Sustainable cocoa production - panel 4
World Cocoa Conference, November 2012, Abidjan
Lucian Peppelenbos
In the next 40 years, more food will be produced than so far in the history of mankind
A business case for public-private cooperation

Public interest
- Poverty reduction/economic growth
- Save the environment
- Geo-political access to resources

Private interest
- License to operate
- Access to supply

Sustainable Commodity Production
Cocoa market outlook

1 Million Ton Shortfall by 2020

YEAR

METRIC TONS (MILLIONS)

PROJECTED DEMAND

PROJECTED SUPPLY

Cocoa Farm Productivity Package

- Current: 450 kg/ha
- GAP & crop protection: 585 kg/ha
- Plant material: 1070 kg/ha
- Fertilizer: 1521 kg/ha
We are exporting soil fertility

Fertilizer → Beans

Only 8% of cocoa needs
Business opportunity for farmers and industry

USD 200 million

USD 600 million

Source: Francois Ruf (2012)
So, where do we stand?

- There is urgency and there is momentum – amongst public and private cocoa stakeholders
- The market opportunity is appealing – fertilizer industry is introducing cocoa-specific formula
- Technical solutions are ready; tens of thousands of farmers are already trained and aggregated
- We quite understand the conditions for proper introduction and adoption of fertilizer

*Now the market has to get organized...*
Model 1: Farm Finance

Key features
- Farmer coop takes a bank loan to purchase fertilizer for farmer members
- Risks of default are high, but can be shared between coop, trader, bank and input supplier
- Low scalability, because limited to bankable organized farmers (<10% of population)
- Deep impact, “end-game model”

Principal risk bearer is red
Model 2: Fertilizer-for-beans

Key features

- A supplier of cocoa beans is (partially) paid in fertilizer upon delivery of beans to the supply chain aggregator (exporter, coop or traitant)
- The supply chain aggregator pre-finances the fertilizer
- Risks are negligible, and quality assurance is high
- Scalability is high, but the scheme can operate only in harvest time
Model 3: Cash-and-carry

Key features

- Fertilizer is sold through the cocoa supply chain infrastructure of supply chain aggregators
- It is made available at a selling point close to farmers to buy in cash. The selling point is run by a sales agent.
- The sales agent can be pre-financed by banks, supply chain aggregators and/or favorable credit terms by the input supplier
- High scalability
- Technical training of the sales agents is critical to quality assurance
Reaching the farmers

1. **Farm finance**: The farmer group takes a bank loan for fertilizer for its members, with risk-sharing from the other supply chain agents.

2. **Fertilizers-for-beans**: The cocoa supplier is partially paid in fertilizer upon delivery of beans to the trader.

3. **Cash-and-carry**: Fertilizer is made available at selling points close to farmers to buy in cash.
Cocoa Fertilizer Initiative for Côte d’Ivoire and Nigeria 2012 - 2015
‘Bringing back soil fertility to the cocoa farms’

<table>
<thead>
<tr>
<th>Player</th>
<th>Key role</th>
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<tbody>
<tr>
<td>Cocoa industry</td>
<td>Leverage cocoa supply chain for last-mile delivery to farmers</td>
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<td>Input supply</td>
<td>Make fertilizer available in-country at affordable cost</td>
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<td>Banks</td>
<td>Develop solutions for financing the upstream supply chain</td>
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<td>Government</td>
<td>Endorsement of initiative, and joint learning for policy innovation</td>
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<tr>
<td>Public agents</td>
<td>Facilitation of partnership, M&amp;E, and co-funding of SME capacity-building</td>
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Thank you

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