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UNITED NATIONS
New York and Geneva, 2016

NOTE

UNCTAD/SUC/2015/4

ACKNOWLEDGEMENTS

This report has benefited from comments by E. Tei Quartey (Ghana Cocoa Board), Junior Davis, Irene Musselli and Janvier Nkurunziza (UNCTAD), Martin Brownbridge (Bank of Uganda), Loke Han Fong and Laurent Pipitone (ICCO), as well as from research assistance provided by Abdullah Aswat.

Secretarial support was provided by Catherine Katongola-Lindelhof and Danièle Boglio. The cover was designed by Nadège Hadjemian and the text was edited by Praveen Bhalla.

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ABBREVIATIONS

ACET	African Centre for Economic Transformation
GVC	global value chain
ha	hectare
NGO	non-governmental organization
TNC	transnational corporation
ICCO	International Cocoa Organization
EC	European Commission
EU	European Union
FBO	farmer-based organization
PPPP	public, private and producer partnership
SMEs	small and medium-sized enterprises
UNCTAD	United Nations Conference on Trade and Development

OVERVIEW

This report contributes to research on the cocoa global value chain (GVC). It examines consolidation patterns in the cocoa industry and their potential impacts on stakeholders along the value chain, in particular small cocoa farmers who constitute the backbone of cocoa production worldwide. It also discusses these farmers' integration into world cocoa markets, highlighting some critical issues they face. The report finally offers some policy recommendations which may help governments, the private sector, the international community and producers to foster the development of a sustainable cocoa economy by empowering farmers, consonant with the Global Cocoa Agenda adopted at the first World Cocoa Conference in Abidjan in 2012. The report should ultimately contribute to the debate on how to attain the Sustainable Development Goals (SDGs) with their commitment to ''leave no on behind", especially in cocoa farming communities.

Cocoa is of significant economic importance both for producing and consuming countries. It generates export revenues, income and employment. Cocoa is an important ingredient in the confectionery, and food and beverage industries, and, more recently, in the pharmaceutical and cosmetics industries. Therefore, ensuring sustainability of cocoa production is critical, particularly at a time when most young people do not consider farming, including cocoa farming, a viable business choice. In the case of cocoa, this is probably due to the low profitability of its farming businesses and the relatively poor living standards of cocoa growers. In order to make cocoa farming a more viable source of livelihoods so as to attract younger people and ensure a sustainable global cocoa economy, it will be essential to reorganize the cocoa farming business to enable farmers to obtain higher prices.

Boosting cocoa farmers' incomes by improving their linkages with international markets and increasing competition in national markets was already a key objective of trade liberalization reforms undertaken by producing countries in the 1980s and 1990s. However, the complexity of cocoa markets, characterized by transnational corporations' ease of access to resources and the latter's objective of achieving scale economies have led to increased vertical and horizontal integration in the industry. As a result, a limited number of large trading and processing companies now control a significant share of global and local cocoa markets. As indicated in this report, the three biggest cocoa trading and processing companies traded roughly 50 to 60 per cent of the world's cocoa production in 2013. In terms of cocoa processing, four transnational corporations control now more than 60 per cent of world cocoa grindings.

This concentration pattern which has been recorded at all segments of cocoa GVC may have contributed to a high level of efficiency if the objective was solely to attain economies of scale. However, the extent to which cost savings resulting from these developments have been passed onto other stakeholders, especially small farmers, is debatable. Moreover, concentration may become problematic, especially