

VOICE Network welcomes historic move to raise cocoa prices, questions remain on implementation

The announcement that the Ivorian and Ghanaian governments will raise the floor price for cocoa farmers, as well as levy an extra fee to cocoa buyers, is an important and necessary step in order to make the cocoa sector more sustainable and should be supported by the cocoa industry. The VOICE networkⁱ very much welcomes this historic initiative by the governments of Ghana and Côte d'Ivoire to improve the income situation for farmers.

As of 2020-2021, the Ivorian Conseil du Cafe-Cacao (CCC) and the Ghana Cocoa Board (Cocobod) will charge an extra fee of USD 400 per ton of cocoa on top of the FOB-price, which they call a living income differential (LID). This would allow both states to set up a stabilization fund and guarantee a fixed price of USD 1820/MT to farmers. That is about USD 675 higher than the price that Ivorian farmers received during the 2018-2019 harvest, and about the same price level they received prior to the 2016 cocoa price crash, when prices collapsed by almost 40%. Higher prices for farmers are an essential – and often overlooked – aspect of every sustainability strategy. Apart from the obvious role that companies have, governments must set the stage for a sustainable cocoa sector by creating price stability at an acceptable level. Therefore, this initiative by the two biggest cocoa producing countries is an extremely welcome building block to make the cocoa sector truly sustainable in terms of respecting farmers' human rights.

However, the VOICE network has concerns which origin governments must address for the proposed measure to be effective:

1) Need for a coherent overall strategy beyond price interventions only:

These price interventions should be part of a coherent strategy to respect the human rights of farmers, to protect forests, and to transform West-African agriculture. Intervening on price without looking at supply measures and enabling policies to develop a healthy cocoa sector may not

have the desired positive impact. This requires careful policy management, which CCC and Cocobod must undertake.

2) Need for a higher floor price:

These efforts by Ghana and Côte d'Ivoire to increase prices is a necessary first step, but it is simply not enough. USD 1820/MT is much lower than the price farmers need in order to make a living income. Fairtrade estimated that the Living Income Reference Price should be USD 2668/MT at farm gate for Côte d'Ivoire, and USD 2301/MT for Ghana. We think it might even have to be higher. As such we believe the name 'Living Income Differential' to be misleading. This can only be a starting point towards achieving a living income.

3) Need to ensure the money goes to farmers:

There are concerns around the extra moneys gained through the USD 400 differential charged to the cocoa buyers. There must be transparency about what part of this windfall will go to the origin governments, and all parties – but especially producer governments – must ensure these higher prices benefit cocoa farming families directly.

4) Need for financial transparency from CCC and Cocobod:

If stabilization funds are to be set up, the governance of these funds will require significantly improved transparency and accountability compared with their predecessors. Moreover, the new policy is doomed to fail if the government bodies do not provide a high level of transparency. We call on the producer governments to disclose how much revenue they receive from cocoa and for the national marketing boards (both CCC and Cocobod) to disclose to ensure transparency and good governance.

5) Need to protect forests and farmers goes hand in hand:

If there are inadequate controls in place, these reforms will lead to deforestation.

Higher commodity prices are almost always correlated with increased deforestation rates. Now is the time to set up the long-awaited “joint monitoring mechanisms” promised in 2017 in the Cocoa & Forests Initiative, signed by both Ghana and Côte d’Ivoire. All parties must ensure the new reforms are good for farmers and forests at the same time. A measure that will limit cocoa production, is the ban on cocoa production from parks; as well as stepped up vigilance for protected areas. The VOICE network calls on all stakeholders to ensure that any recovery of protected areas should always take place with respect for human rights.

6) Need to address human rights and child labour:

Fighting poverty alone does not solve child labour. The Ivorian and Ghanaian price reforms are promising but child labour monitoring and remediation systems are also needed, as is community-based development, access to education, women’s economic empowerment as a means to reduce child labour, birth certificates, and more. Extra revenue the new reforms will generate should go at least in part to financing the long-promised investments in human rights in cocoa and eradicating child labour.

7) Need for agricultural reform and supply management:

Higher prices will lead to oversupply if they are not accompanied by policies that aim at diversification of crops, agroforestry, reforestation, protection of forests, investment in infrastructure, and other measures that limit cocoa production. At the same time, farmers should be able to improve his/her existing trees. Côte d’Ivoire has announced it will maintain its ban on new planting material and the rejuvenation of cocoa plantations, measures taken after

the oversupply in the 2016-17 crop. Not allowing farmers to rejuvenate and invest in their plantations is equivalent to making it impossible for them to improve their farming business and to achieving a living income.

8) Need for more countries to step up rapidly:

We are supportive of the principle and the practice of paying the farmers more – and this should be done globally. Farmers should be protected not just in West Africa but around the world. We call on other cocoa producing countries like Indonesia, Ecuador, Brazil, Nigeria, and Cameroon to protect their farmers as well and not to sabotage this Ivorian-Ghanaian effort.

9) Need for certifiers to match and surpass:

The key governments are now being more ambitious than the certifiers. Fairtrade only has a USD 2,400 minimum price; Rainforest does not have one at all. It is time for the certifiers to match and surpass the thresholds set by producer countries.ⁱⁱ

Many companies have already come out with statements supporting a higher price for cocoa, debunking the the notion that industry will not support a price increaseⁱⁱⁱ. We hope this will encourage other producer countries to set a price floor as well.

We call on all chocolate and cocoa companies to support the initiative by the Ivorian and Ghanaian governments as well as the points outlined above. Most importantly, we ask all of them to commit to ensuring all cocoa farmers earn a living income, worldwide. These efforts must not be limited to supporting the initiative for a floor price in Côte d’Ivoire and Ghana but must aim at ensuring a living income across the globe. Though many other interventions are also needed, significantly higher prices must be part of a holistic solution.

ⁱ The VOICE Network is an association of NGOs and Trade Unions, bringing bring together many of the civil society organisations in the cocoa sector, functioning as a watchdog and catalyst for a reformed cocoa sector. Our members are [ABVV/FGTB-Horval](#), [EFFAT](#), [FERN](#), [FNV](#), [Green America](#), [Inkota Netzwerk](#), [International Labor Rights Forum](#), [Mighty Earth](#), [Oxfam Novib](#), [Oxfam Wereldwinkels](#), [Public Eye](#), [Stop The Traffik](#), [Solidaridad](#), and [Südwind Institut](#).

ⁱⁱ See also our recent paper on certification: <http://tiny.cc/VOICECertificationPaper>

ⁱⁱⁱ Voice member Mighty Earth has compiled a collection of industry responses and statements supporting a higher price for cocoa; <http://tiny.cc/MightyCompanyPriceSupport>, as well as statements of support from many civil society organisations in producing countries <http://tiny.cc/MightyCSOFloorPriceSupport>