“Traceability along Cocoa Value Chains – An Introduction ”

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Outline of Presentation on Traceability in Cocoa Value Chains

• What is Traceability?
• Potential Needs of Traceability in Cocoa Value Chains: Some Scenarios
• Future expectations
• Conclusions
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What is Traceability?

• EC Regulation No 178/2002 is “ability to trace a food, feed, food producing animal or substance intended to be, or expected to be, incorporated into a food or feed, through production, processing and distribution.”

• Not just a cocoa issue
Is Traceability Possible in Cocoa Value Chains?

- Exists already in organic and some fine & flavour cocoa value chains
- Quite simple for niche users or single origin users; much more of a challenge for mainstream tonnage
- Short value chains assist in cost effective delivery of traceability
Is Traceability Possible in Cocoa Value Chains?

- Clearly cocoa value chain in Cote d’Ivoire is complex
- Has had many participants and a number of steps, but is being shortened by some operators
- Tracing cocoa from farm community to export is, and will continue to, add cost in the foreseeable future
- Can such a cost be justified? There maybe needs that have to be met....
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Potential Needs for Traceability in Cocoa Value Chains

• Legal Requirements
• Conformance to International Expectations
• Effective Operation of Certification Schemes
• Flavour, Quality & Origin Needs
• For Administrative Purposes
To Satisfy Legal Requirements

• The so-called EU “one step up - one step back” concept; keep records for 5 years
• USA (FMSA), Japan & elsewhere following
• With systematic approach not an onerous obligation but no company should ignore
• Simple adherence to this requirement may not satisfy critics of our industry
• Over time likely that more transparency will be expected
Conformance to International Expectations - 1

- Report of UN Special Representative on “Guiding Principles on Business & Human Rights” (Ruggie, 2011) was adopted by UN in June 2011
- Publication of “OECD Guidelines on Multinational Corporations” in late 2011
- EU:
  - Issued “A Renewed Strategy 2011-14 for Corporate Social Responsibility”
  - Is now developing a CEN standard for “Sustainable & Traceable Cocoa”
Conformance to International Expectations - 2

• These moves:
  – Confirm that both states & businesses have responsibilities in this domain
  – Accept that implementations will differ
  – Expect businesses to
    • Make a policy statement
    • Undertake human rights due diligence along value chains especially for crucial ingredients
    • Hard to deny the crucial nature of cocoa in manufacture of chocolate
Conformance to International Expectations - 3

• Pressure seems set to continue on multi-national food business operators to:
  - Make a policy statement on human rights
  - Understand their value chains back to the communities for their crucial raw materials
Effective Operation of Certification Schemes - 1

• Fairtrade, Rainforest and UTZ Certified:
  – Together now certify some 10% annual cocoa production
  – Have developed traceable value chains but at present methodology is not always used
  – Have tangible additional costs & often heavy administration of hard copy documentation etc

• Product certified at community needs to be moved along chain to consumer; Mass balance useful interim solution

• Certified tonnages set to grow – through substantial commitments made by end users
Effective Operation of Certification Schemes - 2

• ICCO study shows improvements in productivity provide chief benefit to cocoa farmer of certification schemes

• As tonnage increases, so do the challenges in the value chain until certified cocoa becomes the norm

• Co-ordination of future system developments on traceability should bring advantages to all value chain operators

• Certification does help cocoa farmers
For Flavour, Quality & Origin Needs - 1

• Traceability could:
  – Avoid buyers paying premium for beans NOT of expected flavour, physical quality or origin
  – Allow tracing of beans back to growers that are:
    • Of poor quality
    • Contaminated with unwanted residues - pesticide, heavy metal etc
  – Allow specific recipes for bean preparation to satisfy buyer needs
For Flavour, Quality & Origin Needs - 2

• Traceability could:
  – Offer opportunity for buyers to reward for production of good quality beans
  – Target support for sustainability initiatives

• Such traceability is easier in shorter supply chains, such as those for niche or fine & flavour cocoa markets
For Flavour, Quality & Origin Needs - 3

• Western consumers are showing much greater interest in the origin of many foodstuffs

• As an example, number of European supermarkets now offer on-pack QR codes with farm information
For Administrative Reasons - 1

• COCOBOD in Ghana grade & seal cocoa bags under system run by their Quality Control Division (QCD)
• User can trace back to grading point; grade re-checked on arrival at port
• Modest cost to run QCD that is included in (premium) price paid by buyer
• Increasing tonnage removed from bag at port and many ‘000’s tonnes shipped in bulk; automatic unloading; saves cost
• Traceability potential is thus lost
For Administrative Reasons - 2

• There has been publicity on quantity of exports from small origins re-chocolate tonnage produced from these origins

• Transparent, reliable process & data needed??

• Would traceability in such small origins be of benefit?
For Administrative Reasons - 3

• Serial abuse in one country of origin in SE Asia has led authorities to seal & tag all cocoa of their national crop to avoid mixing with cocoas of poorer quality from elsewhere

• Transparent, reliable process developed and now in regular use

• Cost accepted by that government to avoid reputational damage
For Administrative Reasons - 4

• Much discussion about creation of National Cocoa Plans

• Paucity of reliable data on farms, farmers, size & yields makes this harder to achieve

• Potential for data collected under traceability initiatives to be used in the development of such plans
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Conclusions - 1

• Legislative pressures seem set to increase along the cocoa value chain

• Traceability seems likely to become increasingly important & may even become necessary as:
  - Governments increase demand for greater value chain transparency
  - More company investment programmes are rolled-out & companies want to use the cocoa produced in such programmes
  - Consumers continue to expect certified cocoa to be used in certified chocolate
Conclusions - 2

• Traceability could offer opportunity to buy beans:
  – Of improved preparation & quality
  – Produced to specific fermentation and drying requirements
  – Without potential of residue contamination
  – That are certified to one of the existing schemes
Conclusions - 3

• Companies have made substantial usage commitments to certified cocoa - if all their usage was to be certified could be as much as 1.75 m tonnes by 2020?

• To achieve cost effective traceability:
  - New ways of working will be needed
  - Should start at level of cocoa community or co-operative - not individual farm
  - Adoption of new technologies offers exiting opportunities that could include helpful value chain management tools & records on certification status, yield, input supplies etc
Conclusions - 4

• To achieve cost effective traceability, co-ordination & co-operation in new system development could bring advantages to all value chain operators

• Technologies to deliver traceability are at now at proof of concept stage or being rolled out

• Move to megabulk while saving cost, does cause loss of traceability
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Future Expectations - 1

• Certified cocoa will become the “norm” when perhaps 30 - 40% global production certified

• Some observers believe that pressure for tracing back to the cocoa growing community:
  - Seems set to increase for reasons listed earlier
  - May even be inevitable for the reasons listed earlier
Future Expectations - 2

• Could pre-competitive, collaborative effort of ALL players along the value chain efficiently deliver best practice in traceability systems?

• Would mobilisation of significant donor funding be possible - to support such developments at least in part?
Thank you for you kind attention

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