



1. Background and key issues

2. Latest developments

Global demand, production and price developments in 2012/13

EU policy developments and the cocoa sector

Emerging trends and issues in the cocoa sector

Developments in the West and Central African cocoa sectors in 2012/13

Developments in the Caribbean and Pacific cocoa sectors

3. Implications for the ACP

Getting to grips with ensuring markets provide sustainable net incomes to cocoa farmers

Getting to grips with stricter food safety and sanitary and phytosanitary standards

Strengthening the functioning of internal cocoa supply chains in Africa

Building on growing Asian demand

Developing pan-ACP cooperation in marketing strategies for fine cocoa

Cocoa sector

1. Background and key issues

ACP producers are global leaders in cocoa production, which is concentrated in West and Central Africa, with fine/flavoured cocoa also being produced in the Caribbean and Pacific. While there are ambitious plans to develop cocoa production in non-ACP countries, these are unlikely to challenge the dominant role played by ACP producers in the short term.

Average cocoa prices showed a recovery in the first 9 months of 2012, before falling back by February 2013 to price levels slightly below those prevailing in December 2011, some 36.7% below the February 2011 peaks. While political conflict in Côte d'Ivoire and subsequent uncertainties linked to domestic reform policies might have helped support prices, the stabilisation of international cocoa prices, which was expected following the implementation of Ivorian cocoa reforms, has not yet occurred.

Although corporate actors are concerned over long-term cocoa supplies, this has not been reflected by higher, more stable prices. Since 2007, price volatility has been pronounced, albeit around higher average price levels.

Serious challenges are faced in stimulating investment in new cocoa plantations, improving tree management strategies and attracting young farmers into the cocoa sector. A growing range of public-private partnerships are being launched to try to meet these challenges.

Issues of environmental and social sustainability – particularly the elimination of child labour – are still high on the agenda. It is unclear whether these issues will be backed by regulatory requirements. In the fisheries sector, the EU is formulating regulatory reforms which will link access to the EU market for fisheries products with certified compliance to environmental and social standards. These regulatory

developments warrant close scrutiny, given their potential wider application to the agricultural sector (e.g. moves towards certification of production methods as being free of child labour as a prerequisite for market access).

Demand for sustainably produced cocoa is rising. However, the distribution of costs and benefits of sustainability certification along supply chains has not yet been addressed. This is complicated by the multiplication of certification schemes and a questioning of the rigour of traceability processes applied (e.g. whether fair-trade produced cocoa actually ends up in chocolate bars certified as fair-trade). ACP producers will need to stay on top of these trends by developing operational strategies to address underlying concerns.

Efforts continue to expand cocoa grindings in West and Central Africa, with a range of corporate investments taking place in support of these efforts. However, an additional area of con-

cern relates to EU regulations on cadmium levels in cocoa and chocolate products.

One key policy challenge relates to future strategies to support the repositioning of ACP producers within global cocoa value chains in response to shifting patterns of global demand for cocoa products.

For fine/flavoured cocoa producers in the Caribbean and the Pacific, efforts are under way to develop closer relationships between producers and end users. This raises issues regarding the future role of commodity boards, with pragmatic solutions apparently emerging in some countries, while regulatory reforms are in motion.

In the Caribbean, there is a need to reconcile the push towards strengthening commercial relations with existing end users, and with wider efforts to promote greater local value-added processing of cocoa into final consumer products. In the Pacific, however, the

focus is on targeting expanding premium-priced cocoa market components that are more resilient to economic downturns.

2. Latest developments

Global demand, production and price developments in 2012/13

Demand

The slow and negative growth in demand in the main global markets for cocoa (US and EU) has only partly been compensated by the emerging markets' rising demand for cocoa products, which continued to grow throughout 2012 (see Table 1). The demand in Europe for high-value, high-cocoa-content chocolate has been particularly hard hit by the economic downturn.

Table 1: Cocoa world market situation ('000 tonnes)

	2011/12		2012/13*	Percentage change (%)
	Previous est.	Revised est.		
World production	4,052	4,075	4,003	-1.80
World grindings	3,921	3,948	4,008	1.50
Surplus/deficit	90	86	-45	
End of season stocks	1,864	1,838	1,793	-2.40
Stocks/grinding ratio (%)	47.5	46.6	44.7	

Note: * Forecast

Source: ICCO, 'Quarterly bulletin of statistics', 28 February 2013

In 2012, European (EU and Switzerland) cocoa grindings fell by 10.3% as processors drew on stocks, in response to weakening consumer demand. According to the European Cocoa Association, cocoa grindings in the first quarter of 2013 declined by 3.9% compared to

2012, representing the fifth consecutive decline in quarterly grindings. In the US meanwhile, grindings in 2012 were stagnant compared to 2011.

Because grinders have stocks in 2011/12, the International Cocoa

Organization (ICCO) expects grindings in 2012/13 to grow globally by 1.5% to 4,008,000 tonnes, compared to 3,948,000 tonnes in 2011/12 (a Reuters poll suggests a 2 to 2.5% increase).

Figures from the US National Confectioners' Association (NCA) – which includes figures from the US, Canada and Mexico – showed a surprising 6% increase in grindings in the first quarter of 2013, well above initial trade estimates of a 1% increase. (4) This suggests that the corner may have been turned in terms of demand. However, while ICCO projects a 2.3% increase of Asian grindings in 2012/13, grindings according to the Cocoa Association of Asia dropped by some 10.8% to 140,062 tonnes, the lowest level since records began in 2011.

Production

According to ICCO, after a very large surplus in 2010/11 (333,000 tonnes) and a much smaller surplus in 2011/12 (86,000 tonnes), there is likely to be a supply deficit of 45,000 tonnes in

2012/13, with global production slightly down from last year, at 4,003,000 tonnes. However, weather conditions are improving in West Africa, and some traders (Cargill) expect a balanced crop year, while others (such as Olam) project a small surplus.

"A global supply deficit of 45,000 tonnes has been forecast for 2012/13"

The 2012/13 cocoa crop year started off in September with the world cocoa markets fearing the impact of cocoa sector reforms in Côte d'Ivoire. Accusations of failures in input supply arrangements established by the new regulatory body, Caisse Café Cacao (CCC), coupled with a dry spell, led to suggestions of a possible 15% decline in Ivorian cocoa production.

However, the main crop reportedly gained momentum in December–January and favourable weather led to an upward revision of estimates to levels above the average of the past 5 years. Forecasts for 2012/13 production are, therefore, just 1% below estimated production levels in 2011/12 and only 2.7% below those of 2010/11.

Exports of raw cocoa beans from Côte d'Ivoire totalled 756,052 tonnes for the main crop (October 2012 to March 2013), very similar to the previous season's export volume.

In Ghana, the world's second largest producer, output is expected to dip to 820,000 tonnes in 2012/13 as a result of poor weather-related factors (down 6.7% on 2011/12 and down 18.4% on the high level of production in 2010/11). However, the Ghana Cocoa Board –

Table 2: Production of cocoa beans

	2011/12		2011/12 est.		2012/13 f.	
	'000 t	%	'000 t	%	'000 t	%
Africa	3,226	74.8	2,905	71.4	2,796	69.7
Cameroon	229	5.3	207	5.1	210	5.2
Côte d'Ivoire	1,511	35.0	1 486	36.5	1 470	36.7
Ghana	1,025	23.8	879	21.6	820	20.5
Nigeria	240	5.6	230	5.6	210	5.2
Other	221	5.1	104	2.6	86	2.1
Americas	562	13.0	639	15.7	644	16.0
Brazil	200	4.6	220	5.4	230	5.7
Ecuador	161	3.7	190	4.7	190	4.7
Others	201	4.7	229	5.6	224	5.6
Asia and Oceania	527	12.2	531	13.0	563	14.0
Indonesia	440	10.2	450	11.0	475	11.9
Papua New Guinea	48	1.1	45	1.1	45	1.1
Others	39	0.9	36	0.9	43	1.0
World total	4,314	100	4,075	100	4,003	100

Note: Totals and percentages reflect rounding in the source document.

Source: ICCO, 'Quarterly bulletin of statistics', 28 February 2013

known as Cocobod – forecasts a production of 850,000 tonnes for 2013/14.

“There is increasing interest in developing cocoa production in non-ACP countries”

Looking beyond West Africa, amid concerns over future supplies of cocoa in the face of growing and shifting patterns of demand, there is increasing interest in developing cocoa production in non-ACP countries, particularly Indonesia, where production is forecast to increase by 10% in 2012/13 to 500,000 tonnes. However, Indonesian exports of cocoa beans are projected to drop from 130,000 to 100,000 tonnes as a result of the increased domestic cocoa grindings.

In March 2013, the 22 members of the Cocoa Sustainability Partnership launched an ambitious programme for Indonesia: to triple cocoa output to 1,500,000 tonnes by 2020, a production expansion equivalent to 25% of current global demand. However, despite a government-backed investment programme worth US\$350 million, disease outbreaks and adverse weather have hampered these efforts.

Nevertheless, Indonesia has been able to attract investment from companies such as Barry Callebaut, including the establishment of a joint-venture cocoa processing facility in Makassar, which is expected to come on stream in 2013, and the purchase in December 2012 of a cocoa business of the Singaporean group, Petra Foods. This forms part of a broader cocoa supply diversification and market repositioning strategy in light of growing Asian demand.

Similarly, in October 2012, Cargill extended its sustainable cocoa programme to Indonesia's South Sulawesi Province in response to increasing demand for cocoa across Asia.

This followed the July 2011 launch of Nestlé's Cocoa Plan in Indonesia, aimed at boosting production. Time will tell how successful these efforts will be in supplementing and even replacing cocoa production in West Africa.

“China's imports of cocoa/ cocoa products increased by 350% and India's by 570% between 2002/03 and 2010/11”

Between 2002/03 and 2010/11, imports of cocoa and cocoa products in China and India increased by 350 and 570% respectively. However, this occurred on the basis of extremely low levels of per capita consumption (0.038 and 0.027kg/head in China and India respectively), suggesting that enormous growth potential remains. While consumption of cocoa products in China is growing in the coastal areas, the challenge is to extend this inland. Companies such as Mars are actively trying to promote this development.

More broadly, Ecuador and Peru have experienced strong growth in production in the past few years. ICCO estimates that production in 2011/12 in Ecuador and Peru grew by 61 and 79% to 190,000 tonnes and 58,200 tonnes respectively, although bad weather conditions are affecting production in the 2012/13 season. Significantly, Ecuador exports approximately 65% of the global supply of fine/flavoured cocoa, and is a major competitor for Caribbean and Pacific cocoa producers seeking to target fine/flavoured cocoa markets.

Prices

Despite the forecast supply deficit in 2012/13, prices of cocoa beans have not risen. Indeed, the yearly average fell from US\$3,132.98/tonne in 2010 to US\$2,980.04 in 2011 and US\$2,391.86 in 2012, declining still further to an aver-

age of US\$2,208.83/tonne in the first 3 months of 2013. This price level is, however, still above the average enjoyed in the 1990s and most of the 2000s.

“Despite the supply deficit forecast for 2012/13, prices of cocoa bean have not risen”

Grinders now need to replenish their bean stocks, so cocoa bean prices should get a boost during the remainder of 2013. But analysts have been quite conservative in their estimates of likely price rises, projecting increases of only 2–4% by year end (see *Agritrade* article ‘[Prospects for cocoa prices in 2013](#)’, 18 March 2013).

Despite concerns over long-term supplies of cocoa and associated efforts to promote production in traditional growing areas, declines in global cocoa prices could well undermine reforms in what still remains the world's largest cocoa producer – Côte d'Ivoire. If farm gate prices offered on the back of current world market prices continue at present low levels, this could encourage producers to move out of cocoa and would undermine current efforts to consolidate the cocoa sector in West Africa.

EU policy developments and the cocoa sector

EU Regulation (EU) 853/2011 of 19 August 2011 on maximum levels for polycyclic aromatic hydrocarbons (PAH) in food came into force on 1 September 2012. It called for more extensive testing of cocoa beans and derived products for the presence of carcinogenic PAHs, resulting in the rejection in December 2012 of a 2,000-tonne consignment of cocoa beans from Cameroon, after sanitary inspectors found high PAH concentrations.

In April 2013, the EU also strengthened its regulation on cadmium in cocoa

beans (and rice), following a January 2012 report by a European Food Safety Authority scientific panel, which recommended that cocoa imports containing more than 0.2mg/kg of cadmium be rejected. While this mostly affects cocoa of Latin American origin, Cameroon and to a lesser extent Ghana are also affected (see [Agritrade article 'Brussels trains its sights on cadmium in cocoa and chocolate'](#), 9 September 2012).

One outcome is that the government of Cameroon is taking measures to conduct more rigorous analysis of beans prior to export, and taking action against sub-standard drying practices, which can increase cadmium levels. Cocoa producing countries had previously called for a 5-year delay in the implementation of these regulations to allow time for producers to adjust to their requirements.

Emerging trends and issues in the cocoa sector

The multi-dimensional nature of sustainability issues in the cocoa sector

The issue of sustainable cocoa production was high on the agenda of the November 2012 World Cocoa Conference, held in Côte d'Ivoire. The Abidjan Cocoa Declaration that emerged from the meeting set out more detailed proposals under the Global Cocoa Agenda, aimed at creating a sustainable future for the cocoa sector.

Sustainability is an issue of commercial concern to cocoa processors and users, since lack of investment in new trees, crop diseases, poor yields, poor farming practices, an aging cocoa farming population and growing competition from other crops are all threatening to undermine the availability of cocoa in the face of growing global demand.

On the demand side, environmental concerns linked to deforestation and social concerns linked to the use of child labour are creating a growing market for cocoa certified as sustainably produced. While the demand for sustainably produced cocoa is growing, a 2012 review undertaken by KPMG for ICCO found that only 6% of world cocoa supplies were produced under conditions that secured sustainability certification.

Indicative of this trend is the commitment from Dutch cocoa users to achieve by 2025 100% use of cocoa guaranteed as sustainably produced, and the launch in Germany in 2012 of the Sustainable Cocoa Forum. Furthermore, a growing number of com-

panies (Mars, Barry Callebaut, Ferrero and, from 2012, Hershey) have committed themselves to using 100% sustainably sourced cocoa by 2020. This is being backed up by substantial financial commitments from these companies.

"A growing number of companies have committed themselves to using 100% sustainably sourced cocoa by 2020"

Supply concerns and demand pressures pre-empted the launch in 2012–13 of a growing number of sustainability initiatives supported by cocoa users (see Box: Sustainability initiatives 2012–13).

Sustainability initiatives 2012–13

Developing sustainable supply chains

- In November 2012, Mondelez International announced plans to invest US\$400 million in its supply chain over the next 10 years to ensure sustainable cocoa sourcing.
- In 2011/12 Barry Callebaut invested CHF5 million of a pledged CHF40 million initiative under its Cocoa Horizons initiative to promote sustainable cocoa sourcing.
- Following the World Cocoa Conference in April 2013, chocolate makers and merchants (Barry Callebaut, Cargill and Mars) financed an initiative to distribute free of charge 20,000 tonnes of a special cocoa fertiliser designed with soil and climate conditions in Côte d'Ivoire in mind (total potential demand 450,000 tonnes).
- In Cameroon in February 2013, a further 400 cocoa farmers were certified by UTZ, as part of a broader programme to meet sustainability requirements on the Dutch market, which takes 70% of Cameroon's cocoa exports. Barry Callebaut is also supporting local farmers in the centre of Cameroon to secure Rainforest Alliance certification.
- The cocoa sector in Ghana, meanwhile, is on course to achieve in 2015 cocoa production certification standards stipulated by the World Cocoa Foundation.
- In Côte d'Ivoire in 2012, the Conseil Interprofessionnel du Cacao et du Café (CICC) launched its New Generation programme to provide training and investment support to young cocoa farmers.
- At the regional level, as part of the Africa Cocoa Initiative, the World Cocoa Foundation, the United States Agency for International Development (USAID) and the Dutch Sustainable Trade Initiative (IDH)

made commitments to a US\$14 million programme of assistance to complement locally grown cocoa support mechanisms in Ghana, Cameroon, Nigeria and Côte d'Ivoire, with the aim of improving cocoa yields.

Protecting the rainforest

- A multi-party initiative involving government bodies, official donors, NGOs and private companies has been launched to protect the Taï National Park in south-west Côte d'Ivoire. Cocoa farmers are being offered training in sustainable cocoa production, while Barry Callebaut (in cooperation with the Rainforest Alliance) is establishing nurseries for indigenous shade trees and cocoa seedlings, launching a tree planting programme, and promoting good agricultural practices.

Eliminating child labour

- Nestlé voluntarily submitted its cocoa procurement system to inspection by the Washington-based Fair Labor Association. However, in June 2012 it was announced that child labour continued to be a feature of Nestlé's supply chain. The company immediately committed itself to implementing the recommendations of the review.
- In July 2012, under the auspices of the World Cocoa Conference, a multi-agency programme to provide education and training was launched as part of an initiative to eliminate child labour.
- In November 2012 the Louisiana Municipal Police Employees' Retirement System, a shareholder in Hershey, filed a lawsuit against the company for violation of federal child trafficking laws linked to its cocoa procurement arrangements in West Africa.

Expansion of cocoa grindings in ACP countries: Trends in 2012/13

Traditionally a country's cocoa grindings were taken as indicative of the state of national demand for cocoa-based products; however, this is no longer the case, given the expansion of grinding capacities in developing countries that do not consume much chocolate.

The Netherlands remains the largest cocoa grinder in the world (500,000 tonnes), but as a result of investments in cocoa processing facilities in Côte d'Ivoire since 2008 it now has an installed cocoa grinding capacity of 532,000 tonnes – although only 75% of this capacity (400,000 tonnes) is actually utilised.

The ongoing sweeping reform of the cocoa sector in Côte d'Ivoire is aimed at processing 50% of the country's production domestically (currently 35%), with present investments suggesting that this strategy is on track. Olam is expected to initiate operations at a 70,000 tonnes per year processing plant by the end of 2013 (cost: US\$60 million). The French chocolate company Cémoi announced in July 2012 that it was boosting its grinding capacity from 70,000 tonnes to 100,000 tonnes (at a cost of FCFA2 billion). The Algerian food processing company Cevital, meanwhile, announced its plans in June 2012 to invest in cocoa processing in Côte d'Ivoire as a first step to expanding overseas, and in June 2011 Morocco's Compagnie Chérifienne de

Chocolaterie had started construction of a chocolate producing factory in Cameroon, through its local subsidiary Cameroon Investment Company.

"There is growing competition from non-ACP production zones located closer to regions of expanding demand"

A key challenge will be in successfully consolidating these investment plans and ensuring full capacity utilisation in the face of growing competition from non-ACP production zones located closer to regions of expanding demand for cocoa-based products.

Developments in the West and Central African cocoa sectors in 2012/13

Cocoa sector reform in Côte d'Ivoire

The major ongoing development in West Africa in 2012–13 was the rolling out of cocoa sector reforms in Côte d'Ivoire. Since the end of January 2012, the CCC forward-sold 70–80% of its anticipated 2012/13 harvest in order to calculate the minimum guaranteed price for growers in the next season. A cocoa farm gate price was established at FCFA725/kg (US\$1.45/kg) at the start of the 2012/13 October–March main crop year. While this was lower than the 2011/12 indicative price (FCFA1,000), reflecting lower world market prices, it was higher than the real price then paid to farmers (FCFA500–700).

The extent to which minimum guaranteed prices are respected is unclear. While the CCC has successfully prosecuted 14 buyers for paying below the minimum price, cocoa farmers maintain that there are not enough CCC agents on the ground to effectively enforce it.

Continued world market price declines resulted in a reduction of the mid crop price to FCFA680, that is, below the floor price level. The government therefore had to draw on the Reserve Fund (financed by an FCFA50/kg levy), which was established as part of the reform process to maintain a minimum grower price. At the beginning of April 2013 the Reserve Fund contained over FCFA50 billion.

There followed reports of merchants offering between FCFA500 and 600/kg. A dispute over the level of cost deductions to be allowed for transporting cocoa further complicated the situation (costs which are inflated by bribes and illegal taxes levied at roadblocks – see *Agritrade* article ‘[Success of Borderless Alliance raises hopes for long-term agricultural gains](#)’, 1 July 2013).

As part of the reform process, at the opening of the 2012/13 season the CCC raised the quality standards applied to cocoa in order to try to strengthen Côte d'Ivoire's market position. The maximum allowable mould level was set at 4% and the maximum moisture level at 8% (previously 8 and 12% respectively in the 2011/12 season). Beans with moisture levels exceeding 9% were rejected at the port of embarkation.

In October 2012, the Côte d'Ivoire government scrapped the 20-year-old tax break (*droit unique de sortie*, or DUS) that had been provided for local cocoa grinding by Cargill, Barry Callebaut, Cémoi and ADM (the Archer Daniels Midland Company). This tax break, which had been introduced as a temporary measure to boost investment and employment, had become permanent and was considered by rival exporters as providing an unfair advantage to the beneficiary firms. In 2010 it had cost FCFA34 billion – some 68% of the current financing in the

Reserve Fund – to support producer prices.

October 2012 also saw the introduction of a new tax structure on exports of semi-processed cocoa products.

Cocoa production in Ghana

At the start of the crop year 2012/13, farm gate prices in Ghana were set higher than in Côte d'Ivoire, at 3,392 cedis per tonne (FCFA870 as against FCFA725 in Côte d'Ivoire). In addition, smuggling between Côte d'Ivoire and Ghana seemed to have been contained. This can be attributed to:

- delays in paying cocoa growers;
- higher taxation rates in Ghana;
- depreciation of the Ghanaian currency, the cedi.

Reports even emerged of cocoa bean smuggling from Ghana to Côte d'Ivoire.

“In 2012/13, reports emerged of cocoa bean smuggling from Ghana to Côte d'Ivoire”

Cocoa production in Nigeria

According to the Cocoa Association of Nigeria, good rains and hot weather across most of Nigeria's cocoa growing regions could boost cocoa output by at least 30% in the 2012/13 season, to 260,000 tonnes, up from 200,000 tonnes in 2011/12 (following the fall from 250,000 tonnes in 2010/11). The Nigerian government aims to boost cocoa production to 500,000 tonnes by 2015, although farmers have expressed scepticism as to how realistic this objective is. Following Nigeria's refusal to initial an interim Economic Partnership Agreement (EPA) in December 2007, in 2013

the Cocoa Processors Association of Nigeria (COPAN) drew the attention of the federal government to the 6% tariff that the EU was imposing on imports of Nigerian-processed cocoa products.

“The Nigerian government aims to boost cocoa production to 500,000 tonnes by 2015”

Since no tariff is imposed on raw cocoa, COPAN says that Nigerians are now more attracted to exporting raw cocoa to the EU, which they say is “killing companies that have invested billions to set up cocoa processing factories”.

Cocoa production in Cameroon

Cameroon has a strong cocoa policy but, in terms of volume, progress is rather slow. In 2011/12, production reached 200,000 tonnes and according to national estimates is projected to increase to between 220,000 and 250,000 tonnes in 2012/13. ICCO estimates are somewhat lower.

By the end of March 2013, Cameroon cocoa exports of 183,300 tonnes were running 12% higher than at the corresponding point in 2012. In 2011/12, Cameroon exported 180,000 tonnes down from 200,083 tonnes in the 2010/11 season, due to a prolonged dry season and attacks by pests and diseases.

According to the National Cocoa and Coffee Board, between August 2012 and February 2013 Cameroonian cocoa grinders purchased 27,212 tonnes, compared with 25,667 tonnes during the same period in 2011/12. Cameroon has two local grinding companies: Sic-Cacaos, a subsidiary of Barry Callebaut, and Cameroun Investment Company (CIC), a subsidiary of Moroccan Compagnie Chérifienne de Chocolaterie, which started production

late last year. Chococam, an affiliate of South Africa's Tiger Brands, is involved in actual chocolate production.

"There is growing interest in Cameroon in organic cocoa production"

There is growing interest in Cameroon in organic cocoa production as well as origin-related quality cocoa. Furthermore, tax reforms are under discussion to encourage investment in local processing.

Regional pest and disease control initiatives

"In West Africa, pests and diseases are the main challenges to a sustainable cocoa economy"

In West Africa, pests and diseases are the main challenges to a sustainable cocoa economy, accounting for more than 40% of global crop losses, resulting in reduced income for cocoa farmers. The recent emergence of parasitic plants such as mistletoe and epiphytes is of particular concern.

In April 2013, ICCO, the Common Fund for Commodities, the European Cocoa Association, Mars and Mondelez International launched the Integrated Management of Cocoa Pests and Pathogens in Africa project (at an estimated cost of US\$3.2 million) with Cameroon, Côte d'Ivoire, Ghana, Nigeria and Togo. The Cocoa Research Institute of Ghana is to coordinate the strengthening of in-country and regional capacity for pest surveillance, early detection, eradication and continued management of existing and invasive pests and pathogens.

Developments in the Caribbean and Pacific cocoa sectors

Caribbean

According to ICCO estimates, cocoa production in the Caribbean totalled 66,900 tonnes in 2011/12. Over the past 5 years, Caribbean production has increased by 28%, but with the rise of production in Ecuador and Peru, its share of the Americas' cocoa production has decreased from 11.1% in 2007/08 to 10.6% in 2011/12. However, its estimated share of world production went from 1.3 to 1.6% between 2007/08 and 2011/12.

The Dominican Republic (DR) is by far the largest Caribbean cocoa producer at 60,000 tonnes. In 2011/12, some 5,000 tonnes were ground in the country, against a high of 6,200 tonnes in 2009/10.

"The Dominican Republic is ideally placed to consolidate its standing in the global chocolate market, securing premium prices"

The DR is a leading exporter of organic and fair-trade cocoa. While the tonnages are modest (15,000 tonnes of a total of 62,385 tonnes in 2009), "they considerably increase the visibility of the DR in particular markets." Indeed, "in the UK and other countries, an increasing number of chocolate bars are explicitly marketed as using beans sourced from the DR." The DR has effectively branded certain types of its cocoa in ways that secure premium prices. Analysis suggests that the DR is "ideally placed to further consolidate its standing in the global chocolate market, which is seeing an increased demand for ethically produced, high-quality cocoa" (see [Agritrade article 'Strengthening internal supply chain](#)

[essential if future of DR cocoa sector to be secured'](#), 1 July 2013).

Between 2009 and 2012, a project coordinated by the National Confederation of Dominican Cocoa Growers (CONACADO) among 1,200 small producers (3% of producers) was able to boost productivity by 46% per hectare. In addition, the operations of CONACADO have been restructured into three separate units dealing with technical, financial and marketing activities. This can be viewed as part of a wider process of parastatal restructuring taking place in the region.

Jamaican reforms are in process to consolidate the regulatory functions of various parastatal bodies under one body, while removing parastatals from any commercial role. This process of reform is ongoing, with a pragmatic division of labour emerging between the Jamaica Cocoa Farmers' Association (JCFA) and Jamaica's Cocoa Industry Board during this transition. JCFA envisages readily available opportunities for marketing Jamaican fine/flavoured cocoa in Belgium, Germany, Japan and Saudi Arabia, with considerable scope for securing price premiums (see [Agritrade article 'Cocoa farmers incomes boosted by pragmatic solutions while legislation pending'](#), 3 June 2013).

"A number of Caribbean governments are looking to build value-added cocoa processing industries"

While a number of Caribbean governments are looking to build value-added cocoa processing industries, government-constituted boards in Guyana and Trinidad and Tobago continue to face challenges in proving strategic leadership for the development of a largely smallholder-based sector. It is hoped that the November 2012

relaunch of the Cocoa Research Centre (CRC) in Trinidad will begin to lead the way in developing new products, new processes and improved commercialisation of high-quality, value-added cocoa products. If the CRC is able to successfully launch its own premium chocolate bar, and if it is able to effectively support the spread of small-scale, independent chocolatiers across the region, then the basis could indeed be laid for the development of a high-quality, value-added chocolate products industry across the Caribbean.

Pacific

According to ICCO estimates, the Pacific ACP countries of Fiji, Papua New Guinea (PNG), Solomon Islands and Vanuatu collectively produced 50,700 tonnes of cocoa in 2011/12, representing 1.2% of world production. This is down from the 59,400 tonnes produced in 2008/09 but above the low of 39,400 tonnes in 2009/10. No grindings take place in ACP Pacific countries. PNG accounts for 88% of ACP Pacific cocoa production (45,000 tonnes).

"There is growing interest in the Pacific in converting to organic cocoa production"

There is reportedly growing interest in the Pacific in converting to organic cocoa production (see *Agritrade* article 'Going organic seen as way forward in Vanuatu', 18 May 2013). Although globally the production of organic cocoa is estimated to have doubled since 2003, in 2012 it still only accounted for 1% of global cocoa production, some 30,000 tonnes. However, organic cocoa reportedly receives price premiums of US\$200–400 per tonne. This needs to be balanced against the increased costs of cultivating organic cocoa.

3. Implications for the ACP

Getting to grips with ensuring markets provide sustainable net incomes to cocoa farmers

Growing demand for sustainability certification raises the issue of the distribution of the costs and benefits of sustainability certification along the supply chain. The reality is that as sustainability certification becomes the industry norm in major mature markets, any price premium that may currently be enjoyed will disappear.

This will require some form of structured initiative to promote dialogue along supply chains on the distribution of the costs of sustainability compliance and certification, with the aim of establishing market-based initiatives to ensure sustainable, remunerative prices and net incomes to cocoa producers. Without the attainment of remunerative net incomes that provide a decent living wage to cocoa farmers, the economic imperatives that drive unsustainable patterns of cocoa production will undermine current efforts to promote more sustainable forms of cocoa production.

Getting to grips with stricter food safety and sanitary and phytosanitary standards

There would appear to be a need for aid-for-trade support to assist ACP cocoa producers in:

- improving drying techniques to reduce cadmium levels;
- strengthening control systems related to drying techniques used;

- strengthening the technical basis for pre-export controls;
- mobilising the required scientific and technical expertise to allow West African cocoa producers to engage in an effective dialogue with the EU on permitted cadmium levels in different chocolate products.

Strengthening the functioning of internal cocoa supply chains in Africa

Despite the overall success of cocoa sector reforms in Côte d'Ivoire, there remains considerable tension along internal supply chains. These could be eased if effective measures were taken to reduce the costs associated with illegal roadblocks and checks, which serve to strip value out of the cocoa supply chain. This forms part of a much wider agenda for policy change, where some progress is being made within the framework of the Borderless Alliance's road governance programme. These efforts need to be extended and consolidated in Côte d'Ivoire and Ghana, with a particular focus on cocoa supply corridors and cross-border traffic.

Building on growing Asian demand

Rising demand in Asia offers opportunities for repositioning ACP cocoa producers within evolving global cocoa/chocolate/confectionery supply chains. A critical question is how to use evolving global demand to leverage investment in greater value-added processing to more directly serve emerging markets in Asia (and potentially, in the longer term, in Africa). While progress is being made in expanding local grindings in the main African cocoa producing countries, it needs to be borne in

mind that the main cocoa/chocolate processing companies are themselves investing in such strategic repositioning in the light of their own corporate needs (recent investments in Indonesia are illustrative in this regard).

This suggests that considerable care will need to be taken in designing strategies to foster greater local value-added processing, with these being closely linked to consolidating and expanding the basis of cocoa production.

Developing pan-ACP cooperation in marketing strategies for fine cocoa

In the Caribbean and Pacific, efforts are under way to develop new marketing arrangements for fine/flavoured and organic cocoa. There already exists a body of experience in differentiated marketing of cocoa among ACP countries, suggesting scope for experience sharing across ACP fine/organic cocoa producing countries. This could cover areas such as:

- ensuring required quality standards are attained on a sustained basis;
- developing producer organisations;
- strengthening the branding and marketing capacities of producer organisations and negotiating strategies when dealing with confectionery companies.

However, these initiatives need to be balanced against competing efforts to move into local production of high-value, cocoa-based consumer products.

Main sources

1. Ghanaian German Economic Association, 'Cocoa farmers in trouble', 19 April 2013
<http://www.ggea.net/news-events/news/african-cocoa-farmers-in-trouble.html>
2. Agence Ecofin, 'Omer Maledy : « Le cacao camerounais peut être classé comme cacao de niche »', 1 April 2013
<http://www.agenceecofin.com/cacao/0104-9928-omer-maledy-le-cacao-camerounais-peut-etre-classe-comme-cacao-de-niche>
3. *Africa Report*, 'Cadmium contamination menaces cocoa exports' by N.D. Ramzi, 9 April 2013
<http://www.theafricareport.com/East-Horn-Africa/cadmium-contamination-menaces-cocoa-exports.html>
4. National Confectioners' Association, letter confirming the fourth quarter statistics given to the ICE futures US, by J. Elleck, 17 January 2013
<http://www.candyusa.com/files/4th%20qtr%202012%20report.pdf>
5. Mintel, 'India's craving for chocolate unwraps business opportunities for manufacturers', 7 November 2012
<http://www.mintel.com/press-centre/press-releases/968/indias-craving-for-chocolate-unwraps-business-opportunities-for-manufacturers>
6. Barry Callebaut, 'New cocoa partnership between two leading companies: Barry Callebaut and P.T. Comextra Majora enter into joint venture in Indonesia', 18 November 2011
<http://www.barry-callebaut.com/news?group=corporate,year=2011,lang=en,keyword=,page=1,release=7621,read=en>
7. Cargill, 'Cargill extends its world leading sustainable cocoa program to Indonesia', 18 October 2012
<http://www.cargill.co.id/en/news/NA3067977.jsp>

8. Nestlé Cocoa Plan, 'Indonesia', undated

<http://www.nestlecocoaplan.com/cocoa-origins/indonesia/>

9. Euromonitor International, 'Chocolate confectionery in China', November 2012

<http://www.euromonitor.com/chocolate-confectionery-in-china/report>

10. ICCO, 'African cocoa coalition signs Abidjan Declaration', 22 July 2013

<http://www.icco.org/home/latest-news.html>

11. *Commodafrica.com*, 'Festicacao 2012: Le Cameroun à l'aube d'une nouvelle ère cacao-yère', 12 November 2012

http://commodafrica.com/fr/actualites/matieres_premieres/festicacaocameroun

12. ICCO/KPMG, 'Study on the costs, advantages and disadvantages of cocoa certification', October 2012

http://www.icco.org/about-us/international-cocoa-agreements/cat_view/30-related-documents/37-fair-trade-organic-cocoa.html

13. *Confectionerynews.com*, 'Mondelez pumps \$400m in sustainable cocoa supply chain', by O. Nieburg, 19 November 2012

<http://www.confectionerynews.com/Commodities/Mondelez-pumps-400m-in-sustainable-cocoa-supply-chain>

About this update

This brief was updated in October 2013 to reflect developments since October 2012. Other publications in this series and additional resources on ACP–EU agriculture and fisheries trade issues can be found online at <http://agritrade.cta.int/>.



The Technical Centre for Agricultural and Rural Cooperation (CTA) is a joint ACP–EU institution active in agricultural and rural development in African, Caribbean and Pacific (ACP) countries. Its mission is to advance food and nutritional security, increase prosperity and encourage sound natural resource management.

It does this by providing access to information and knowledge, facilitating policy dialogue and strengthening the capacity of agricultural and rural development institutions and communities in ACP countries.

Technical Centre for Agricultural
and Rural Cooperation (ACP–EU)
PO Box 380
6700 AJ Wageningen
The Netherlands
Tel: +31 (0) 317 467 100
E-mail: cta@cta.int - www.cta.int