location information was desired by consumers. Cook and Crang (1996) realize that geographical knowledge is not necessary for a product to taste good (Cook & Crang 1996), yet it is becoming increasingly important in consumer decisions (Chen & Antonelli 2020; Rossi & Rivetti 2020). Companies are responding with sustainability labels, respective initiatives and presentation of information about production backgrounds (Krauss & Barrientos 2021).

Food serves not only demands for nutrition and taste, but also the definition of one's own identity (Giddens 1991; Chen & Antonelli 2020). Thus, different cultural contexts influence the behaviour of actors and their individual perceptions of the importance of a product. Part of these cultural contexts is knowledge about the places in which production networks are territorially embedded (Hess 2004). Knowledge about social and economic practices in these places and their environmental impact can influence consumption and investment decisions

as a result of societal embeddedness (Cook & Crang 1996; Hess 2004). ‘[L]ocal articulation [...] works through the deployment of various constructed [...] “geographical knowledges” about where its foods [...] and actors associated with them, come from and in what settings they can and should be situated, encountered and used’ (Cook & Crang 1996, p. 132). This provision of geographical knowledge de-anonymizes and differentiates products from competing goods, since information about the origin and production conditions are provided (Cook & Crang 1996). Consumers’ and investors’ knowledge has increased, and they seem to be set in direct relation to the producers and their environment (Cook *et al.* 1998). This can be done, for example, by suggesting that the purchase or investment will have a direct positive impact on, among other things, farmer's livelihoods. This does not reduce the spatial and cultural distances that exist between consumers and farmers and maintains ignorance about the existing disparities. Goods therefore have different meanings at different stages of the value chain: For consumers, cocoa as chocolate is associated with pleasure, brand names and cultural contexts, some of which are constructed through advertisement and media; for cocoa smallholders, cocoa is primarily a cash crop, the chocolate made from it is merely consumed, and their knowledge of cocoa processing beyond farm level is often limited.

In this paper, we draw on the GPN framework. This concept refers to the context of interconnected functions, operations and transactions through which a particular product or service is produced, distributed and consumed transnationally, and puts this in a spatial context (e.g. Henderson *et al.* 2002; Coe *et al.* 2008). A fundamental aspect of this approach is the use of the conceptual categories of *embeddedness*, *value* and *power*.

Embeddedness refers to the integration of economic activities within specific territorial, network and societal contexts, which in turn influences the organization and behaviour of actors within global production networks (Henderson *et al.* 2002; Neilson *et al.* 2018). Hess (2004) differentiates between *network*, *territorial* and *societal embeddedness*. *Societal*

embeddedness captures how national culture, historical legacies and local norms – factors like labour practices and agricultural traditions – affect corporate strategies and behaviours across the global production network, influencing both local and global operations. This approach allows a meaningful integration of the geographical knowledge concept and the GPN approach, given that all actors are embedded in a cultural context. Different cultural contexts influence the behaviour of actors and their different perceptions of the meaning of a commodity in different parts of a global production network (Cook & Crang 1996). For example, while organic cocoa can be highly commodified for a trader, the same product may have a high identity value for the consumer, who defines his or her self-identity through consumption of ethical food (see Giddens 1991; Cook & Crang 1996). Global production networks are *territorially embedded* in specific locations, where firms are shaped by and sometimes constrained by local economic activities, social relations, policies and climate (cf. Rossi-Hansberg 2019). The category *network embeddedness* refers to the relationships among firm- and non-firm actors, and intermediaries in global production networks. Being embedded in a network is a challenge for start-ups, which can be exacerbated by their location in remote areas. According to Rossi-Hansberg (2019, p. 1), the spatial distribution of economic activity is shaped by ‘agglomeration and congestion’, which impose costs on highly concentrated areas. By reducing transport costs and improving infrastructure, regions can increase their attractiveness for investment, thereby impacting the reconfiguration of global production networks and facilitating local economic development (Nwajiuba *et al.* 2020).

Henderson *et al.* (2002) differentiate the analytical category of value into *creation*, *enhancement* and *capture of value*. *Value creation* encompasses the initial generation of value through processes like labour and production, whereas *value enhancement* pertains to upgrading activities that improve quality or productivity. *Value capture* addresses the capacity to retain value within specific locations.

For a better understanding of the relationships between the ability to connect products

to specific information and power, the distinction between *institutional*, *corporate* and *collective power* from the GPN approach is useful (e.g. Henderson *et al.* 2002). The state can exercise *institutional power* through national policies, regulations and standards that affect production circumstances, business activities and market conditions. This power is critical in shaping local economic development, value capture and setting labour and environmental standards, thereby influencing the overall functioning and direction of global production networks. State action can facilitate industrialization or economic growth by guiding investment decisions and supporting the strategic objectives of local firms. While the GPN approach conceptualizes the state as a regulatory and developmental actor (Henderson *et al.* 2002), this role cannot be assumed to be universally effective or coherent. As Ezeoha *et al.* (2022) note, the persistence of structural development challenges in several African economies, despite significant multinational investment, raises concerns regarding the effectiveness of current policy frameworks in supporting inclusive development. Akinyoade *et al.* (2020) demonstrate that well-intentioned public–private partnerships can result in uneven power relations and ambiguous developmental impacts in their study of the sorghum value chain in Nigeria. These illustrations underscore the necessity of critically evaluating state–business relations, particularly in the context of emerging actors that aspire to operate ethically while navigating intricate regulatory environments. One factor in the expression of *corporate power* is the possibility of conveying or influencing knowledge. Thus, the power of a company can be based on the fact that it has knowledge about the production network and the market situation that other actors do not have (Cook *et al.* 1998). NGOs and media also have the power to impart knowledge and thus influence a company’s symbolic capital (cf. Gereffi *et al.* 2001). Communicating knowledge about production conditions can influence the behaviour of both consumers and investors. When this occurs *en masse*, it is a form of exercising *collective power*, which is power arising from collective action (Henderson *et al.* 2002). Closely related to this *collective power* of consumers and investors is the trade in ethical products, for example, Fairtrade and organically produced foods.

The spatial distances and complexity of actor relationships within global production networks entail limited consumers' knowledge of these production networks and production relationships (Rousseau 2015). Knowledge influences the positioning of actors in global production networks and the dynamics emanating from and existing between them. Actor positioning through knowledge can influence an actor's power and capacity to act, which in turn has an impact on the global production network architecture (cf. Henderson *et al.* 2002).

Similarities to the spread of ethical consumption (Andorfer 2013) can be seen in the development of ethical investments, in which investors make decisions based on whether a company adheres to certain social (e.g. prohibition of child labour), environmental (e.g. climate neutrality) or religious (e.g. exclusion of gambling) standards (Hiß 2012). Through ethical investments, 'consumers can purchase "moral satisfaction" increasing their private utility' (Getzner & Grabner-Kräuter 2004, p. 262). A distinction must be made between institutional investors and individual private investors. Institutional investors, like pension funds, are sometimes forced by government regulations to invest in a socially responsible manner but may also make ethical investments for reasons of reputation (Sparkes 2001). In individual private investments, questions of the investor's self-definition play an increasing role. In this regard, portfolios have taken on the character of consumer goods. This is particularly true for retail investors, who often invest not only to make a profit but also to make a statement (Harrington 2008). To appeal to these potential investors, companies can employ marketing strategies like those used for consumer goods. Getzner and Grabner-Kräuter (2004, p. 274) point out that for the marketing of ethical investments 'the most important stakeholder groups to communicate with are customers and/or (potential) shareholders belonging to the "green investor segment," which particularly consists of consumers with higher education and above-average income'. Since funding 'green' investments may differ in some respects from consuming 'green' products, they advocate

for sufficiently differentiated and detailed information supply by providers, which is why Getzner and Grabner-Kräuter (2004, p. 274) advise '[...] marketing strategies for green products should be combined with information regarding the availability and advantages of green shares (and/or other Socially Responsible Investments (SRI))'. A novel form of ethical investment in the context of global production networks is crowdfunding. While often discussed as a tool for alternative financing, crowdfunding can also be conceptualized as a form of collective power. Through coordinated action by a large number of small investors – frequently driven by ethical or developmental motives – crowdfunding facilitates financial support for production models that challenge conventional global production network architectures. The way in which geographical knowledge shapes the marketing of ethical investments has not yet been investigated in the existing literature.

GHANA'S COCOA SECTOR

Ghana is the world's second most important bulk cocoa-growing country. Its cocoa productivity nearly tripled from crop year 1999/2000 (approx. 437 tons) (Ghana Statistical Service 2020, n. p.) to 2020/21 (1047 tons) (ICCO 2023, p. 1). Evidently, cocoa is hugely important to Ghana's economy as it accounts for 20 to 25 per cent of export earnings and 7 per cent of Ghana's GDP (ILO 2019, n. p.). Affected by, dependent on and behind it are around 800,000 smallholder cocoa farmers and their families who are cultivating, fermenting and drying the cocoa (Ahoa *et al.* 2021, p. 12,440).

After primary processing by the farmers, cocoa beans are taken to collection points where state-licensed intermediaries, so-called Licensed Buying Companies (LBCs), are allowed to buy the cocoa beans at the community level (Cocobod 2022). The beans must pass the quality control of Ghana's Cocoa Board (Cocobod), the state body that licences all trade and export. Only Cocobod and its licensed LBCs are permitted to buy the beans. Afterward, the cocoa is normally transported

to Tema (see Figure 1), where companies process the beans into semi-finished products (e.g. cocoa butter, powder or liqueur) and export them – mainly to the Global North, where they are used in processed foods, cosmetics and other consumer goods.

While this system has enabled stability and quality assurance, the current structure also limits participation to large-scale actors: Licensing requirements like a minimum purchase threshold of 10,000 tons effectively exclude small domestic processors and favour multinational firms (FAO 2022, p. 1). These structural dynamics reflect broader critiques of state-business relations in African production networks, where regulatory frameworks may stabilize export performance but also embed power asymmetries that disadvantage local actors (Ezeoha *et al.* 2022). Similar patterns are observable in other agri-food sectors across the continent, like the Nigerian sorghum value chain, where public–private partnerships have produced mixed impacts and uncertain

gains for inclusive development (Akinyoade *et al.* 2020).

The Ghanaian cocoa sector also illustrates how state power continues to shape production networks, revealing the interplay between colonial legacies and institutional path dependencies. During the colonial period (1878–1957), the West African Produce Control Board centralized cocoa exports to meet European demand, establishing a regulatory structure that prioritized the export of unprocessed beans (Fold 2008). Although partial liberalization has occurred since independence, Cocobod, established as the successor to the colonial body, continues to hold a key role in licensing, quality control and export operations (Cocobod 2022; Koddenbrock *et al.* 2020).

Large parts of the colonial-era structure have been preserved (Koddenbrock *et al.* 2020): The production of raw materials and the initial, less profitable processing steps remain in countries of the Global South, while the more lucrative

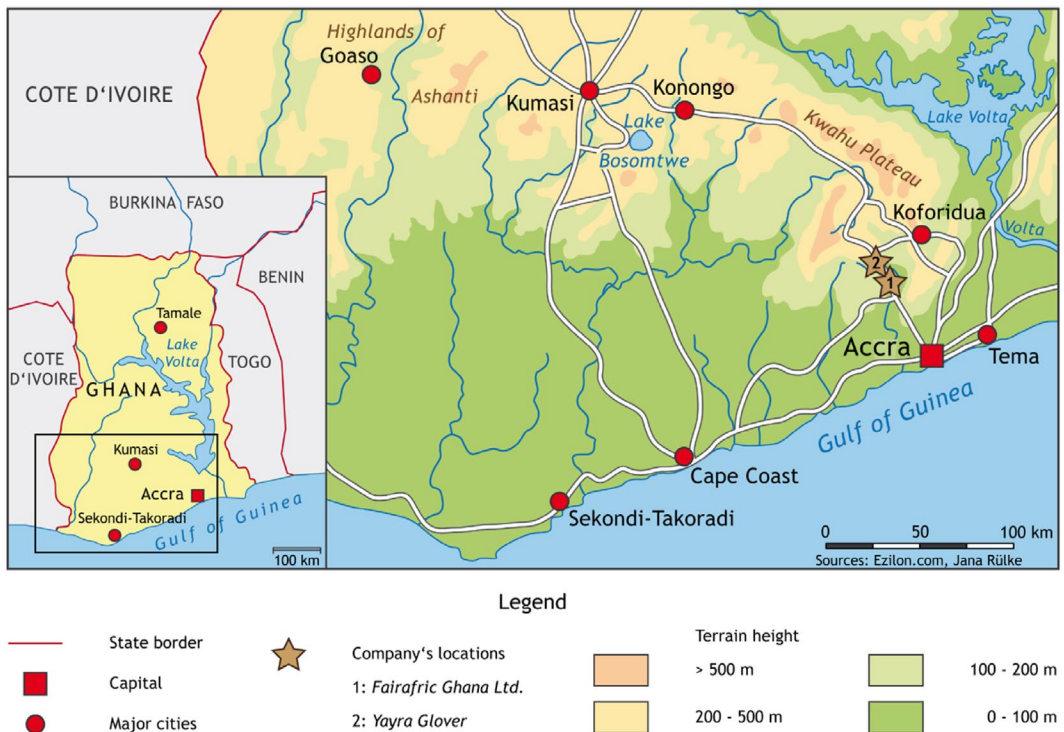


Figure 1. Map of Ghana and locations of actors (Cartography: C. Reichel).

stages of value creation, trade and consumption are concentrated in the Global North (Ouma 2019; Fountain & Huetz-Adams 2022; Hickel *et al.* 2022). This highlights how institutions like Cocobod may not only stabilize commodity flows but also reinforce existing spatial inequalities in global production networks.

THE FAIRAFRIC CASE STUDY: CHOCOLATE MADE IN GHANA

Fairafric AG, a German company founded in 2015, has been importing organic chocolate from Ghana for the European market since 2016. The company was and is financed through the implementation of a multifaceted range of financial strategies and the creation of investment opportunities to facilitate its operations and growth (e.g. crowdfunding, share sales, different types of bonds or selling so-called 'Schokoscheine' or 'Chocolate-Papers') (Fairafric 2024a, n. p.). Initially, the company collaborated with Ghanaian chocolate manufacturers to import their chocolate to Germany and market it there. In 2020, the company established a Ghanaian subsidiary named Fairafric Ghana Ltd. to operate its chocolate factory in Ghana.

Fairafric's approach and challenges – Fairafric's approach to reconfiguring the global production network, so that chocolate for the European market is produced in Ghana, generates additional costs and creates hurdles not only during production setup but also in the long term (Rossi-Hansberg 2019). The development of production infrastructure and foundational structures in Ghana necessitated a process of establishment *ex nihilo*:

1. The factory's infrastructure needed to be established; however, selecting a location in a rural area presented additional obstacles. One particular obstacle was the unpredictability of Ghana's electricity grid:

[H]ere in Suhum we have more than ten power cuts a day. [E]ven when you don't have power cuts, you would have low voltage. [I]f you've not put in all these structures to make sure "Okay, there are the beans. [W]e are willing to process but where is the factory? Where is the energy?". (Fairafric Ghana, interview, 2021)

Therefore, it was essential to construct appropriate buildings and establish a factory's own energy supply. The roof of the factory was covered with 578 solar panels at the beginning of 2021.

2. High-quality machines had to be imported from Europe to meet the hygiene and quality standards of the European market, as there were none available locally. Not only the machines themselves, but also their import to Ghana and installation in Suhum was very resource-intensive. As Fairafric is registered as a free zone company, it benefits from duty-free imports, like machinery. The procurement of the machinery is facilitated by the network embeddedness with Fairafric's biggest shareholder, the German chocolate company Ludwig Weinrich.⁵ Weinrich advised Fairafric on the acquisition of the corresponding machines. Weinrich's technical production manager conducted on-site visits and provided support, like in the correct installation of the machines. Additionally, some Fairafric employees from Ghana were trained on various systems at Weinrich in Germany.
3. Staff had to be recruited and trained. With a few exceptions, there is hardly any chocolate production in Ghana, and even the chocolate production that does exist in Ghana does not usually meet the widespread taste preferences, quality and food security standards of the European market.

[I]n our setting up here, there are a lot of people whose Fairafric is their first-time professional job. [S]o, it becomes very time-consuming, it takes a lot of experience from people who understand what the requirements are. (Fairafric Ghana, interview, 2021)

Extensive investments have had to be made in training employees in the various areas of chocolate production. This included bringing selected workers to Germany, where they were trained in Weinrich's chocolate factory, utilizing the strong network embeddedness with Weinrich. Furthermore, Fairafric established a training centre for chocolatiers, thereby further expanding its role as a knowledge hub.

Further costs are incurred in production, logistics and tariffs:

4. Key ingredients to produce different types of chocolate are not available locally or are

difficult to obtain. This applies, among others, to milk powder, as there is little dairy farming in Ghana, but also to nuts and other ingredients:

[S]ome of the ingredients are very difficult to find here in Ghana or in Africa. We [d]epend on them to buy them from Europe. Because they are there. [S]omething like milk powder you buy from Germany. So, AG buys and ships it over to us here. (Fairafriic Ghana, interview, 2021)

Therefore, the company had to build up a network embeddedness in the respective production network or adapt their own. Regarding milk powder, an avoidance strategy was ultimately chosen in 2024: 'Fairafriic goes vegan: We are adapting our range and completely eliminating animal products from this year onwards' (Fairafriic 2024b, n. p.).

5. Customs duties constitute a significant additional cost compared to EU production, as they are higher on finished chocolate than on the import of cocoa to be processed in Europe. This is in line with Nwajiuba *et al.* (2020) who identified taxation and regulatory frameworks in customs and trade as part of the key obstacles to entrepreneurship and the expansion of MSMEs.

While these perspectives illustrate the perceived opportunities of localizing production, they also reveal structural dependencies, for example, on European machinery and imported inputs, which may challenge the long-term sustainability of such models (Ballinger 2018). The company's strategy to transition towards vegan recipes can be interpreted as an attempt to reduce such dependencies through locally adapted approaches (Deng *et al.* 2022), but further local adaptation remains an ongoing process rather than a completed shift.

Fairafriic's place-based strategy – The aim from the outset was to reconfigure the global cocoa-chocolate production network:

[T]he Global South produces raw materials that are only refined into finished products in the industrialized countries. This is how rich corporations in the Global North keep getting richer. [T]he Fairchain movement advocates leaving the entire production process of goods in the country of origin of the raw materials. This is where we come in—by producing the finest organic chocolate—tree to bar in Ghana. (Fairafriic 2024d, n. p.)

In so doing, the company employs a place-based ethical branding strategy (Braun & Gröne 2021).

The Fairafriic production network captures a higher value in Ghana (see Figure 2). As of 2023, Fairafriic has 17 employees in Germany, while Fairafriic Ghana Ltd. employs over 150 persons in Ghana (Fairafriic 2024c). Selected employees from Ghana are frequently trained by Weinrich. Fairafriic (2024c, 2024e) reports that an increasing number of tasks are being performed directly in Ghana to reduce the number of employees in Germany and increase the number in Ghana. Fairafriic's long-term goal is to create 10,000 jobs in Ghana with this objective:

[C]reate jobs outside of agriculture, because the situation of the people who work in agriculture has simply not improved much in the past decades and despite all efforts it is doubtful whether that will happen. [T]he creation of jobs outside of agriculture should be part of the overall concept for a country, if it is [...] the step towards [...] sustainable growth and sustainable poverty reduction. (Fairafriic Germany, interview, 2021)

The company's choice of location is guided by ethical considerations that are rooted in the specific societal embeddedness of its decision-makers. These individuals are embedded within particular social milieus in Germany, where ethical consumption is regarded as an integral part of lifestyle practices (Andorfer 2013). This embeddedness shapes corporate strategy and influences the company's role and behaviour within the global production network, both locally and transnationally.

To enhance the impact of these jobs beyond agriculture, a different location strategy to the one typically used for industrial settlements in Ghana was chosen: The factory was not built in the usual industrial zones near the coast in Tema, close to the country's capital Accra, but in the rural area near Suhum (see Figure 1):

It made more sense to settle the factory in the rural area than the urban like everybody else was doing. [...] But then the point is that if we are created to change the lives of others then we should prepare to put our comfort on the line for the others. [T]his was the main

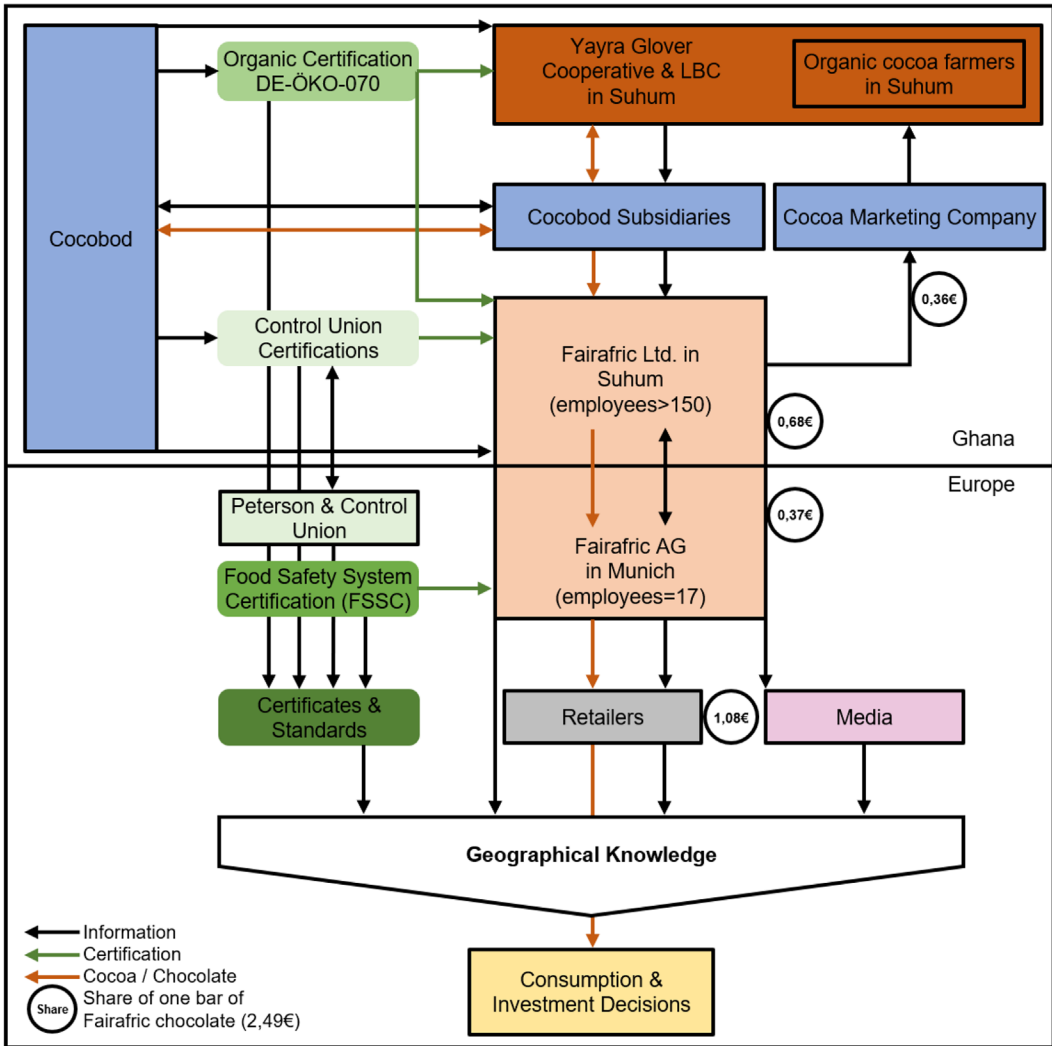


Figure 2. Actor relationships and the emergence as well as effects of geographical knowledge on consumption and investment decisions (Own representation).

motivation to bring the factory very close to the people who really matter when it comes to the cocoa value chain and to use [...] our factory, to change their lives. (Fairafric Ghana, interview, 2021)

Fairafric differentiates itself from other chocolate companies from the Global North by adhering to self-imposed ethical criteria and maintaining a physical presence on the ground in Ghana. The place of operation is a crucial factor. As a result, Fairafric is

territorially embedded in the region, while comparable Global North companies operating in the same segment of fair and organic chocolate, outsource production to conventional lead firms in the Global North that run a large-scale market-driven operation. They only engage in marketing in Europe and provide geographical knowledge for sales purposes only. This allows the original value capture structures in the production network to remain largely intact:

They [companies from the Global North] sit in Europe and other places and demonstrate to us what they do here on the ground, but trust me, they don't. And that's why I take our organization quite serious. Because it's not only talking but walking the talk. Like we have spent an incredible amount of time and money and energy doing the things that ideally, if everybody else was doing, would have made our lives very comfortable. (Fairafric Ghana, interview, 2021)

By establishing employment opportunities in a sector outside agriculture, Fairafric increases the local value capture. The spillover effects of knowledge and infrastructure development facilitate more robust industrial growth, particularly in relation to a more efficient chocolate industry. This, in turn, will enable stronger local value capture in the future.

In principle, Fairafric has shown that it is possible to set up such a chocolate factory for the European market in rural Ghana and thus reconfigure the production network, even if the growth targets it has set itself have not yet been achieved. 'We have come to realize that what we have achieved in Ghana, building [...] state-of-the-art chocolate factory in the rainforest amongst cocoa plantations is something no other company has ever achieved' (Fairafric 2023b, n. p.). The use of simplified, morally charged images of idealized rural landscapes ('[...] chocolate factory in the rainforest amongst cocoa plantations [...]'), for instance, may appeal to consumer and investor ethics but may also serve to reinforce romanticized, static perceptions of the Global South. An examination of the case of Fairafric reveals insights into the potential risks and opportunities associated with place-based ethical branding (Braun & Gröne 2021). Fairafric employs a strategy similar to some sustainability labels, leveraging consumer and investor awareness of ethical sourcing to promote its products. It presents its chocolate manufacturing in Ghana as both an ethical choice and a means of directly supporting local economies. While Braun and Gröne (2021) critically examine visual representations in Fairtrade branding, our case study of Fairafric shows how potential problems associated with place-based ethical branding can be at least partially avoided by

the fact that the narratives presented to consumers and investors are mostly created by Ghanaian workers in Ghana and passed on by them to European consumers. Consequently, the potential risk that an emphasis on local production and rural Ghanaian contexts could result in the commodification of producers and their environment, if not contextualized carefully, is mitigated to some extent.

Geographical knowledge in Fairafric's production network

– Despite these obstacles, Fairafric is attempting to expand production in Ghana and find suitable investors for this purpose. The financing of the company was created through loans, a 25 per cent participation of Weinrich and many smaller investments: By 2023, more than 5,000 people participated through crowdfunding and 265 became shareholders (Fairafric 2023a). Under the call to buy shares for the 'probably fairest chocolate in the world', the number of retail investors had already risen to 1,800 (Fairafric 2022, n. p.). This financing method enables the company to benefit from the collective power of investors who want to change the production network with their investments. In May 2025, it was announced that further financing rounds for investors are open (Fairafric 2025). The target group for investments is broader than the one for consumption, as there is no spatial restriction on investments, while consumption is tied to marketing structures. In general, corporate communication to investors emphasizes the impact of the investments, often in emotional terms: 'Together with you, we have already been able to push the boundaries of what is possible and have proven to the whole world that value creation in the country of origin is a clear concept for success' (Fairafric 2022, n. p.). Such formulations attempt to mobilize the collective power of potential investors in support of reconfiguring the global cocoa-chocolate production network through crowdfunding. The good story of Fairafric's chocolate production in Ghana is generating a lot of attention:

Team Ghana gets an incredible amount of press attention, visits, has an outward appeal, wins some crazy prizes and that is of course super cool

to see, but of course has more to do with the chocolate market than with the cocoa market. (Fairafric Germany, interview, 2021)

In this way, knowledge about the product biography reaches consumers and potential investors:

From the beginning, Fairafric is sort of dependent on this whole story, all the added value [...]. Fairafric basically depends on this being passed on [...]. We let the numbers speak for themselves and say okay, 1.08€ or 1.09€, for this price Fairafric AG buys the bar of chocolate from Ghana Limited. That means that this is the part that goes to Ghana. (Fairafric Germany, interview, 2022)

The architecture of the cocoa sector in Ghana is highly complex. Figure 2 shows the relationships between the actors involved in the Fairafric production network and how these relations lead to geographical knowledge, which in turn influences consumption and investment decisions. As the state institution, Cocobod defines the conditions for the production network in which the interconnected actors are embedded. Cocobod's strong institutional power leads to more complex production network structures, as cocoa may only be purchased through a buying company licensed by the government (LBC) or the Ghanaian government itself, in the form of Cocobod's Cocoa Marketing Company Ltd. (CMC). Although Fairafric Ltd. purchases the cocoa solely from the Yayra Glover Cooperative (as of October 12, 2023), this is not done directly. All cocoa beans must be sold to, and may only be resold by, the state. In this regard, Fairafric Ltd. pays the money for the cocoa to CMC, which manages this money and pays the Yayra Glover Cooperative for the cocoa they supply.

Of course, very few people know that you can't go directly to the farm and say "*Here, I want your cocoa and I'll buy it now and pick it up tomorrow and then I'll bring the money directly with me.*" That this is forbidden is known to few people in Europe. (Fairafric Germany, interview, 2021)

This structure, with state quality control, ensures Ghana's high cocoa quality but also leads to the fact that the story of chocolate production at the place of cultivation has fractures. The direct purchase of cocoa beans

from the farm is prohibited in Ghana, which means that direct preferential treatment of cocoa farmers by cocoa processing or chocolate manufacturing companies is only possible via intermediaries, like cooperatives or LBCs (Cocobod 2022).

Presenting the challenges of this complex architecture in a simplified manner for consumers and investors is difficult, especially within the limited space of chocolate bar packaging. On the product packaging itself, information is only provided on the origin ('Made in Africa'), the EU organic label and the production conditions ('No Child Labour', 'Jobs in Ghana' and 'Non-GMO'). More comprehensive information is available on the company's website, social media channels and via flyers and posters.

Fairafric fulfils diverse roles: disseminating geographical knowledge about production conditions in the target market and passing on information from Germany to Ghana about consumer requirements. Training staff in chocolate production through visits of Ghanaian employees to the factory of Weinrich and bilateral exchanges between Fairafric Ghana and Germany. In addition, Fairafric plays an instrumental role in disseminating knowledge to farmers, particularly pertaining to the specifics of ethical consumption (e.g. compliance with social and ecological standards), beyond the scope of information provided by Cocobod:

The farmers should [...] know [...] that there is a market out there that is critical of the kind of beans that are now coming from Ghana. The market is saying, "*Before we buy your cocoa, you have to meet these criteria.*" [...] So you have to understand that it's not about what they think, it's about what the customers want. (Fairafric Ghana, interview, 2021)

This is of particular significance, as knowledge transfer serves as a crucial foundation for inclusive development, food security and advancement towards self-sufficiency for farmers. The sustainability of local embeddedness and development represents a critical differentiator for chocolate manufacturing companies operating within Ghana versus those based elsewhere. By fostering deep-rooted connections within the local

economy, companies like Fairafric contribute not only to economic activity but also to long-term socio-economic endurance in cocoa-growing regions. This local embeddedness enhances knowledge transfer, builds local expertise and generates stable employment, which traditional, externally operated production networks often fail to achieve. This has not yet changed the global production network's architecture in general, but it does make a difference to the local people and the local (rural) development.

To reach more than the niche consumers in organic and ethical trade shops, Fairafric tries to optimize communication and presentation of goods and reach the mass market to utilize the factory in Ghana to full capacity: 'We want to get out there and want people standing in an [ordinary supermarket] to understand at first glance the message and the added value' (Fairafric Germany, interview, 2022). In the meantime, Fairafric chocolate is sold in Europe through its own online store, organic retailers, world shops and increasingly in supermarkets. The expansion of marketing channels has impacts on the possibilities for disseminating geographical knowledge and is now taking place from Ghana: 'In 2022, we started our Marketing Hub in Ghana. Since we want to bring as much of the value creation as possible to the continent, we dared to also do our marketing activities here' (Fairafric 2023b). In this way, storytelling takes place where the story takes place, by the people affected, not about them. The representation is adapted to the ongoing developments of Fairafric, which is why they ask themselves:

What exactly is the claim that really picks people up, because do we want to provoke? Do we want to play on the conscience, so to speak? Do we want to encourage people? We don't want to overload people. (Fairafric Germany, interview, 2022)

In addressing its (target) clientele, Fairafric employs a strategy tailored for the target market in Europe. In addition to the company's economic interests, it is important to comply with the standards of the European market to represent a viable alternative to the established brands in the retail trade. Recognizing

that Cocobod is primarily concerned with fostering an economically profitable cocoa sector in Ghana (Ahoa *et al.* 2021), Fairafric is also engaged in emphasizing the socio-ecological dimensions of the global cocoa-chocolate network within the framework of conventional regulatory oversight at the national level. Nevertheless, it is desirable that Fairafric frequently reflects on its representation strategies to reduce the risk of perpetuating simplified moral narratives (Braun & Gröne 2021).

THE IMPACT OF FAIRAFRIC

Fairafric's story and the reconfiguration of its production network have several impacts. Firstly, the company's story and distribution of geographical and production network knowledge raises awareness of the challenges and opportunities beyond fair trade in the chocolate industry and creates knowledge about the corresponding global production network. Such factors have the potential to influence consumer and investor behaviour, prompting some to engage in more conscious shopping and investment practices and to consider products and investments that align with their ethical values. Secondly, the reconfiguration of the production network results in a higher value capture within the countries of origin, particularly in Ghana: '[w]e can bring about 17,150 US\$ income per ton of cocoa to Africa through production in Ghana' (Fairafric 2024e, n. p.). This has the potential to promote sustainable economic development and reduce poverty in the long term by strengthening local communities and generating employment opportunities. Fairafric contributes to improving the living conditions of people in a producing country by creating reasonable and encouraging working conditions, promoting education and training: 'In Ghana, the daily minimum wage is 11.82 cedis, which corresponds to a monthly salary of less than 50 US\$. The starting salary for factory workers is around 1,300 cedis per month [...]'⁶ (Fairafric 2024e, n. p.). Fairafric's story and reconfiguration of the production network demonstrate the successful combination of social responsibility and

economic success. In comparison with the national minimum wage of approximately 472 Ghana Cedi (GHC) per month (Ministry of Employment and Labour Relations 2023, n. p.), the initial salary of approximately 1,300 GHC per month at Fairafric demonstrates a substantial income premium.⁷ The compensation package offered by Fairafric comprises formal contracts, paid leave and health insurance contributions, aligning with best practices in formal employment. While the employment conditions may be considered limited in scope, they nevertheless represent quantifiable progress towards inclusive development. This case exemplifies how private actors can reconfigure value creation in ways that are sensitive to local labour market conditions and contribute to social upgrading.

Even though the production and marketing take place in Ghana, and according to Fairafric Germany, many decisions are made by Fairafric Ghana itself: '[w]e work together with Fairafric Ghana on an equal footing' (Fairafric Germany, interview, 2021) – a certain power imbalance remains in the production network. This is, on the one hand, because the ownership structure and the orientation towards the European market '[w]e are the biggest and only customer for Fairafric Ghana [and] accordingly the planning [is] very dependent on us' (Fairafric Germany, interview, 2021). On the other hand, it is due to the strong institutional power of Cocobod that inhibits an alternative development beyond its control. The management of Fairafric Ghana would like to see other companies follow its example and make a difference to the global cocoa-chocolate production network and rural development: 'I would ask all cocoa processing companies to be set up in the cocoa-growing communities' (Fairafric Ghana, interview, 2021).

CONCLUSION

While the influence of consumer and non-institutional investors on the reconfiguration of global agri-food production networks remains limited, it can nonetheless open symbolic and material pathways for change. Such shifts are embedded in an asymmetrical

global production network architecture. Countries of the Global North have little incentive to revise customs regulations that would enable more value creation in countries of the Global South, as this could diminish their own value capture. Concurrently, numerous economies in the Global South remain constrained by export-driven models that are shaped by historical legacies and institutional path dependencies. These interwoven dynamics reinforce the global labour division and unequal value distribution. While ethically motivated consumption and investment may contest these structures, their transformative potential remains constrained without institutional change. State interventions – both in the Global North and South – must therefore be critically assessed regarding their actual capacity, intent and alignment with inclusive development goals.

Our findings highlight the material and institutional challenges faced by companies attempting to relocate production to the Global South. Fairafric's architecture required significant investments in infrastructure, energy provision, machinery and workforce training to meet European standards. These efforts were only possible due to strong network embeddedness. Moreover, high customs duties on processed products, limited local input availability and dependency on imported machinery illustrate how existing trade regimes and structural dependencies systematically disadvantage decentralized production models. Such barriers not only raise costs but also expose the fragility of alternative strategies – especially for companies lacking external support or embeddedness in Global North-oriented production networks. This underlines the importance of addressing not only the narratives supporting ethical production but also the regulatory and institutional architecture that still privileges Global North-based value creation.

This paper demonstrates how geographical knowledge can catalyse the reconfiguration of global production networks in the agri-food sector. The case of Fairafric illustrates how localized manufacturing can challenge conventional North–South architectures by increasing value capture at the site of origin. By embedding production in

Ghana and strategically communicating its place-based knowledge, the company generates economic benefits locally while raising awareness among consumers and investors in the Global North. Our analysis emphasizes the role of societal embeddedness in shaping economic behaviour: Ethical consumption and investment decisions are closely tied to the values and lifeworlds of actors situated in specific social milieus. Geographical knowledge becomes an asset allowing actors to construct meaningful narratives around production and place. Fairafric's model shows how territorial embeddedness can translate into higher local value creation and increased socio-economic resilience, even though structural and regulatory barriers, from logistics and infrastructure to skills and governance, remain significant obstacles. The company's use of geographical knowledge also functions as a branding strategy that avoids simplistic moralizing by letting Ghanaian employees communicate directly with European consumers, thus grounding ethical messaging in lived experience and context, enhancing both credibility and impact. Fairafric does things differently, which benefits farmers in its network, but farmers outside the network are not able to benefit from the advantages achieved through the restructuring of Fairafric's relationship structure. For this to happen, fundamental changes imposed by the Ghanaian government, its trading partner countries and companies would be required.

Crowdfunding as a form of collective power is an underexplored dimension in GPN research. In Fairafric's case, over 5,000 individuals contributed to financing local production infrastructure. This mobilization of capital illustrates how geographically framed narratives, combined with ethical appeals, can activate dispersed yet purposeful forms of collective agency. Future research should explore how such financial strategies intersect with ethics and network dynamics, especially regarding ownership, value distribution and local autonomy. Comparative studies between local and foreign-owned enterprises could further clarify the relationship between governance structures and inclusive development impacts.

This case study underscores that while place-based narratives can empower actors

within global production networks, their effectiveness depends on both structural conditions and strategic communication. Geographical knowledge, when mobilized critically, serves both as a tool for empowerment and a lens for exposing deeper asymmetries in global production networks.

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CONFLICT OF INTEREST STATEMENT

The authors report there are no competing interests to declare.

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Endnotes

¹We use the terms Global South and Global North as heuristic categories to highlight structural inequalities in the global economy. Following Ouma (2021), we apply these terms with critical awareness of their historical legacies and conceptual limitations.

²We use the term global cocoa-chocolate production network because the cocoa production network is part of the global chocolate production network (see Neilson *et al.* 2018, p. 1).

³The companies listed here were selected for the purpose of highlighting the activities of Global North companies that have relocated or established their production facilities at the source of cultivation.

⁴In the following, we use the acronym 'GPN' to refer to the GPN approach and 'global production networks' to refer to the empirical phenomenon (see Yeung & Coe 2015, p. 42).

- ⁵The company Ludwig Weinrich, also known as Weinrich Schokolade, is headquartered in Herford, Germany. Henceforth, Weinrich will be employed as the company's name.
- ⁶Exchange rate (23 April 2025): 1,300 GHC corresponds to approx. 83 US\$ (Bank of Ghana 2025, n. p.).
- ⁷This wage level is higher than the mean monthly wage in the formal sector, which is 1,200 GHC, and considerably higher than the mean wage in the informal sector (approx. 660 GHC) (Ghana Statistical Service 2023).

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