

cocoa barometer



executive summary

2020

Challenges as large as they have ever been

Rampant farmer poverty, extensive deforestation, human and labour rights violations including child labour, an over-dependency on pesticides; the challenges facing the cocoa sector remain as large as they have ever been. Two decades of interventions and increasing dialogue have not tackled the challenges at the necessary scale, and have failed to solve the root problem of cocoa farmer poverty. These voluntary and top-down efforts have not been able to address underlying problems such as structurally low cocoa prices, weak rural infrastructure, a lack of transparency and accountability, and sometimes corrupt and inefficient government interventions and policies.

Market concentration remains high

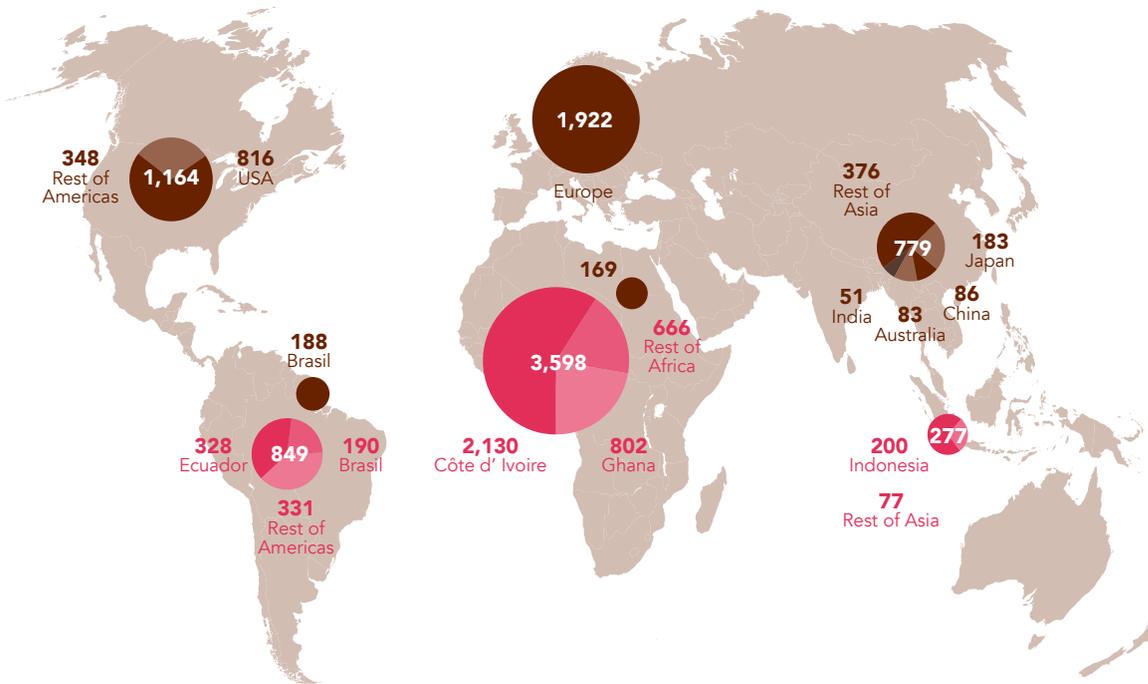
A small group of cocoa and chocolate companies dominate the market; each sourcing from hundreds of thousands of farmers, giving them immense market power. Retailers - large players on a national but not global level, driving prices down while making higher margins than most of the supply chain - are increasingly becoming part of the discussion, especially on national levels through the national cocoa platforms.

Production / Consumption

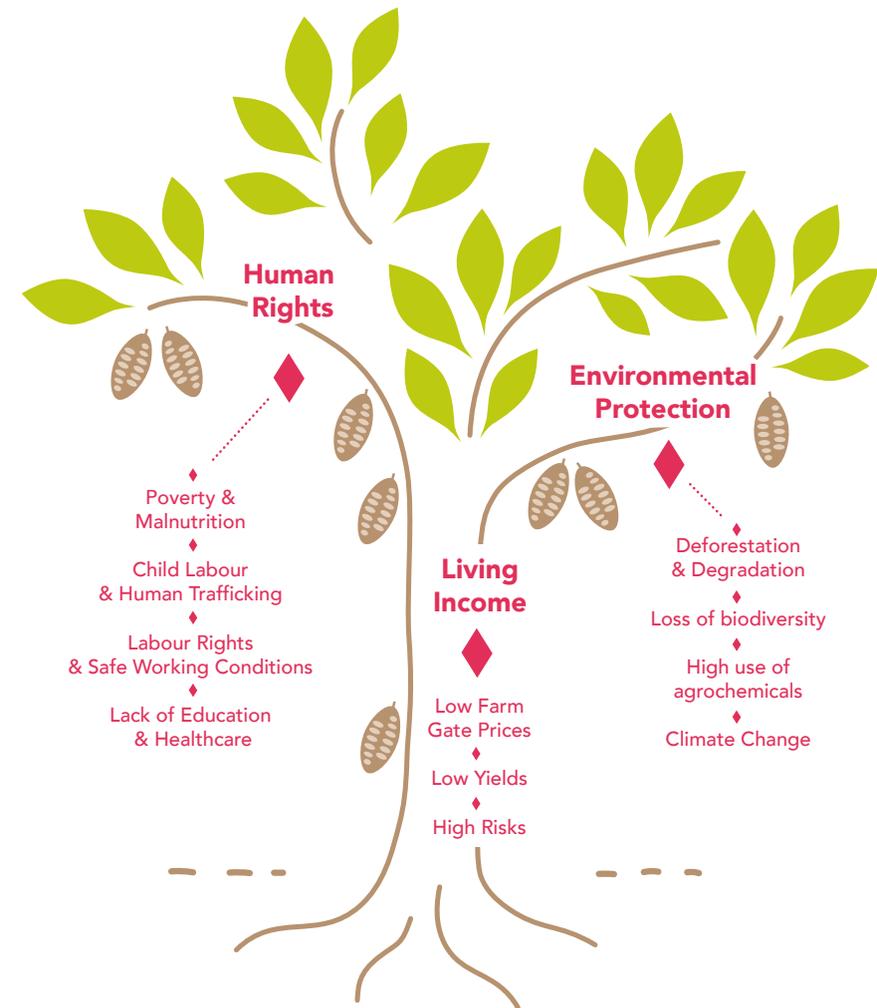
Cocoa production in 1,000 tonnes 2019/20 (forecast)

Domestic consumption of cocoa in 1,000 tonnes 2018/19

Source: ICCO 2020, Table 2, 40



Challenges in the Cocoa Sector



Certified cocoa has not raised the bar

Most companies report significant progress in traceability of cocoa sourcing, though definitions of traceability differ. The race for certified volumes has not led to the bar being raised, and with a wider range of interventions at the sector's disposal, the relevance of certification standards has been declining. Cocoa cannot claim to be sustainable merely on the basis of certification, although its infrastructure provides a framework by which many other necessary interventions can be rolled out.

Voluntary sector collaborations

National multi-stakeholder platforms have been developed in several major cocoa consuming countries, outlining national ambitions for sustainable development of the cocoa sector. Precompetitive industry collaboration on productivity increase, deforestation and child labour are in various stages of implementation, though they have shown little impact so far. A sector-wide commitment to a living income for cocoa farmers is notably missing, although a weakness of all these collaborations is their voluntary nature, and the lack of consequences if ambitions are not met.

Living Income

A living income is a human right. Furthermore, solving poverty is necessary because the wide range of challenges facing the sector will be impossible to tackle if farming households still live in poverty. Current efforts focus on technical solutions such as increasing productivity and diversifying production. Though these are necessary steps, these technical solutions alone will not suffice. Additionally, technical approaches also have their own challenges, and require available and affordable inputs, labour and financing. Furthermore, productivity increase could lead to overproduction, deforestation and price collapse if not managed well. To provide a living income to farmers will require dealing with issues of power and political economy, such as price formation, skewed value distribution, the asymmetrical bargaining power of farmers, unbridled market concentration, and a lack of transparency and accountability in the sector. Farm gate prices are a key missing ingredient, and are a short term solution that every company can engage in almost immediately. The Living Income Differential - a \$400 per tonne premium - has been implemented by the main cocoa growing countries Côte d'Ivoire and Ghana, thereby raising farm gate prices by 21% and 28% respectively. This is an important step, although it is far from sufficient to provide farmers a living income, despite its name. Additionally, concerns remain at the lack of inclusion of other stakeholders in the development of these plans, including farmer organisations, civil society, and other cocoa producing governments.

Current farm gate prices / desired farm gate prices

Ghana



Côte d'Ivoire



Human Rights

Human rights violations are pervasive in the cocoa sector. Sanitation and clean drinking water, quality education and healthcare are often unavailable or unaffordable, and poverty leads to infant malnutrition and stunting, which can lead to a range of health disadvantages. Rule of law, land and tree tenure security, and labour rights for tenants as well as seasonal and hired workers are often overlooked in most human rights discussions. Cross-cutting through all of this, women do much of the work in cocoa, but are not recognised or remunerated accordingly, and are often excluded from ownership and participation in many aspects of life. All cocoa sustainability programmes should be designed specifically with female inclusion in mind.

Child Labour

Despite company promises to reduce the worst forms of child labour, child labour remains a major issue in the cocoa sector. Most of the 1.5 million child labourers in cocoa in Ghana and Cote d'Ivoire are exposed to multiple forms of hazardous work, such as working with dangerous tools or harmful pesticides. Companies have done too little, too late to tackle the problem. Though current best-practice interventions might be able take some children out of child labour, root causes - such as farmer poverty, absence of or access to good affordable schools and inadequate local infrastructure - must be addressed to solve the problem of child labour. Investments and ambitions must be increased by several magnitudes, focussing on both remediation and prevention.

Environment

Environmental concerns are increasingly coming to play in the cocoa sector. Global climate change as well as regional microclimate change due to deforestation already have a massive impact on cocoa production and will do so even more in the coming years. This is further exacerbated by land degradation through other competing commodities, as well as mining and logging. The indiscriminate and untrained use of agrochemicals is largely inefficient and endangers the health of cocoa farmers and the entire cocoa growing landscapes. It can also lead to further destabilisation of natural ecosystems, whilst not providing efficient benefits to yields.

Deforestation

Cocoa production threatens rainforests globally - from West Africa, through Indonesia, the Amazon Basin, Colombia, and the Congo Basin - leading to loss of biodiversity, habitat and ecosystem services. The disappearance of rainforests contributes to accelerating climate change,

as they are massive carbon storage systems and also function as 'rain machines'. Monitoring systems - at both farm and landscape level - are essential first steps that must be taken, as is forest restoration and protection of remaining forests.

Agroforestry

Agroforestry should not replace original forests. However, in previously degraded areas, agroforestry can bring a wide range of ecological benefits; biodiversity conservation of flora and fauna, carbon sequestration, preserving and strengthening soil moisture and fertility, contributing to pest and disease control, and microclimatic control such as stimulating rainfall, and many other benefits. It is important for alignment on definitions of agroforestry at landscape level, and for all cocoa to be grown in increasingly diverse agroforestry systems.

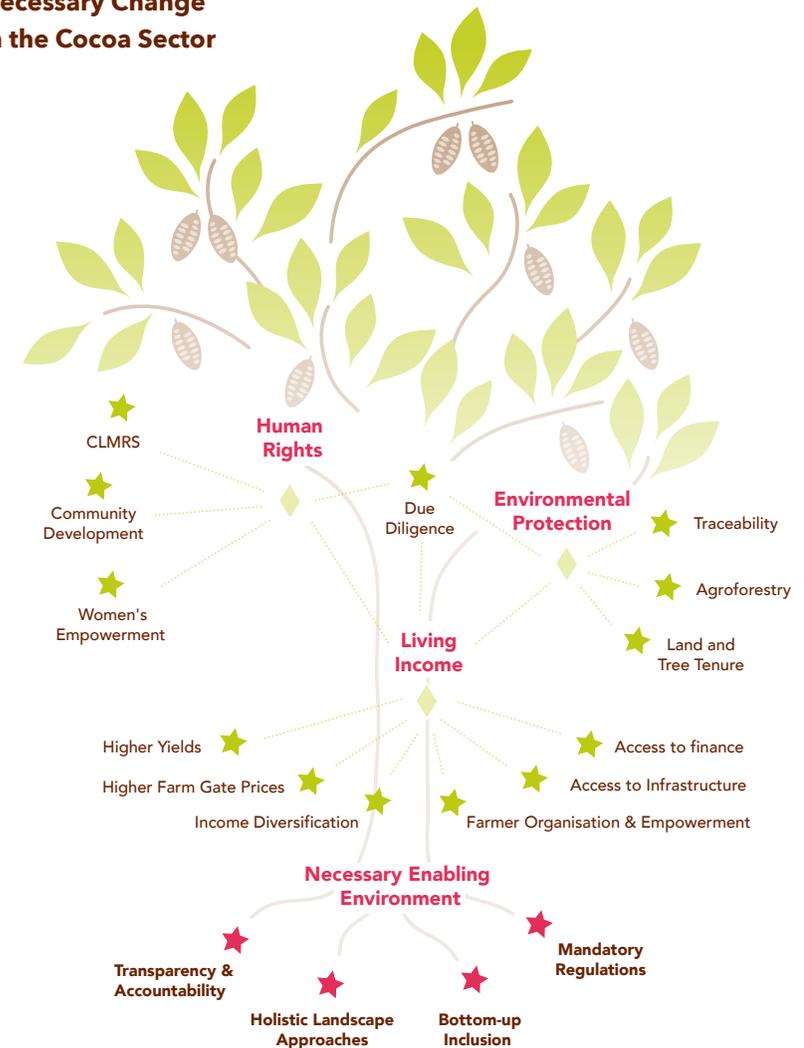
Inclusive approaches

Although local civil society organizations in producing nations have increasingly started to take part in the political dialogue in the cocoa sector, efforts to solve complex issues of injustice and unsustainability in the cocoa sector have not been inclusive or holistic enough. Instead of inviting farmers and civil society to take a seat at the decision-making table, problems have been assessed using a top-down industry-based approach. Although this might serve the interests of industry and government, it does not serve the producer farmers and their communities. Inclusive and deliberative approaches are necessary, with farmers and civil society being co-equals in these processes.

Regulatory approaches necessary

Cocoa grown under what should be illegal circumstances still finds a market because it is not prohibited to profit from human rights abuses and deforestation in cocoa consuming countries. Within the multitude of government-driven covenants, national multi-stakeholder platforms and sector-wide collaborations, there are no penalties for non-compliance, neither is there enforcement to meet targets. Ironically, those at the bottom - cocoa farmers often living below the poverty line - do lose their sustainable cocoa certification if they do not comply. The past two years, however, have seen increasing support for mandatory human rights and environmental due diligence regulations, from both government and corporate side

Necessary Change in the Cocoa Sector



Conclusion

Most challenges in the cocoa sector are systemic and require structural interventions at landscape, national, and global level. The core of the solution lies in the enabling environment; from a mandatory environmental and human rights due diligence regulation, through a solid and empowered position for smallholder farmers in global supply chains, to empowering farmers and local civil society to keep their governments accountable, supported by transparency, due diligence and accountability systems, and open monitoring and traceability of the sector. This enabling environment must be supported through much greater investments and efforts by all actors; industry, governments and donors alike.