



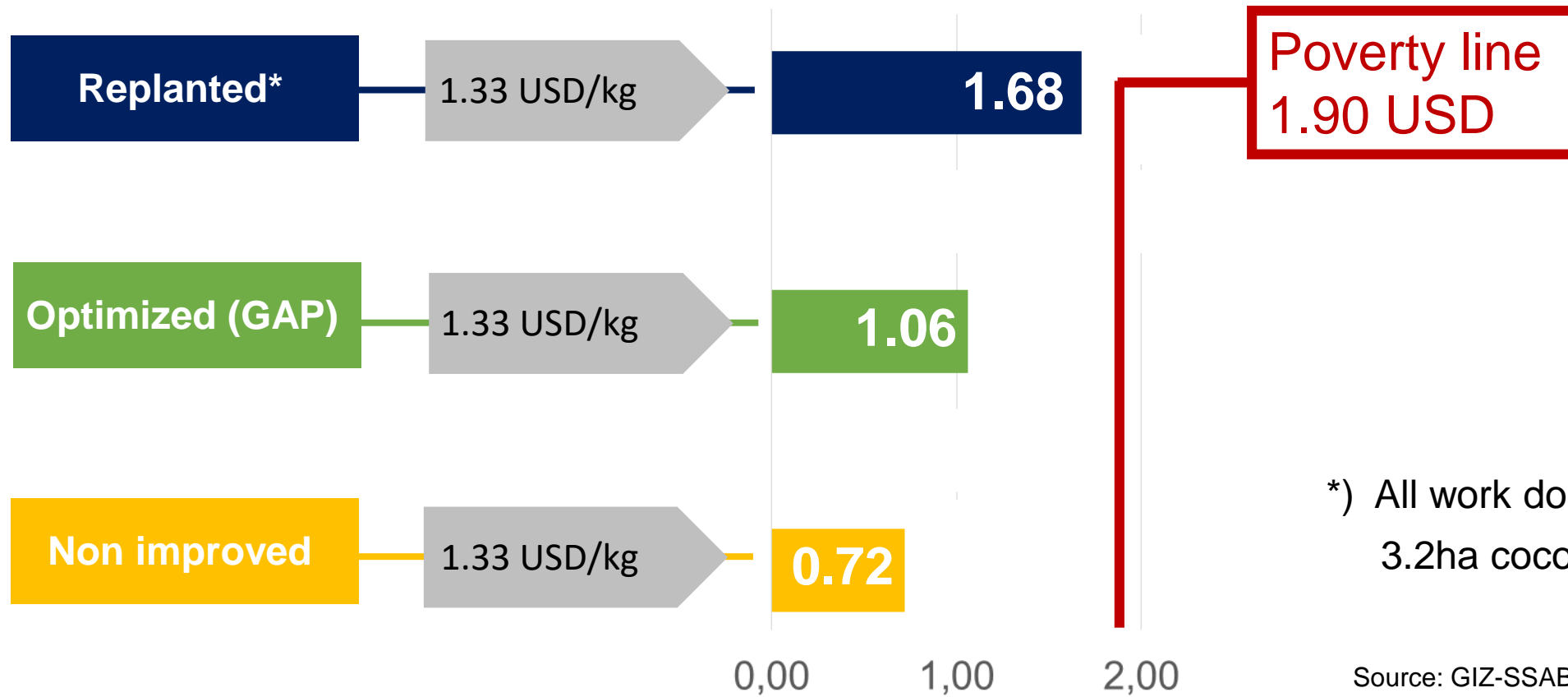
## How important is the farm gate price to guarantee a living income for cocoa farmers?

- 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)\*



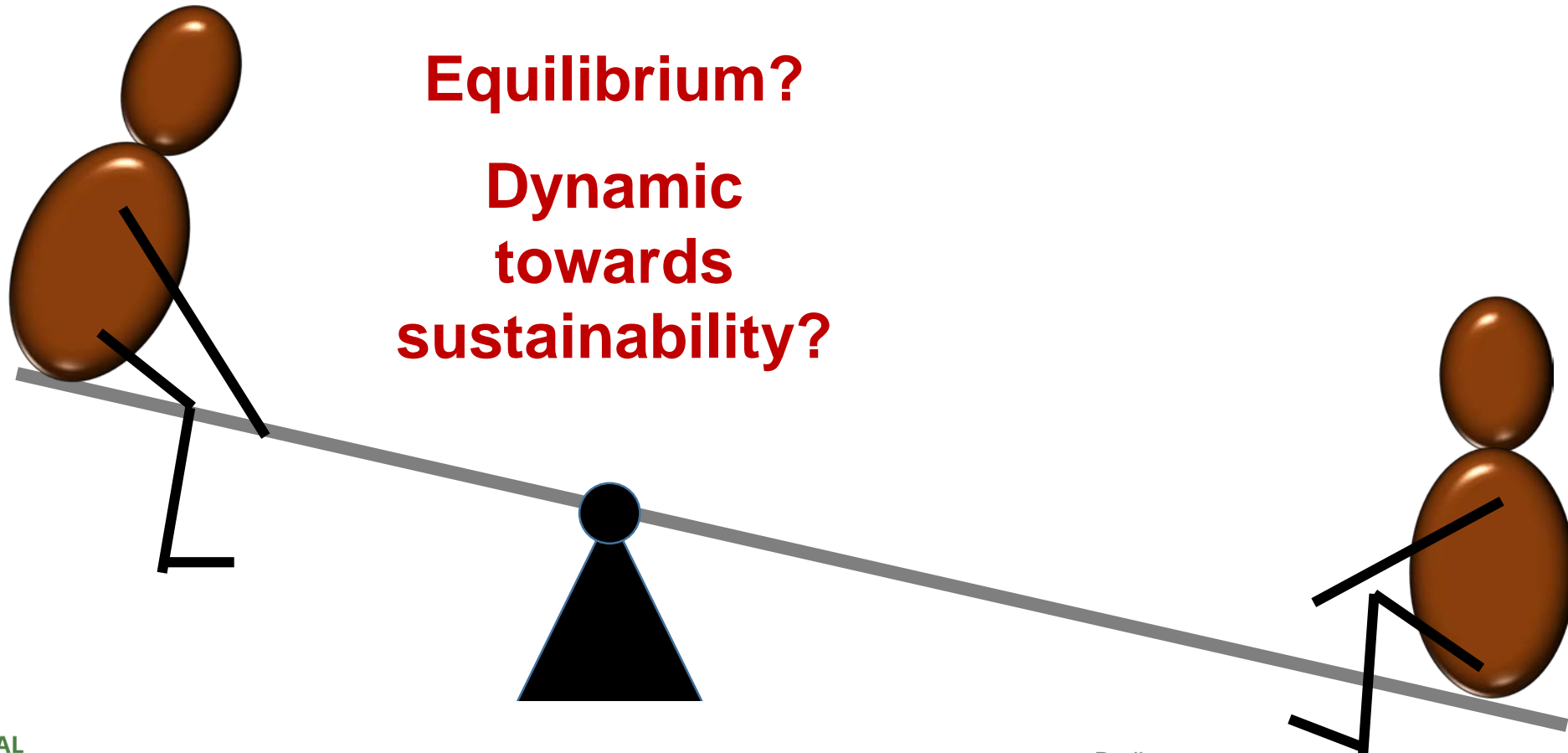
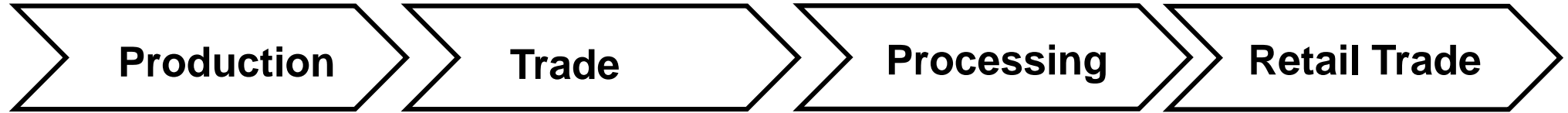
\*) All work done by family  
3.2ha cocoa full yield

Source: GIZ-SSAB 2018



## Causes for non remunerative prices

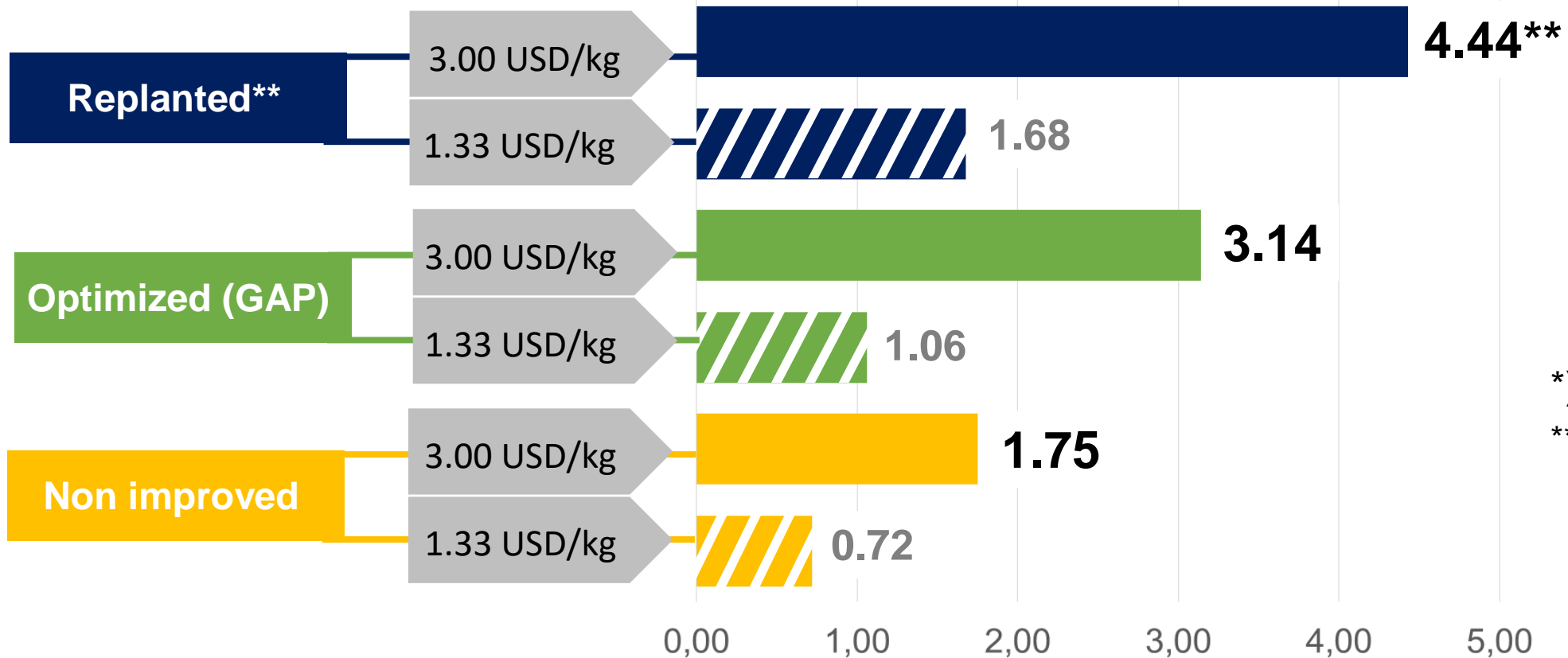
- **(Sub-optimal) export expansion policies**  
downstream market concentration insufficiently considered
- **(Over-) supply**
- **Competition between main producing countries instead of cooperation**
- **Cost of production not considered in pricing**
- **Cost increases for hired labor force**
- **Few producer organizations**  
→ weak bargaining position
- **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.
- **Stagnating demand for cocoa beans**
- **Substitution of cocoa by other ingredients**  
... compare +/- stagnating grinding with increase of turnover while retail prices stay relatively constant





# What is a remunerative price for cocoa?

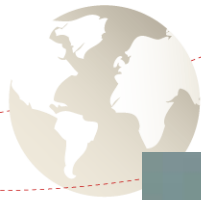
Daily per Capita Labor income \* (USD)



\*) All work done by family

\*\*\*) 3.2ha cocoa full yield

Source: GIZ-SSAB 2018



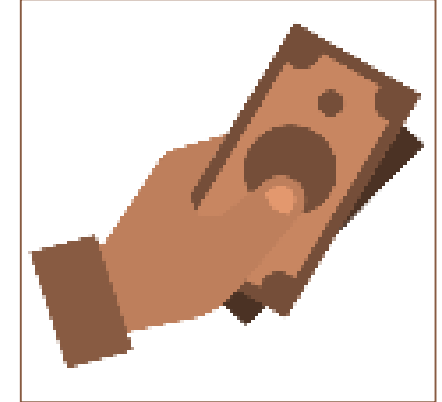
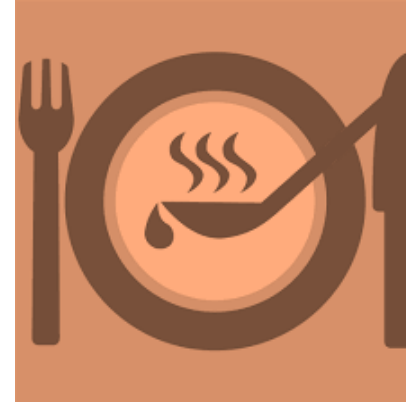


## How can cocoa farmers improve their livelihoods, considering that they are price takers?

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