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**SUSTAINABLE PRACTICES IN THE
GLOBAL COCOA ECONOMY-
A PRODUCER'S PERSPECTIVE**



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INTRODUCTION

- The diversity of interests of stakeholders gathered here indicates the differences in our specific roles, responsibilities and areas of attention in the global cocoa economy.
- To what extent do stakeholders respond to sustainable production initiatives?
- How can these interests be optimised to achieve maximum benefit for the cocoa economy?
- Sustainability involves achieving optimal benefits for all stakeholders, including producers and industry.

GLOBAL COCOA VALUE CHAIN (GHANA'S MAP)



PRODUCERS' INTEREST & PERSPECTIVE

- To us as producers, the question is what kind of incentives will keep our farmers at work and what level of output is deemed optimal for the market.
- What constitutes the appropriate management of cocoa production - appropriate for producers like us, who want a reasonable return on our farmers' investments?



IMPORTERS/INDUSTRY'S INTEREST

- What constitutes the appropriate management of cocoa production for importers, who want to ensure that good quality cocoa stocks do not fall so low as to distort their processing programmes?



CRITICAL ISSUES

- Recent developments in the commodity markets require transparency and traceability in product supply chain. Underlying reason behind this demand is the need for 'fair trade', 'fair prices' and 'fair labour practices'.
- There is strong inter-dependence between producers and industry and it is important to find the convergence of interests of the two parties so as to reach a situation where we can co-exist in a sustainable partnership. This will lead to the attainment of optimality.

CRITICAL ISSUES – Cont.

- From the producer perspective, other critical issues that need to be considered are sustainable improvement in quality and farmer incentive structures.
- It is our strong view that the sustainable attainment of the former requires that serious attention is paid to the latter.
- Our view is premised on the three pillars of sustainability – Economic, Social and Environmental considerations.

3. QUALITY ASSURANCE

- Ghana operates a three-tier grading system where produce is graded up-country, at the port on arrival and for all consignments prior to shipment.
- We are developing the capacity to certify that our cocoa meets recent market requirements on maximum chemical residue limits so as to maintain Ghana's reputation as producer of premium quality cocoa.

ECONOMICS OF QUALITY ASSURANCE

- In economic terms, a lot of efforts and resources go into maintaining the high quality of Ghana cocoa.
- Cost-benefit analysis of our quality system mostly points to the need for us to re-consider spending so much to keep our quality if our efforts are not adequately rewarded by the market.

ECONOMICS OF QUALITY ASS. — Cont.

- Maintaining quality is expensive in terms of the direct costs of our Quality Control Division, which is at the centre of all these, and from loss of revenue from beans rejected at the local level as sub-standard and waste.

PRODUCTION SYSTEM

- Low productivity and falling market prices put undue pressure on the environment as farmers are forced to expand production to new areas including forest lands.
- Reduction in earnings also does not encourage the carrying out of programmes to enhance product quality, soil fertility, farmer education, organic production etc.

PRODUCTION SYSTEM Cont.

COCOBOD has embarked on productivity-enhancing schemes, modernization and expansion of logistics, and improvement in quality assurance systems.

- The pests and diseases control programme (Mass Spraying) since August 2001.
 - Application of fertilizer to replenish soil with the needed nutrients (Hi-Tech) since 2003.
- ➔ Record levels of 736,975 tonnes in 2003/04 and 740,458 tonnes in 2005/06.

PRODUCTION SYSTEM Cont.

To sustain gains, COCOBOD continues to support farmers to adopt effective agronomic practices so as to increase the productivity of their farms with emphasis on intensive methods of production.

- These will free more land for other productive activities as well as help sustain our environment.
- COCOBOD is rehabilitating its 19 Cocoa Stations with its Farmers' Hostels across the cocoa districts to re-introduce the Farmer Field Schools where farmers and farmer trainers are trained in new farming techniques.

FARMER INCENTIVE STRUCTURES

CRITICAL ISSUES

- Low levels of commodity price lead to inadequate farmer income, low agricultural wages resulting in deepening poverty among farm families.
- The volatility of the commodity market, resulting in low and unstable farm-gate prices create a vicious circle of lower investments, lower productivity, lack of competitiveness and dwindling incomes.

FARMER INCENTIVE STRUCTURES Cont.

Adequate reward for farmers will enhance social and environmental dimensions of the cocoa value chain at the production level.

- Ghana has, therefore, moved from setting producer price through the ‘cost-plus’ system to a system of guaranteeing a certain percentage of FOB price.
- This approach ensures a direct link between Ghana’s producer (farm-gate) price and the FOB price that is obtained from the world market.
- Farmers’ share of the net FOB price has therefore seen consistent upsurge recently, increasing from 67.00% in 2000/01, 67.09% in 2002/03, and 68.11% in 2004/05 to 72.19 in 2006/07 crop years.

OTHER ECONOMIC DIMENSIONS

Deteriorating terms of trade against commodity producing countries have aggravated the problem of falling real revenues from cocoa trade. This inhibits the acquisition of the relevant inputs needed for maintenance, modernisation and diversification necessary for a sustainable cocoa sector.



SOCIAL DIMENSIONS

- Socially, commodities play important roles in the livelihood and stability of farming communities in terms of job creation and distribution of incomes among rural population.
- Market developments, such as low prices, which negatively affect the interests of farmers tend to move people, especially the youth to the urban centres and to developed countries in search of non-existent or menial jobs.
- The stability of cocoa farming communities and for that matter the sustainability of the cocoa economy depends on our ability to reward farmers remuneratively.

CONCLUSION

Bean count – key in cocoa quality.

- Claims against COCOBOD/CMC for bean count in excess of contractual limits.
- However no reward for supplying superior quality of cocoa beans on the basis of a low bean count.
- For even-handedness and equity, I am proposing for the industry to encourage and reward sellers who supply cocoa with bean count significantly lower than 100 beans/100 grams for say 90-95 main crop cocoa.
- If this is done, there is the distinct possibility of producing what we may call Ghana SUPER Beans.

CONCLUSION Cont.

- With the view to ensuring sustainable and stable future for the global cocoa economy, Ghana Cocoa Board is initiating a number of policies to regulate the operational activities of the major players, including the implementation of policies that will ensure that the right labour practices are adopted in the production and processing of cocoa.
- The responsibility then lies with our industry partners to appreciate the efforts by our farmers to supply the global cocoa market with the best quality cocoa.



Thank You

