

## Cocoa Floor Price at USD 2,600!

Many sector experts and observers are rubbing their eyes in amazement, some are delighted: The two largest West African cocoa exporting nations want to take their traditional market strength seriously in order to force a higher selling price for raw cocoa: *"At a meeting with buyers in Accra... Ghana and Ivory Coast demanded a minimum price of 2,600 dollars (2,302 Euros) per ton of the chocolate raw material... The CEO of the state-owned Ghana Cocoa Board, Joseph Boahen Aidoo, said... 'the demands had been accepted in principle. At a follow-up meeting, the implementation of the agreement should be discussed. Until then, Ghana and Côte d'Ivoire would suspend sales of the 2020/2021 crop.'* He spoke of a "historic" step. For years the buyers had determined the price. The two countries are responsible for 60 percent of global cocoa production. Yves Kone, head of the Coffee and Cocoa Council of Côte d'Ivoire, demanded a price that would amount to 'acceptable remuneration' for the efforts of the workers. The cocoa market is worth about 100 billion dollars, of which only 6 billion go to producers." ([FAZ Net, 13.06.2019](#) – translated by [www.DeepL.com](#) like another quote from DW, down-here).



Actors like [Fairtrade](#) welcome this development: „*We believe in sharing the benefits of trade more equally, and welcome this move by the governments to shore up cocoa farmers' incomes'* said Jon Walker, Fairtrade International's Senior Advisor for Cocoa. *'We will be actively engaging with the cocoa regulatory bodies in each country to understand how the Fairtrade structure, including our Minimum Price, will fit in with their plan.'* “

To Friedel-Hütz Adams (Südwind-Institut) *"... the planned minimum price is... not particularly high. It will not be enough to sustainably reduce poverty', the researcher said. But it's the first attempt by governments to experiment with a kind of OPEC for cocoa and to set a minimum level of protection downwards."* (<https://www.dw.com/de/opec-f%C3%BCr-kakao-erzeuger-wollen-mindestpreis/a-49264770>)

After reconsidering the presuming good news, one may express some doubts whether this marketing strategy can be realized and if so, whether the impact on the Ghanaian and Ivorian economies and the cocoa farmers will be beneficial. Are there enough adequately-sized, quality-assuring stores for at least two annual harvests of raw cocoa? That might be required to stand up to London and New York stock exchange futures' markets so as to hold-back cocoa until buyers are ready to pay a price of USD 2,600 p. MT.

If so, will, for instance, the Ghanaian Government really stay in clear-cut agreement to execute that strategy consistently – taking into account that Ministry of Finance does need the cocoa export revenues to stabilize its public budget – especially as Ghana wants to go “beyond aid!” Will the GoGH have COCOBOD take the lead against all odds and queries from competing political interests in the country?

What happens to the farmers who are dependent on selling their produce at almost any price in times of 'no-export-at-all'? If these and some other questions are not answered to the satisfaction of all actors in the value chain, the credibility of this marketing strategy will collapse!

In view of the precarious income situation of the producers, which we learnt about in three consecutive exposure and dialogue programmes (2017-2019), Ghana Cocoa Board should at least adjust the arbitrary farm-gate price step by step upwards - and not only on paper (while the author is well aware of the fact that "there is a committee" who is to do it!). However, only those who take a close look at the details may guess where the real challenges lie. It could be worthwhile for all those involved directly to clean up the irregularities in the domestic supply chain so that the farmers do first of all receive the money to which they are entitled nominally in order to be able to remain in business at all, in the medium term; in other words, to make the cocoa business more attractive for their sons and daughters.

Looking closer, for examples, there is an urgent need to *re-calibrate* many scales in all cocoa growing communities to minimize cheating. There is also a need to document and substantiate, in evidence-based manners, the extremely non-transparent formal and informal levies on the cocoa beans delivered by the farmers (nominally, in 64kgs-bags) and stored at licensed buying companies, e.g. with regard to the residual moisture of the beans and the actual ownership situation in the respective traditional land ownership settings. These would be important steps – albeit far below the bi- national marketing strategy - which would have a positive effect on farmers' incomes.

Over and above this, a higher FOB price does not even come close to meeting the most pressing sustainability challenges for the smallholder cocoa sector. Our EDP partner Emmanuel Ntiri, Director, Goshen Global Vision, is convinced of this:

*„The cocoa sector, especially in Ghana is in dire need for rescue. The reason being that, aside the many known problems such as the average cocoa farmers' age becoming older and older, another technical problem is that a lot of the farms are experiencing dying of the cocoa tress. [Cocoa Health Extension Division] has attributed this to the fact that the cocoa trees are too old and have rolled out re-planting of [new seedlings on] the farms. This may not be the actual reason because young farms established just about 12 years ago are also facing the same problems. Now the global pricing is putting the nation in a very critical situation. As it is, as a result of the hedging at USD 2,600 and the fact that we can sell a certain minimum tonnage, Ghana is left with either selling low quantity and storing the rest of the stuff or release all to the market and sell at cheaper price. For whichever of the options, Ghana will have low income and the farmers are going to be poorer.*



*There is a strong need for diversification from cocoa into other crops particularly annuals such as maize and rice and develop their value chain as has been done for cocoa. This will attract some people to divert into the annuals while also ensuring food security and lowering poverty. Personally, I think that the re-planting of the so called old cocoa trees, dead cocoa trees etc should be done*

*carefully and in line with the cocoa suitability maps of Ghana to avoid waste of the farmers' time and life. As it is now, Ghana is in serious trouble!"* (Emmanuel Nitiri, personal communication, e-mail 17 June 2019).

Higher prices are at best one of the relevant milestones for the survival of cocoa cultivation in West Africa. Adaptation to climate change, which makes the cultivation of more draught-resistant, modern cocoa varieties meaningful, only in very few selected regions of the country, and developing alternative agricultural value chains for the large mass of West African producers\* continues to be a Herculean task.

As Emmanuel Ntiri puts it in a nutshell: The aim should be to ensure food security and welfare for numerous, extremely hard-working smallholder families in the coming decades through evidence-based agricultural and development policies and thus to reduce poverty and the rural exodus of young people in particular. As far as the governance of the cocoa industry in Ghana itself is concerned, other pressing questions remain unanswered; transparency being an example. When will COCOBOD publish an accountability and financial report? For instance, according to the standards of the documents that the international investors of the annual pre-export financing facility worth up to 1.8 Billion US Dollar would accept?

If interested in deeper insight into some of these fundamental questions kindly refer to the analysis by EDP participant Prof. Dr. Helmut Asche ([Whose cocoa? Occasional Paper, 2018](#)).

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