

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**

Do we need a fund?

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 famers' 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:

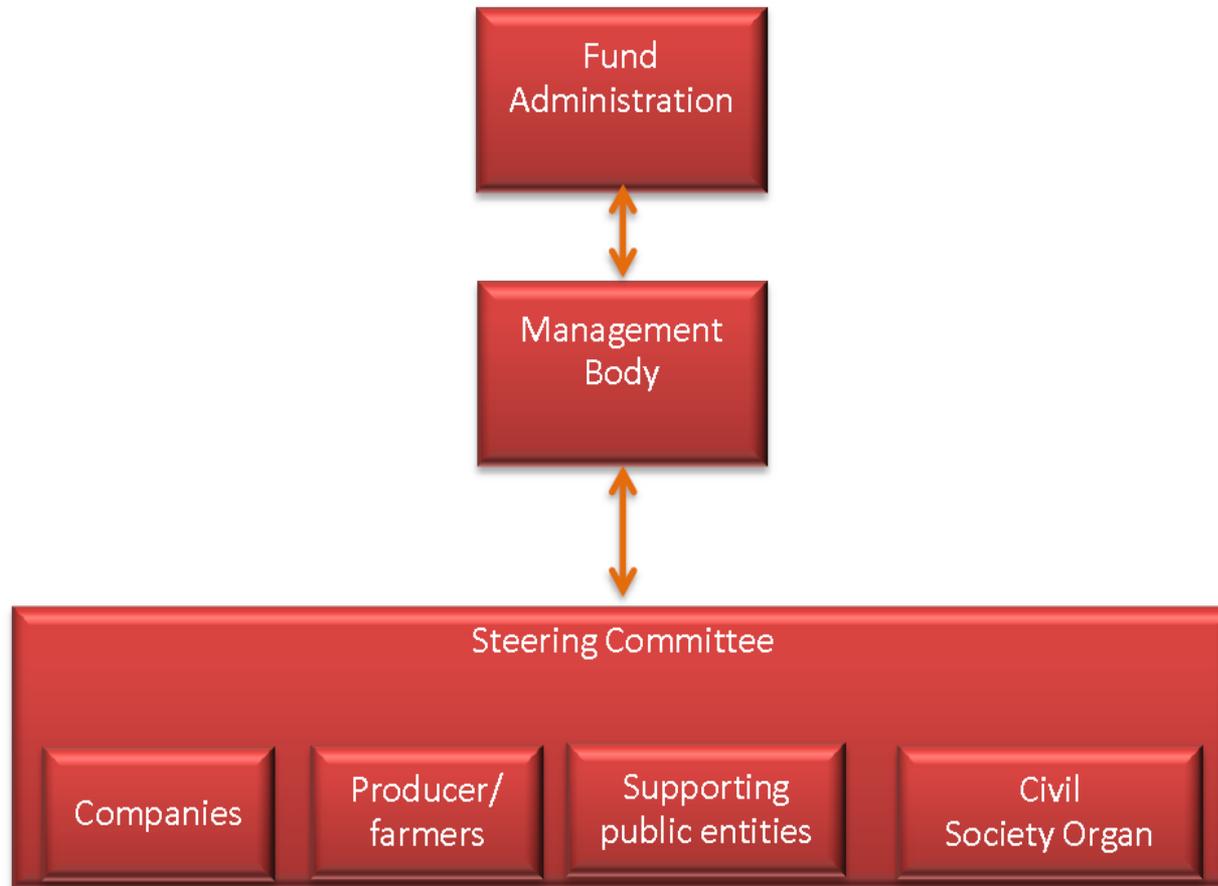
- E. g. revolving fund, fund based on licence fees or levies, charity foundation - all different legal requirements

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



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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