

INTERNATIONAL COCOA ORGANIZATION



Dr. Jean-Marc Anga

**Executive Director *a.i.*
International Cocoa
Organization**

The Future of the World Cocoa Economy

BOOM AND BUST?





Definition and Consequences of a Boom and Bust cocoa economy

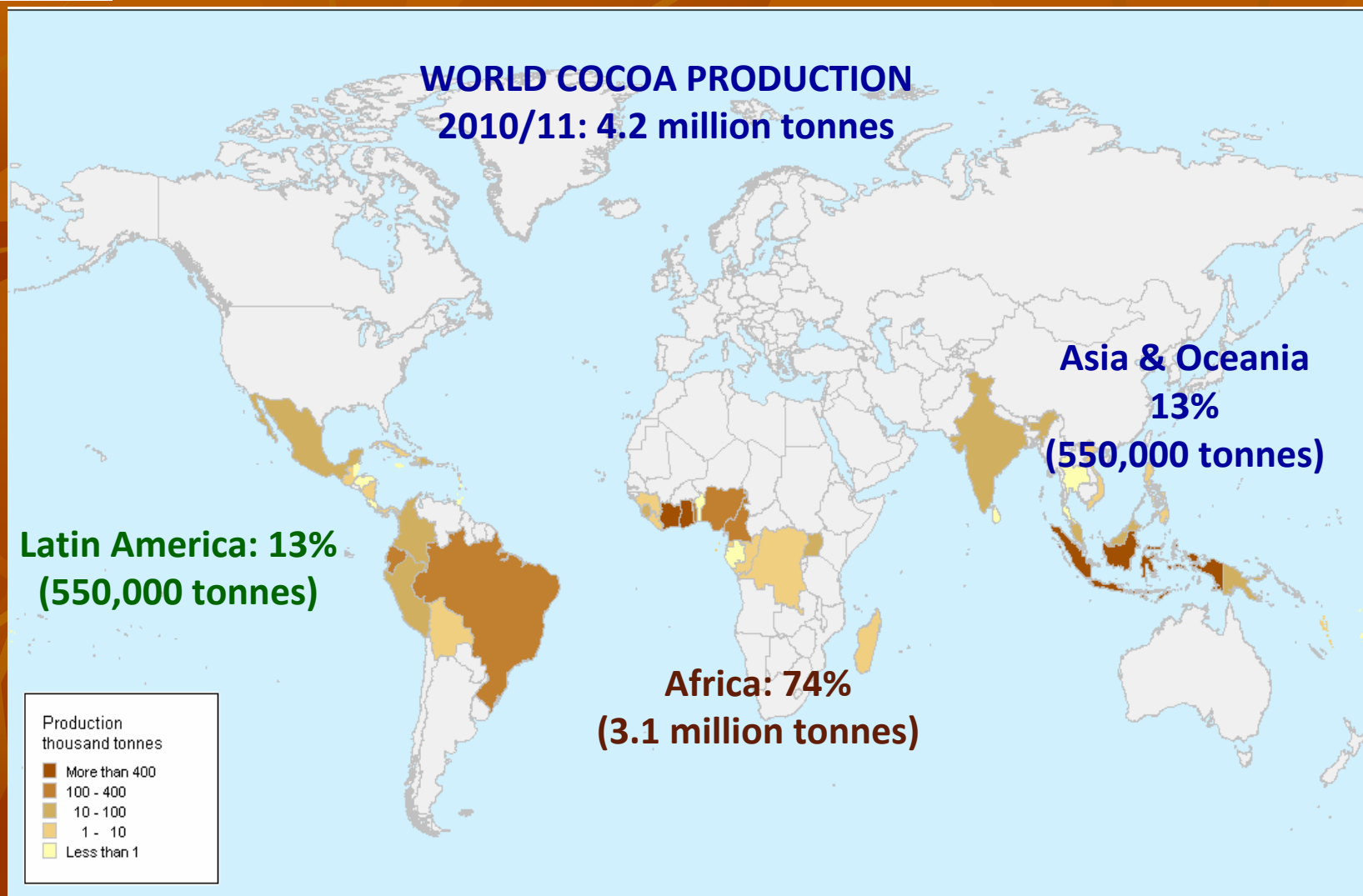
Boom: Supply deficits/High cocoa prices; leads to an increase in producers' income and an improvement in their living standards; prompts them to invest in their cocoa farms, by applying better husbandry or by creating new farms.

Bust: Supply surpluses/Low prices; as producers use the income generated under the Boom to implement uncoordinated and over-investments in cocoa production, prices collapse as the market is flooded with cocoa. Producers see a significant drop in their incomes and governments face a reduction in their fiscal revenues from cocoa exports.

The Boom and Bust cycle creates uncertainty and instability, negatively impacting on investment decisions and, ultimately, on cocoa producers and their governments and the health of the cocoa & chocolate industry in the long term.



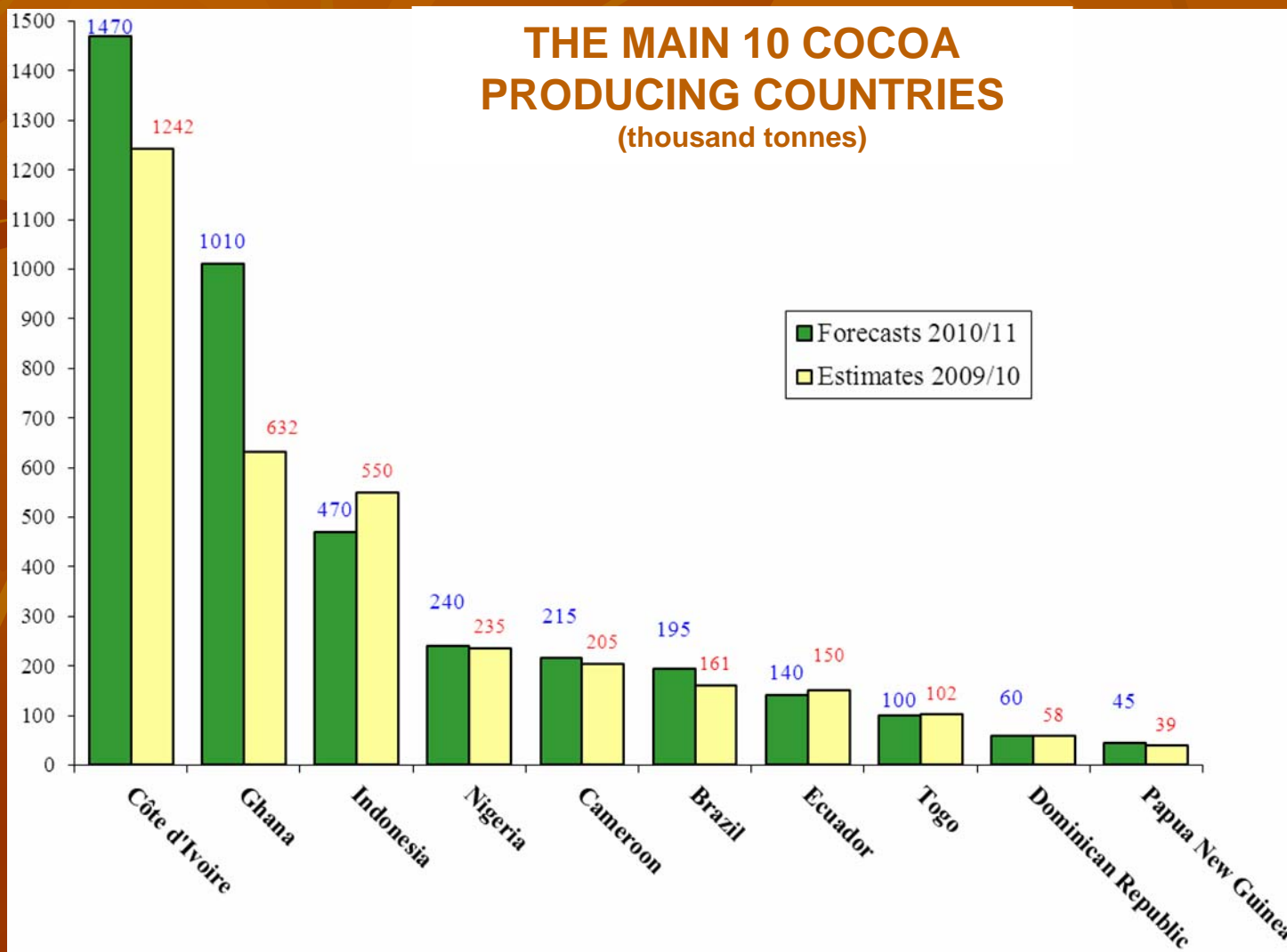
World cocoa economy characteristics



Source: ICCO, Quarterly Bulletin of Cocoa Statistics



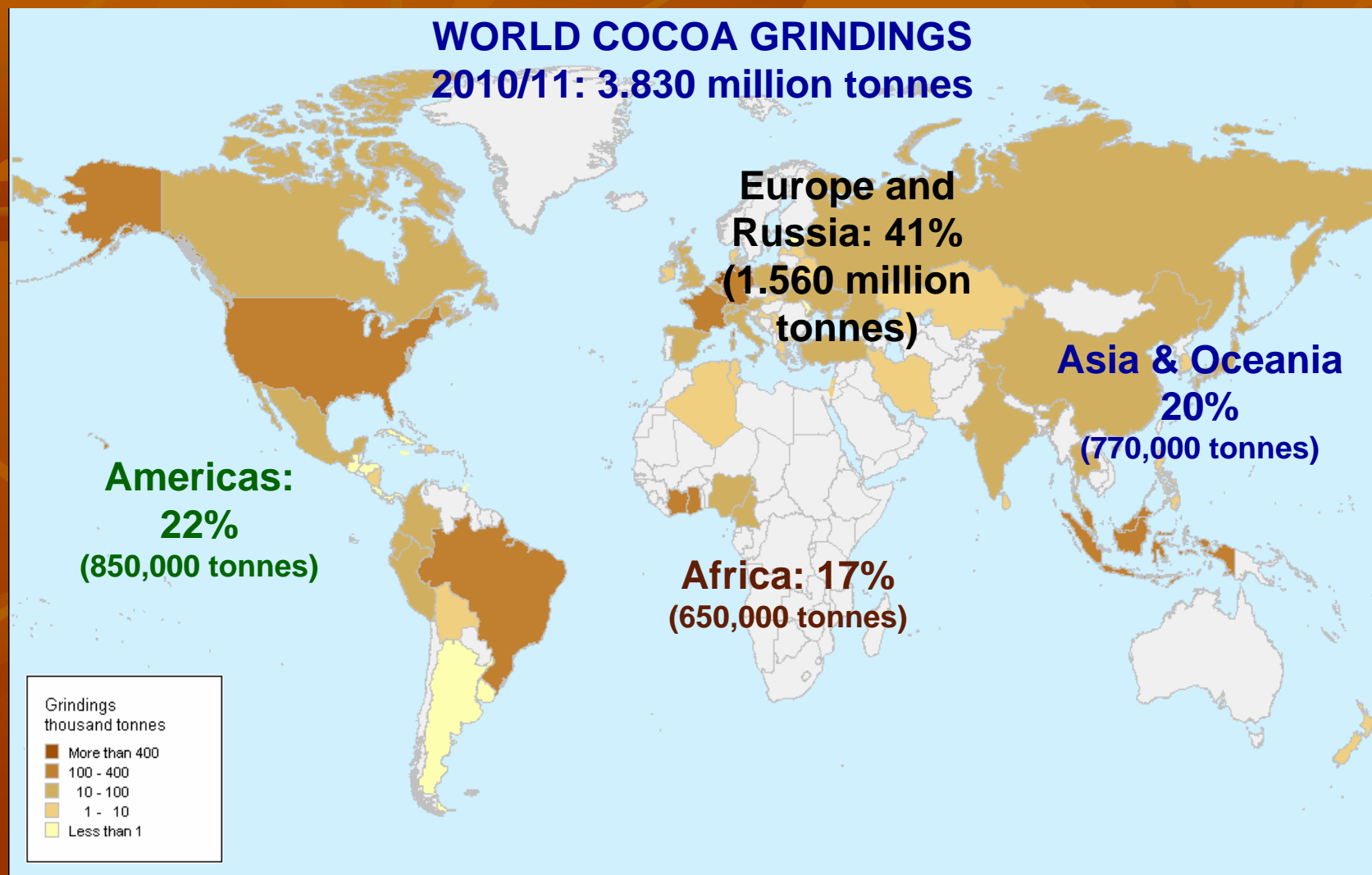
World cocoa economy characteristics



Source: ICCO, Quarterly Bulletin of Cocoa Statistics



World cocoa economy characteristics

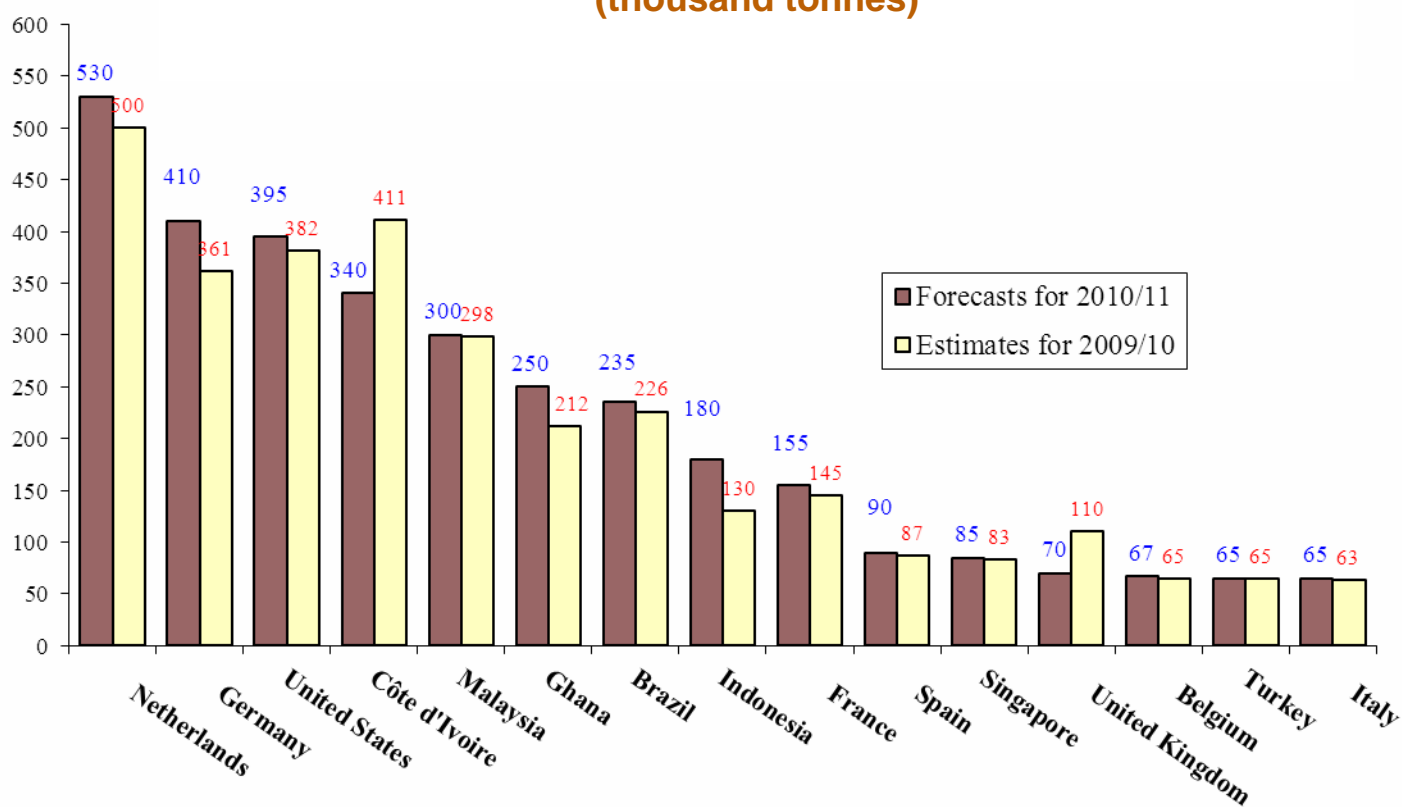


Source: ICCO, Quarterly Bulletin of Cocoa Statistics



World cocoa economy characteristics

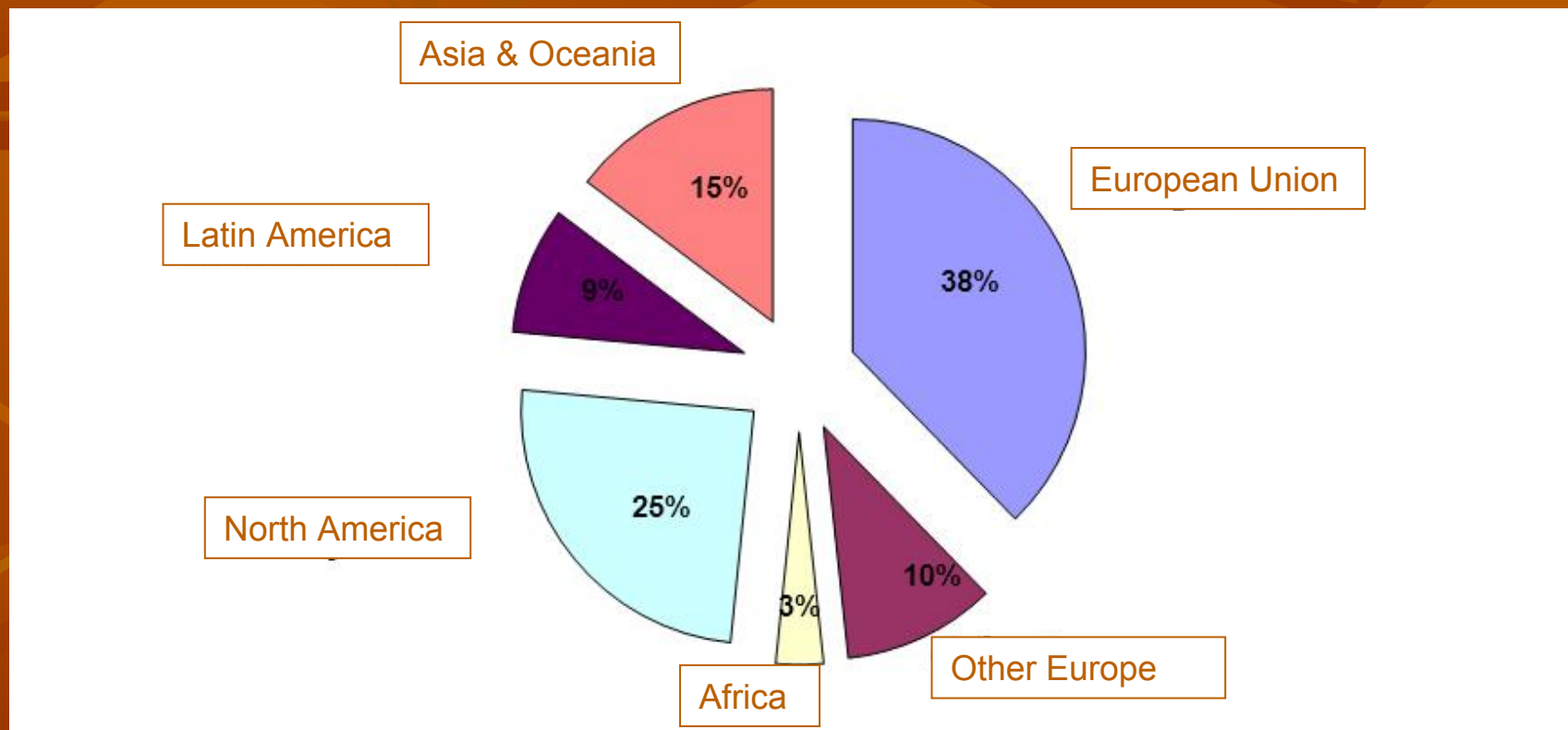
THE MAIN 15 COCOA GRINDING COUNTRIES (thousand tonnes)





World cocoa economy characteristics

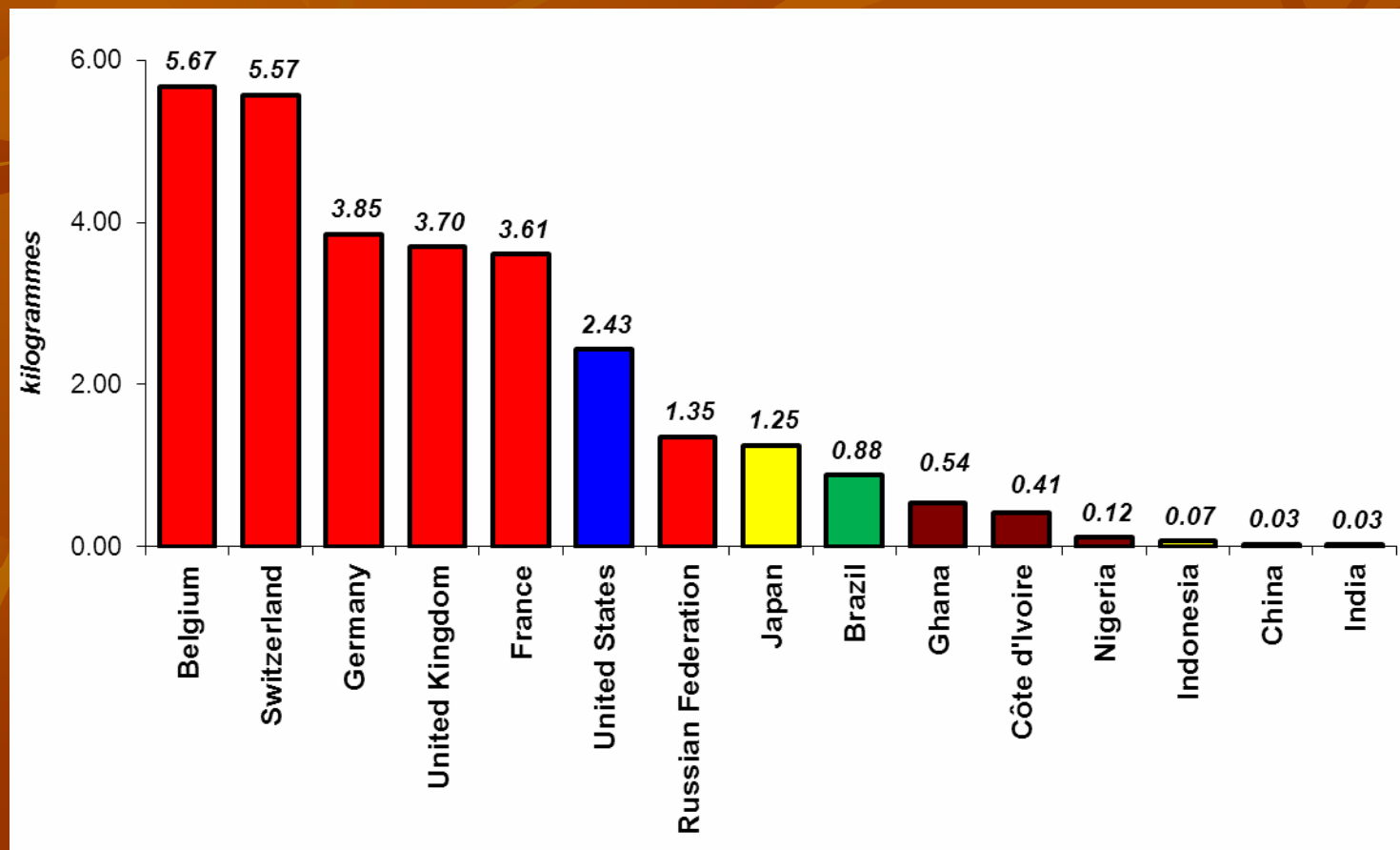
Apparent consumption of cocoa beans (in 2009/10)





World cocoa economy characteristics

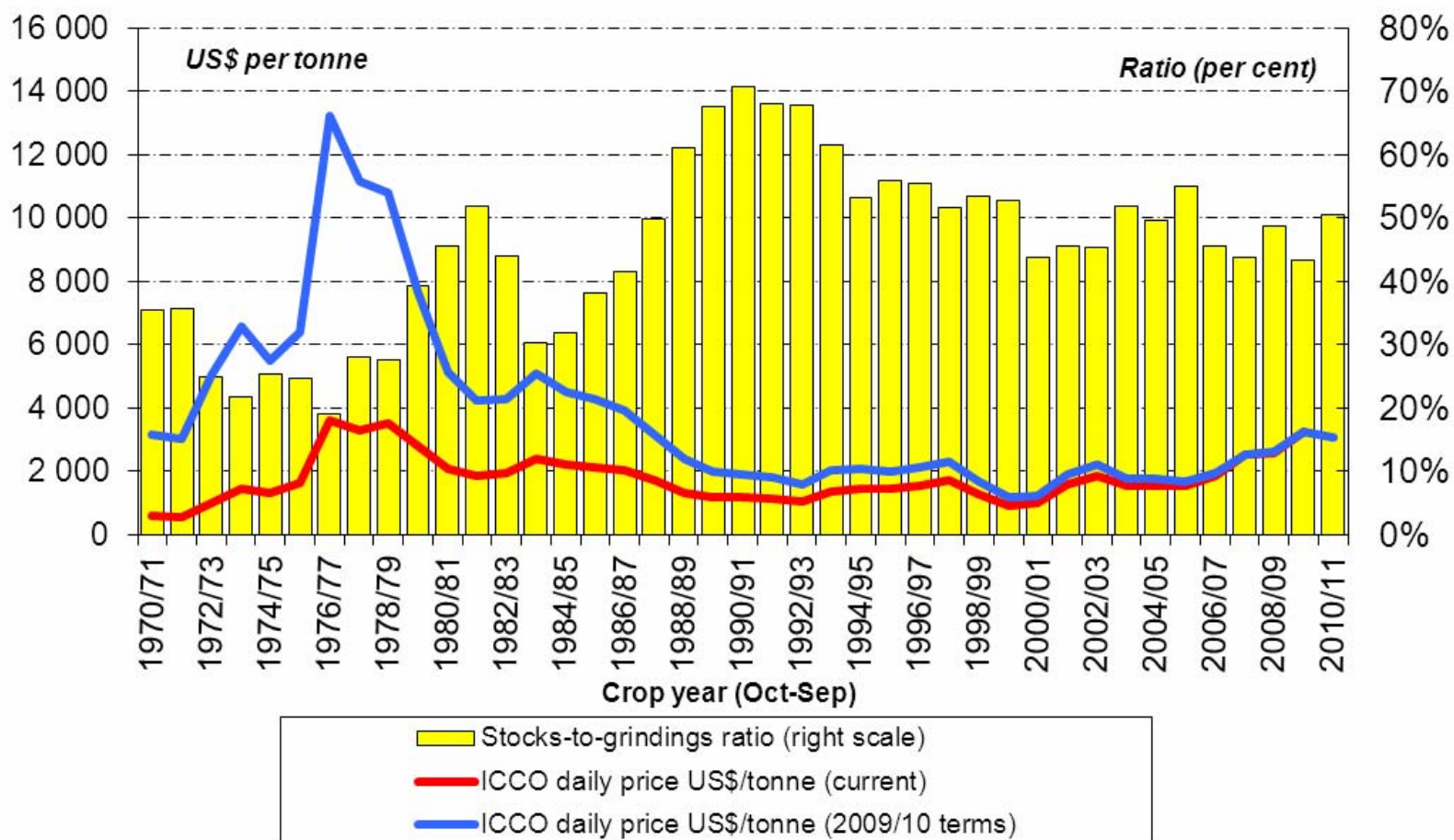
Apparent consumption of cocoa beans per caput (in 2009/10)





World cocoa economy characteristics

The price of cocoa beans on international markets





Strategic challenges (for Producers)

1. 95% of world cocoa is produced by smallholders
2. Ageing farmers
3. Low income / Mostly living under poverty threshold
4. Ageing tree stocks
5. Stagnating yields / low productivity
6. Outdated farming techniques
7. Depleted soils
8. Little or no use of inputs
9. Loss of production caused by pests and diseases
10. Increasing legislation / regulations on food safety
11. Land constraints
12. Absence of the next generation of cocoa growers



Strategic challenges (for Consumers)

- Cocoa beans produced in sufficient quantity and quality to meet the demand from consumers
- Cocoa beans meeting food safety requirements, free from harmful pesticides and contaminants
- Cocoa produced in accordance with sustainability requirements (economic, social and environmental)



Proliferation of uncoordinated initiatives in Africa (40)

<p>Côte d'Ivoire [13]</p>	<p>Quantité, Qualité, Croissance (2QC); Empowering Cocoa Households with Opportunities and Educational Solutions (ECHOES) Alliance; Processors Alliance for Cocoa Traceability and Sustainability (PACTS); Cocoa Livelihoods Programme; Dutch Sustainable Trade Initiative (IDH); Cocoa Productivity and Quality Improvement, a Participatory Approach; ICCO Total Quality Project; Optimizing Farmer Income via Sustainable and Yield-Increasing Cocoa Husbandry Techniques; Amélioration variétale, production et diffusion de matériel végétal performant de cacao; Restauration de la fertilité des sols et régénération du verger cacao; Sustainable and Competitive Cocoa Systems in Africa (SCSS); Stabilization of agroforestry systems; Sustainable Tree Crops Program (STCP)</p>
<p>Ghana [10]</p>	<p>Cocoa Sector Development Strategy Plan - Cocoa Disease and Pest Control (CODAPEC) and Cocoa Hi-Tech Programme and Seed Production Unit; Cocoa Livelihoods Programme; Empowering Cocoa Households with Opportunities and Educational Solutions (ECHOES) Alliance; Dutch Sustainable Trade Initiative (IDH); Cocoa Productivity and Quality Improvement, a Participatory Approach; Cadbury's Cocoa Partnership - Cocoa Farming and Biodiversity in Ghana; Optimizing Farmer Income via Sustainable and Yield-Increasing Cocoa Husbandry Techniques; SCSS; Mabang Megakarya Selection Programme; Sustainable Tree Crops Program (STCP)</p>
<p>Cameroon [7]</p>	<p>Plan for the Revitalization of the Cocoa/Coffee Sectors; Cocoa Livelihoods Programme; Cocoa Productivity and Quality Improvement, a Participatory Approach; Optimizing Farmer Income via Sustainable and Yield-Increasing Cocoa Husbandry Techniques; Increasing incomes and food security of small farmers in West Africa in West Africa through exports of organic and fair-trade tropical products; SCSS; Sustainable Tree Crops Program (STCP)</p>
<p>Nigeria [6]</p>	<p>Cocoa Rehabilitation Programme: Sensitisation, Training and Implementation Support; Cocoa Livelihoods Programme; Cocoa Productivity and Quality Improvement, a Participatory Approach; Stabilization of agroforestry systems; SCSS; Sustainable Tree Crop Program (STCP)</p>
<p>Liberia [2]</p>	<p>Cocoa Livelihoods Programme; Sustainable Tree Crop Program (STCP)</p>
<p>Togo [2]</p>	<p>Optimizing Farmer Income via Sustainable and Yield-Increasing Cocoa Husbandry Techniques; Cocoa Productivity and Quality Improvement, a Participatory Approach</p>



Proliferation of uncoordinated initiatives in Latin America & in Asia (24)

Brazil [2]	National Plan for Cocoa Rehabilitation - National Programme for Control of Witches' Broom; Cocoa Productivity and Quality Improvement, a Participatory Approach
Ecuador [4]	Plan Sectorial de Café y Cacao - Plan de Sostenibilidad del Cacao Fino o de Aroma; Dutch Sustainable Trade Initiative (IDH); Promoting Increased Cocoa Production for Ecuadorian Farmers (ACDI/VOCCA); Cocoa Productivity and Quality Improvement, a Participatory Approach
Dominican Republic [1]	Plan Nacional Cacaotero
Nicaragua [2]	Programa Cacao Centro America; Programa de Promoción de Cacao Sostenible Orgánico
Trinidad and Tobago [3]	National Cocoa Development Plan; Cocoa Productivity and Quality Improvement, a Participatory Approach; Conservation, Characterisation, Evaluation & Distribution activities related to the International Cocoa Genebank
Venezuela [2]	Plan Socialista del Cacao Venezolano; Cocoa Productivity and Quality Improvement, a Participatory Approach
Indonesia [6]	Gernas Pro Kakao; Social and Environmental Responsible Agriculture Practices; Cadbury's Cocoa Partnership; Dutch Sustainable Trade Initiative (IDH); Developing Public-Private Partnership to Increase Cocoa Farmers Income; Agribusiness Market and Support Activity (AMARTA) Project - Cocoa Farmers Supporting Training Programme;
Malaysia [1]	National Cocoa Programme/IPM
Papua New Guinea [3]	Cocoa and Coconut Strategic Plan; Cocoa Productivity and Quality Improvement, a Participatory Approach; Conservation, Characterisation, Evaluation & Distribution activities related to the International Cocoa Genebank



Companies & institutions involved (60)

Excluding some national programmes...

ACDI/VOCCA, ADM, African Cocoa and Coffee Farmers Marketing Organization, Agribusiness Services International (ASI), Armajaro, Austria Development Agency, Barry Callebaut, Bioversity International, Blommer Chocolate Company, CAB International, Cadbury Schweppes plc (KRAFT), CARE, Cargil, CATIE, Cemoi Chocolatier, Centre National de Recherche Agronomique (CNRA), Cocoa Research UK Limited, CRIG, Earthwatch, ECOM, Ecom-Agrocacao, Fairtrade, Fazer Confectionery Ltd., German Federal Ministry for Food Agriculture and Consumer Protection, Gates Foundation, GIZ, Guittard Chocolate Company, Hain Celestial Group SunSpire Brand, Hershey, Horizonte 3000, ICCO, ICI, IICA, IITA/STCP, Jacobs Foundation, Kraft Foods, LWR, Mars Inc., Nestlé, Noble Resources S.A., Norwegian Agency for Development Cooperation, Norwegian Association of Chocolate Manufacturers, Olam International Ltd., Petra Foods Ltd., UNDP, Proyecto Cacao Centro America, Rainforest Alliance, Ritter Sport, SOCODEVI, Source Trust, Starbucks Coffee Company, SwissAid, TechnoServe, Transmar Commodity Group Ltd, Tropical Commodity Coalition (TCC), German Ministry for Economic Cooperation and Development (BMZ), USAID, USDA, UTZ Certified, World Cocoa Foundation, etc.



Overall Strategic Challenge

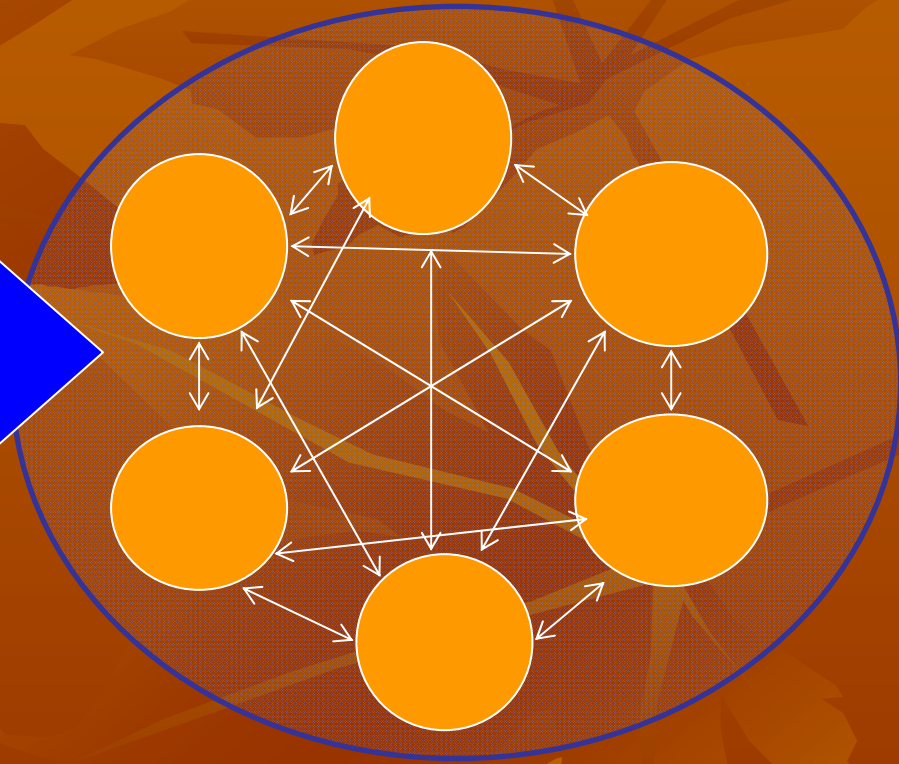
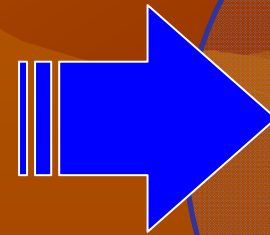
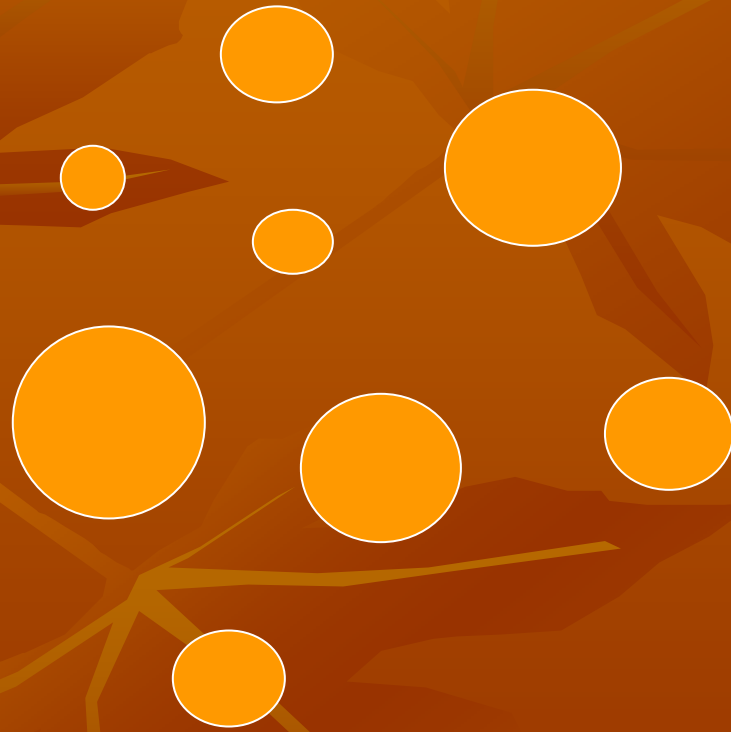
Lack of synergies and strategic approach

- Proliferation of mostly uncoordinated, at times competing initiatives in cocoa producing countries
- Ineffective approach, not leveraging collective assets and principles of cooperation
- Outcomes are disjointed, producing unintended consequences

Despite this proliferation of initiatives, not much, if anything, has changed in the producing countries



The Cocoa Sector—A New Approach



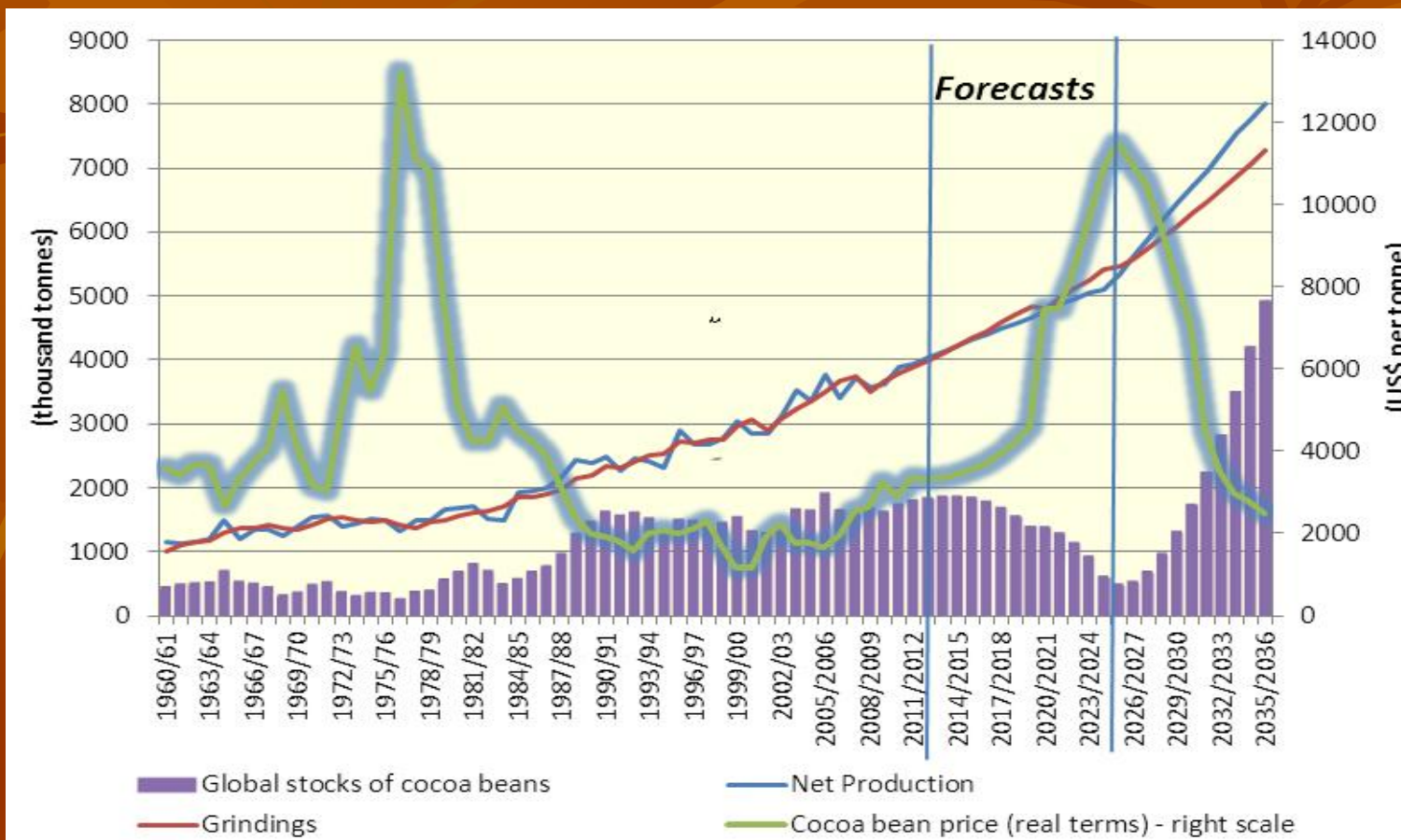
Scatter Gun Approach: Disjointed efforts result in underleveraged resources and unintended consequences on other issues or stakeholders

Systems Approach: Stakeholders, issues, initiatives are integrated around common vision, outcomes and values



The Boom and Bust

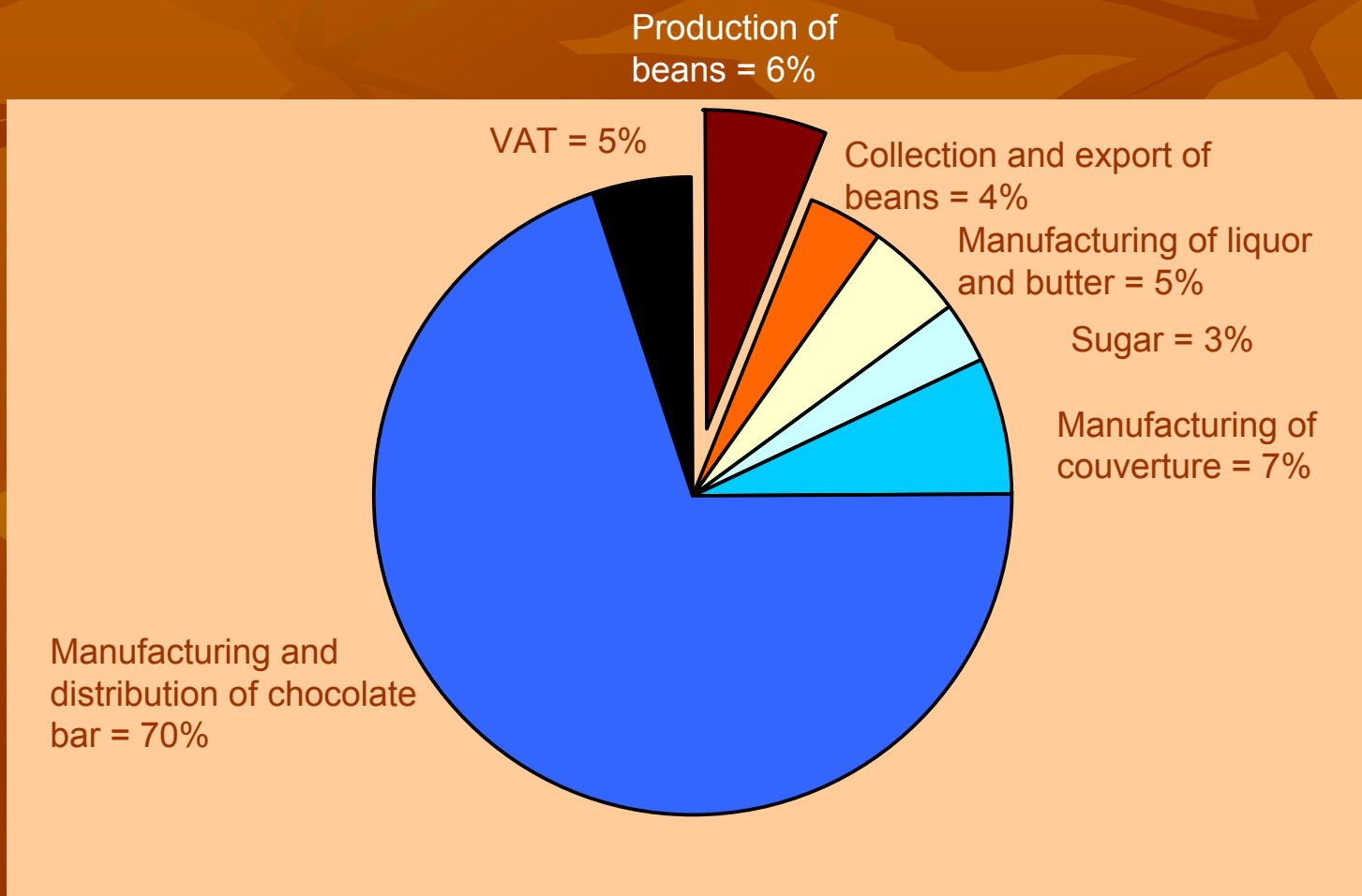
Uncoordinated cocoa investments & initiatives may step up progressively, cocoa prices collapse...





From cocoa to chocolate: Price transmission

*The distribution of chocolate bar value**

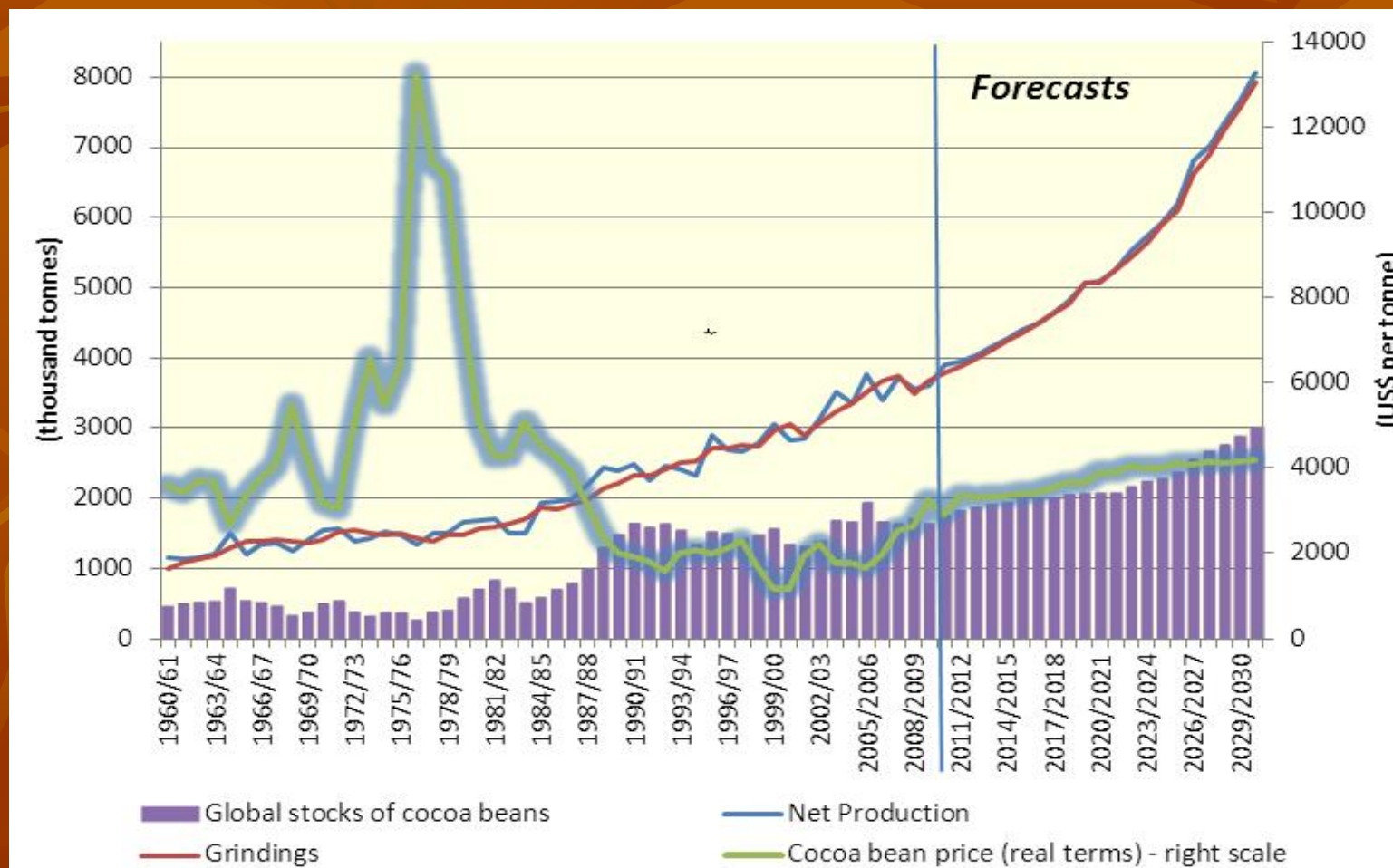


*Source: CIRAD



A Sustainable World Cocoa Economy

The way forward: a sustainable growth of cocoa supply and demand through coordinated initiatives





Priority Actions

1. Facilitate the emergence of stronger farmers' organizations operating as viable business entities and promoting their access to inputs, credit and market information services
2. Improve cocoa productivity and quality through capacity-building to farmers to use Good Agricultural Practices (GAP) and Good Warehousing Practices (GWP)
3. Promote cocoa consumption in particular in emerging countries to sustain price levels
4. Promote responsible / sustainable cocoa growing considering climate change and the protection of the environment
5. Alleviate poverty and address food security through agricultural diversification using cocoa and food crops
6. Create the appropriate incentives (attractive incomes, infrastructure and social amenities in rural communities) to appeal to the next generation of cocoa growers



Where Do We Go From Here?

Organize a World Cocoa Conference in 2012, gathering the key stakeholders in the cocoa ecosystem (governments of producing countries and consuming countries, the cocoa and chocolate industry, the donor community, international aid and development agencies, farmers' organisations, civil society, etc.)

Adopt a Global Agenda for a Sustainable World Cocoa Economy outlining the critical challenges facing the world cocoa sector and the best approach/strategy/players to tackle them

Agree on a mechanism to raise the necessary resources to implement the Global Cocoa Agenda



ICCO Value Proposition

Inter-governmental organization that brings together:

1. **PUBLIC SECTOR:** Governments from cocoa producing countries (95% of world supply, including Indonesia) and Governments from consuming countries (73% of world demand)
2. **PRIVATE SECTOR:** Cocoa and Chocolate Industry and Producers' representatives
3. **CIVIL SOCIETY** (NGOs....)

We are therefore a neutral party and any action we implement takes into account the interests of all stakeholders in the world cocoa economy.



THANK YOU



www.icco.org