How important is the farm gate price to guarantee a living income for cocoa farmers?

- Important acreage is dedicated to cocoa.
- 70 to 90% of income is derived from cocoa

→ Farm gate price of cocoa is thus central to cocoa farmers’ living income
Are Farm gate prices remunerative?

Current farm gate price (1,33 USD/kg) and Daily per Capita Labor income (USD)*

<table>
<thead>
<tr>
<th>Category</th>
<th>Price 1.33 USD/kg</th>
<th>Daily per Capita Labor income (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Replanted*</td>
<td>1.33</td>
<td>1.68</td>
</tr>
<tr>
<td>Optimized (GAP)</td>
<td>1.33</td>
<td>1.06</td>
</tr>
<tr>
<td>Non improved</td>
<td>1.33</td>
<td>0.72</td>
</tr>
</tbody>
</table>

Poverty line 1.90 USD

*) All work done by family

3.2ha cocoa full yield

Source: GIZ-SSAB 2018

World Cocoa Conference, 22 to 25 April 2018, Berlin
Causes for non remunerative prices

- **(Sub-optimal) export expansion policies**
  downstream market concentration insufficiently considered

- **Concentration** on the buyer side

- **Asymmetry in price transmission** (cocoa paste, cocoa butter) price high → not/weakly transmitted, low → fully transmitted

- **Speculation**: Cocoa harvest represents only 3% of traded volumes.

- **Cost of production not considered in pricing**

- **Cost increases for hired labor force**

- **Few producer organizations** → weak bargaining position

- **Stagnating demand** for cocoa beans

- **Substitution of cocoa** by other ingredients
  … compare +/- stagnating grinding with increase of turnover while retail prices stay relatively constant
Equilibrium?

Dynamic towards sustainability?
What is a remunerative price for cocoa?

Daily per Capita Labor income * (USD)

<table>
<thead>
<tr>
<th>Replanted**</th>
<th>3.00 USD/kg</th>
<th>1.68</th>
</tr>
</thead>
<tbody>
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<table>
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<th>Optimized (GAP)</th>
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Source: GIZ-SSAB 2018

*) All work done by family
**) 3.2ha cocoa full yield
Maybe we should try to think out of the box

Sustainable Cocoa
How can cocoa farmers improve their livelihoods, considering that they are price takers?

Cocoa farmers produce more than cocoa.

They *allocate* production factors, land, labour and capital in line with their **objectives and with market opportunities**.

This gives them the opportunity to **DIVERSIFY** production and incomes to buffer against volatility of cocoa price.
Does the private sector have roles to play?

More and stronger producer organizations

- endowed with enough working capital to buy the cocoa of their members and to sell to the buyer of their choice.

Specialized traders and processing industry

- More equity in transmission of value added to farmers
- Consider higher farm gate prices for sustainable livelihoods & investment in replanting and to reduce deforestation and child labor
- Supply higher cocoa content products & related publicity with focus on health and sustainability
Do governments sector have roles to play?

Governments of cocoa producing countries

- Accountability and transparency on stabilization funds and services
- Cooperate to align production and export policies across countries
- Special financing lines for producer organizations and capacity development
- Carbon credit schemes linked to replanting programmes

Major consumer countries

- Alliance with producer countries for fair cocoa prices and sustainability
- Disincentives for high sugar products from cocoa targeting consumer health

Financial bodies (stock exchange authorities)

- Ethical standards and fees for virtual trade with cocoa → ploughed back to farm gate