World Cocoa Conference 2016

STUDY ON THE ESTABLISHMENT OF A COCOA SUSTAINABILITY FUND

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Content

• Do we need a fund?
• Spending of Funds
• Collection of Funds
• Governance structure
• The road ahead
Global Cocoa Agenda sets goals - Who pays?

"The current business model for many cocoa farmers is unsustainable as it is characterized by poor and uneconomic production systems with limited or no access to improved planting material, extension services, inputs, credit, especially at affordable interest rates, coupled with poor organizational base for producers leading to weak marketing opportunities and generally low returns. Other challenges include adaptation and mitigation of climate change, adverse effects on the environment as well as social and labour challenges".
Spending of Funds

Precompetitive investments

The range of measures could encompass

• Training of trainers
• Training of farmers
• Support of farmer organisations
• Support for farmers’ access to inputs, training and credits
• Community development
• Support for farmers to adapt to climate change
• Security of land tenure
• Provision of market information to farmers
Collection of Funds

Extra fee charged on certified cocoa

Collection
• Scheme linked to standard-setting organisations

Where in the Value Chain?
• Depends on decisions of standard-setting organisations

Pro
• Use of already existing structures in the cocoa value chain
• Can be started by a limited number of companies

Con
• Adds an extra burden on already certified cocoa certified
• Could put pressure on farm gate price
Collection of Funds

Voluntary fee charged on non-certified cocoa

Collection
• Large companies voluntarily introduce a fee which is equivalent to the premium of certified cocoa

Where in the Value Chain?
• Depending on involved companies at any point of value chain

Pro
• Certified and uncertified cocoa traded at the same price
• Can be started by a limited number of companies

Con
• Fund progressively get smaller
• Could put pressure on farm gate price
Collection of Funds

Compulsory fee on transactions on the cocoa futures markets

Collection
• Fee charged on transactions on the cocoa futures markets

Where in the Value Chain?
• Cocoa trade

Pro
• Easy to set up and low collection and administrative cost

Con
• Strong resistance from the general financial sector demonstrated in the past for such schemes
Collection of Funds

Compulsory fee for non-certified cocoa charged by the FCC etc.

Collection

- FCC etc. includes fee in contractual/operational frameworks and supervises that traders transfer due amount to the fund

Where in the Value Chain?

- Cocoa trade

Pro

- Certified and uncertified cocoa traded at same price
- Can be started by a limited number of companies

Con

- Risk that the fee puts pressure on farm gate price
- Risk of non-acceptance by FCC members / industry
Collection of Funds

Levy on every bar of chocolate sold

Collection
• Voluntary contribution transferred to the fund structure

Where in the Value Chain?
• Retailer

Pro
• Fee far from the cocoa farmer reduces risk of pressure on farm-gate price

Con
• High acceptance by industry needed
• Complicated and bureaucratic processes necessary
Governance structure

Multi-stakeholder approach needed

Structure may vary according to setup:
• E.g. revolving fund, fund based on licence fees or levies, charity foundation - all different legal requirements

Necessary
• Transparent and impact oriented use of funds collected
• Address the interests of the financial contributors
• Reflection on the best way to improve the income situation of small scale cocoa producers
• Representation of the beneficiaries: multi-stakeholder approach
• Management body able to guarantee the fund’s compliance with the highest financial and accountability standards
Governance structure

Possible structure of a fund

- Fund Administration
- Management Body
- Steering Committee
  - Companies
  - Producer/farmers
  - Supporting public entities
  - Civil Society Organ
The road ahead

Roadmap

Suggested next steps

• Implementation of working groups tackling key questions:
  • How much money is needed and how can the cocoa sector raise capital?
  • How should this money be spent?
  • How should the fund be governed?
• 2017: Consultative Board decides whether process is feasible
• If yes: recommendations will be discussed with all stakeholders and lawyers to set up a structure
• Vision: Cocoa Sustainability Fund will be presented at the WCC 2018 to be agreed, adopted and signed by all stakeholders who are prepared to support the Fund
Thanks for your attention!

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