

United Nations Conference on Trade and Development  
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25-26 April 2018, Geneva

**Crop Diversification Strategies for Cocoa Producing Countries**

By

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The views expressed are those of the author and do not necessarily reflect  
the views of UNCTAD.

# Crop Diversification Strategies for Cocoa Producing Countries

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# Cocoa: An African success story



If you want to send your children to school, it is cocoa

If you want to build your house, it is cocoa

If you want to marry, it is cocoa

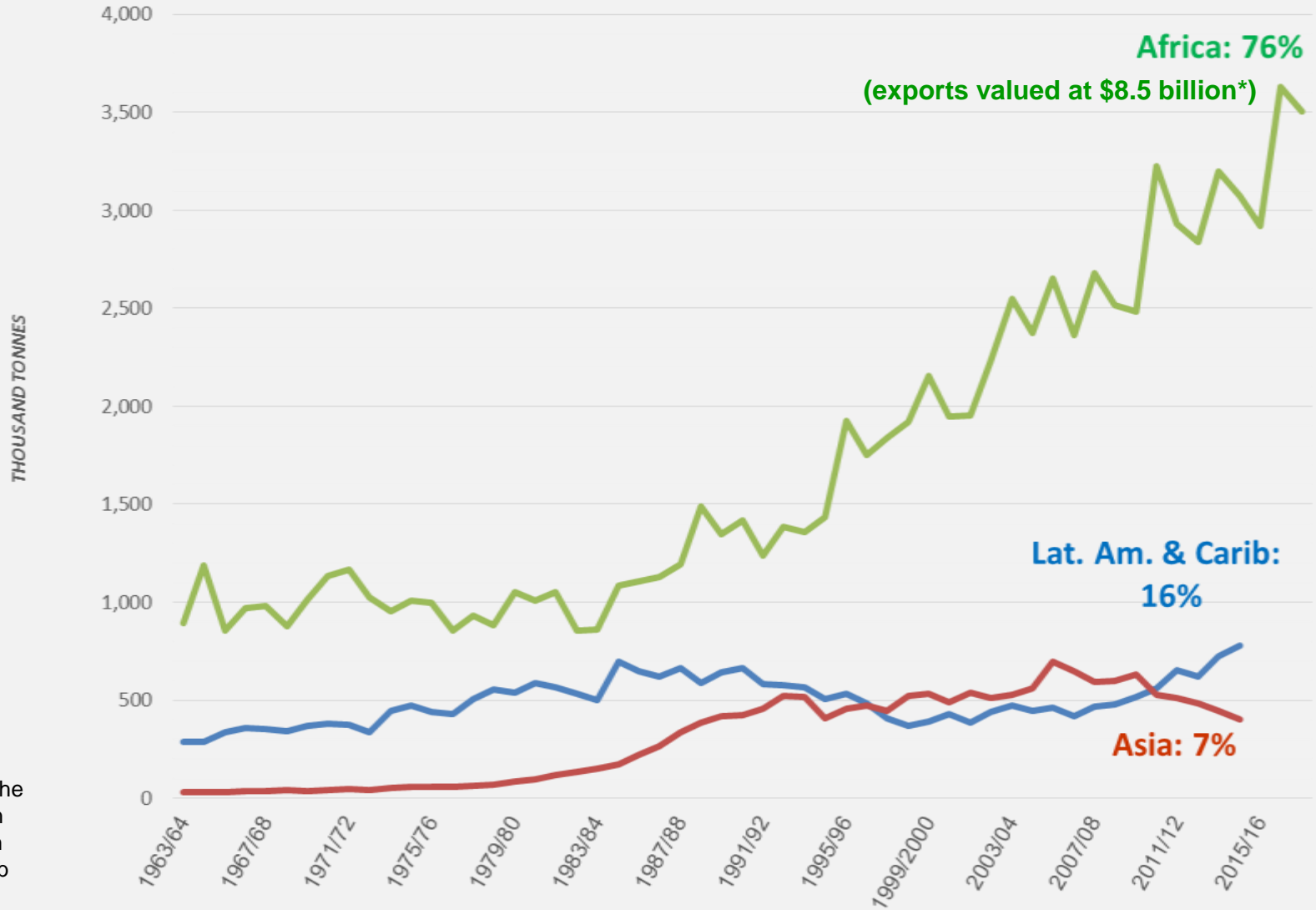
If you want to buy cloth, it is cocoa

If you want to buy a lorry, it is cocoa

Whatever you want to do in this world, it is with cocoa money  
that you do it

*Source: Text from a Ghanaian Highlife song in the 1950s*

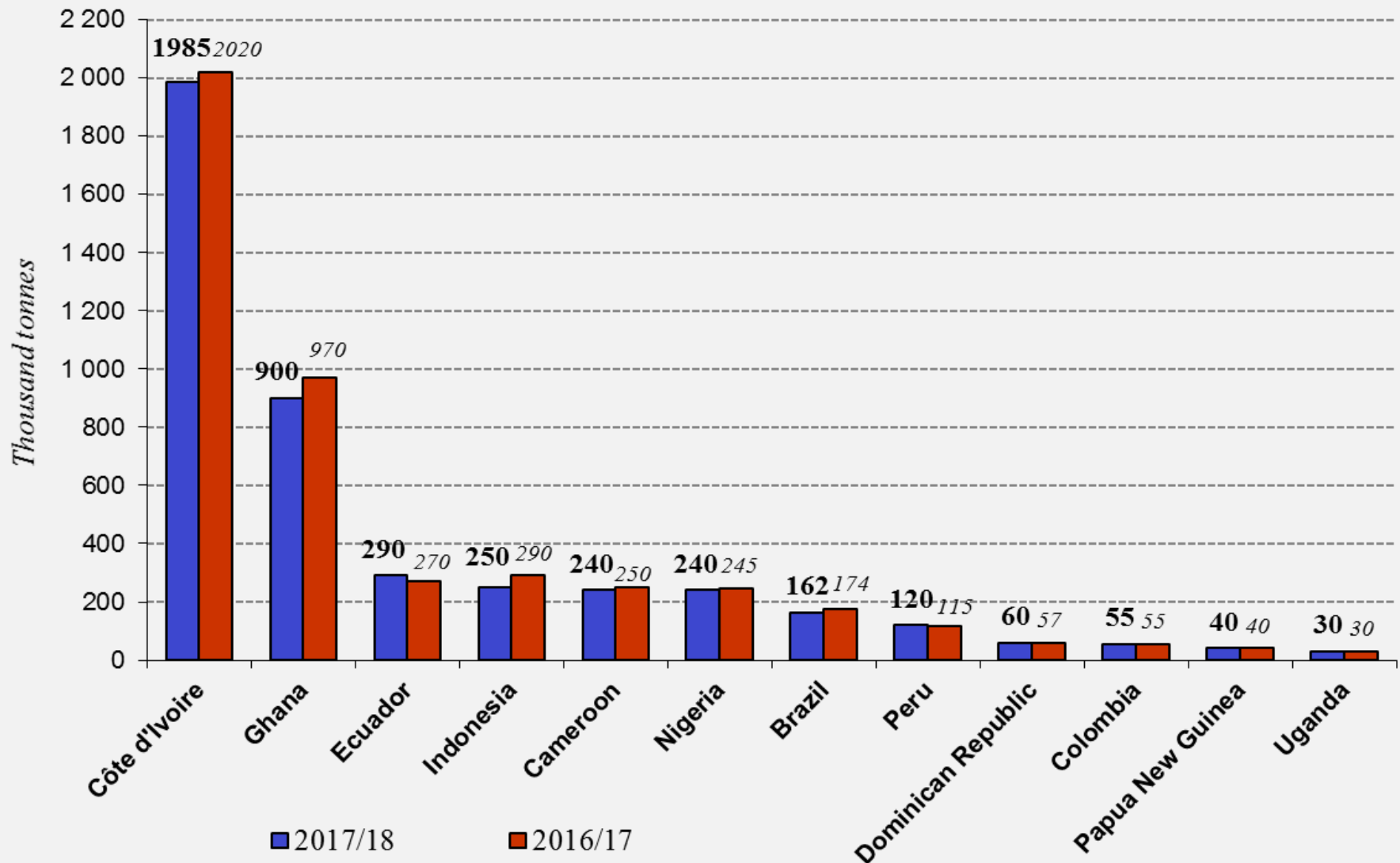
# The African cocoa boom



\* Estimated by the author based on IMF cocoa bean and products fob exports projections

Sources: ICCO, Pipitone

# 4 African countries in the top 6 16 African countries produce cocoa in significant volume



Sources: ICCO, Pipitone



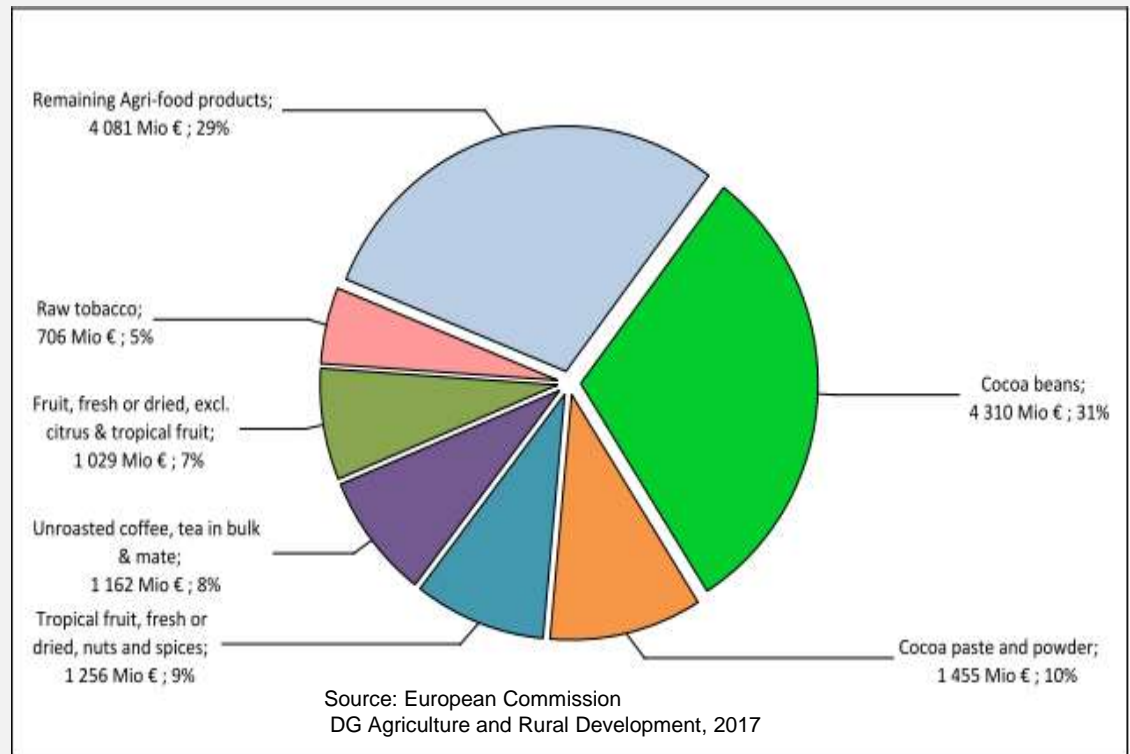
# Cocoa: An African success story

Cocoa represents:

- 22% of African agri-food exports to the rest of the world in 2016  
(Fruits & nuts: 21%; Tobacco: 5%; Coffee: 4%)

Source: UNCTADStat, April 2018

- 41% of EU agri-food imports from Africa in 2016



# Cocoa: An African success story

- Cocoa exports earnings *(share of merchandise exports, in 2014-2015)*:
  - 30% in Ghana
  - 39% in Côte d'Ivoire
  
- A significant source of employment and income in rural areas:
  - about 2.5 million cocoa farming families (around 12 million people) depend on cocoa farming as main source of income
  - about 20 million farmers and hired workers in cocoa growing
  - millions of additional employments in services to the cocoa sector

A blurred background image showing a person, possibly a woman, in a red garment, holding a basket or tray. The image is out of focus, emphasizing the text overlaid on it.

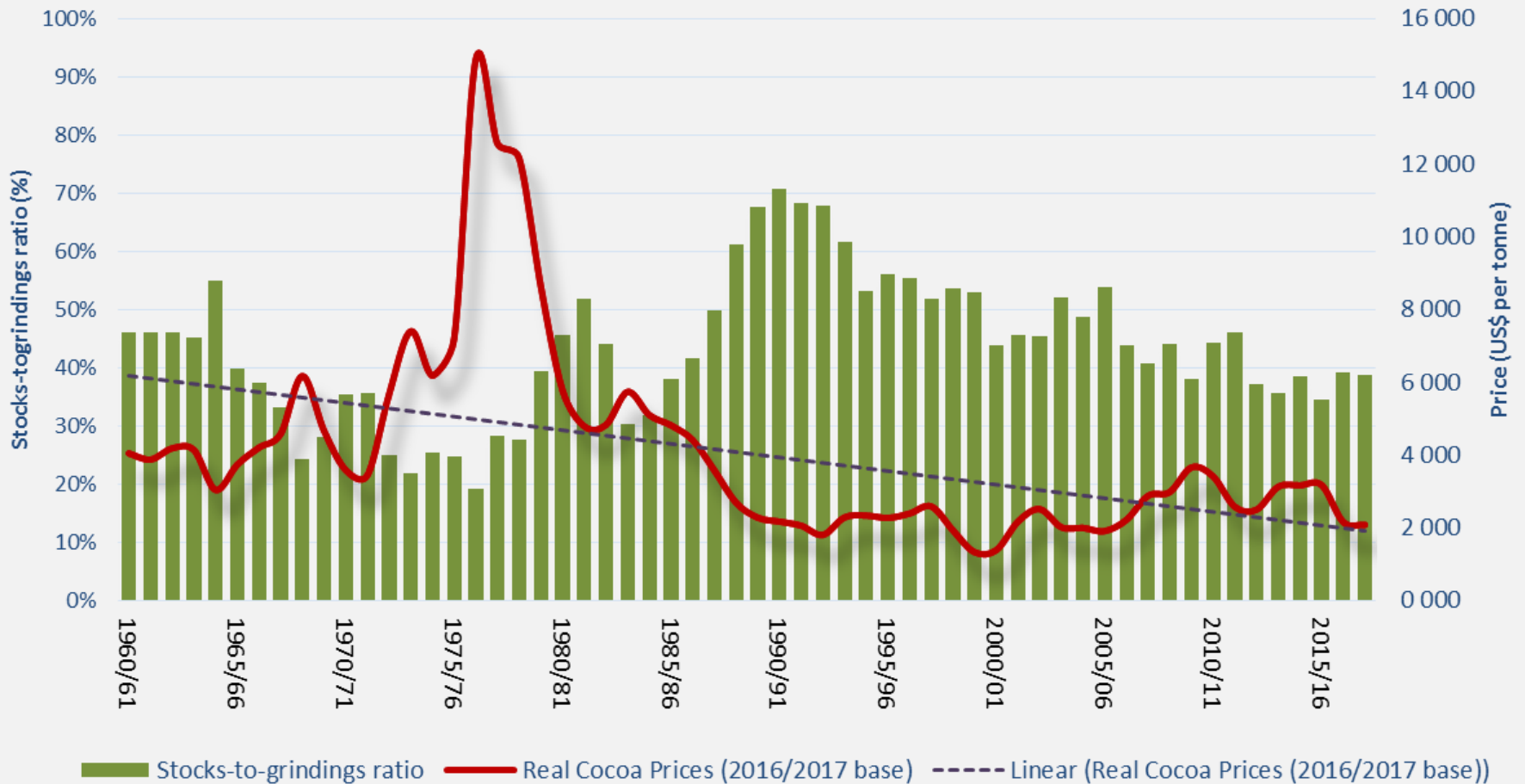
Is cocoa still an African  
success story?

... the dark side of cocoa



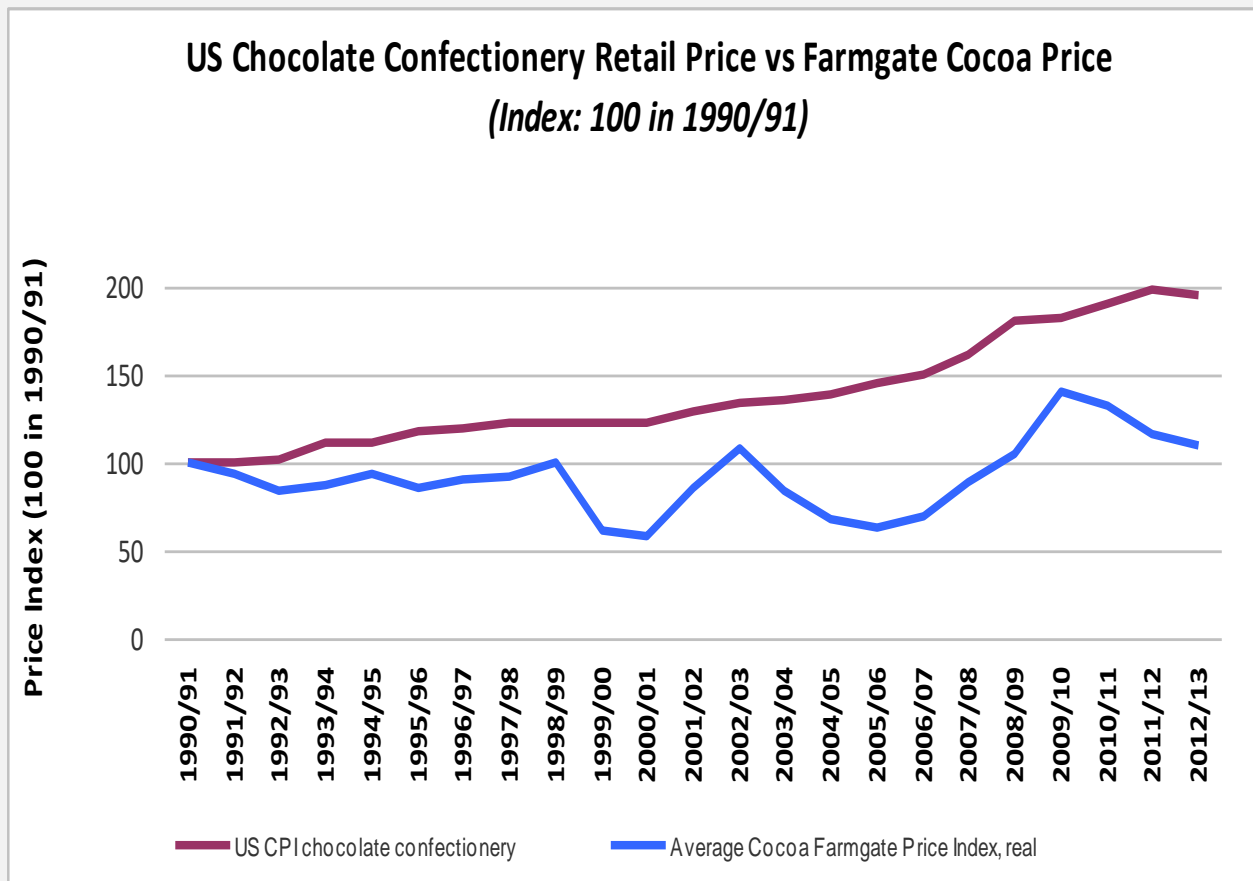
# Declining cocoa prices

18 July 1977: max  
US\$18,000 per tonne



Sources: ICCO, Pipitone

# Deterioration of the terms of trade of cocoa



Source: ICCO

**Prebisch–Singer hypothesis:** decline of the value of the raw beans against cocoa-based manufactured goods

# High incidence of poverty

## ➤ Poverty headcount:

Over 1/3 of cocoa farmers are extremely poor in Côte d'Ivoire!

Under such circumstances, the cocoa economy cannot claim to become more sustainable....

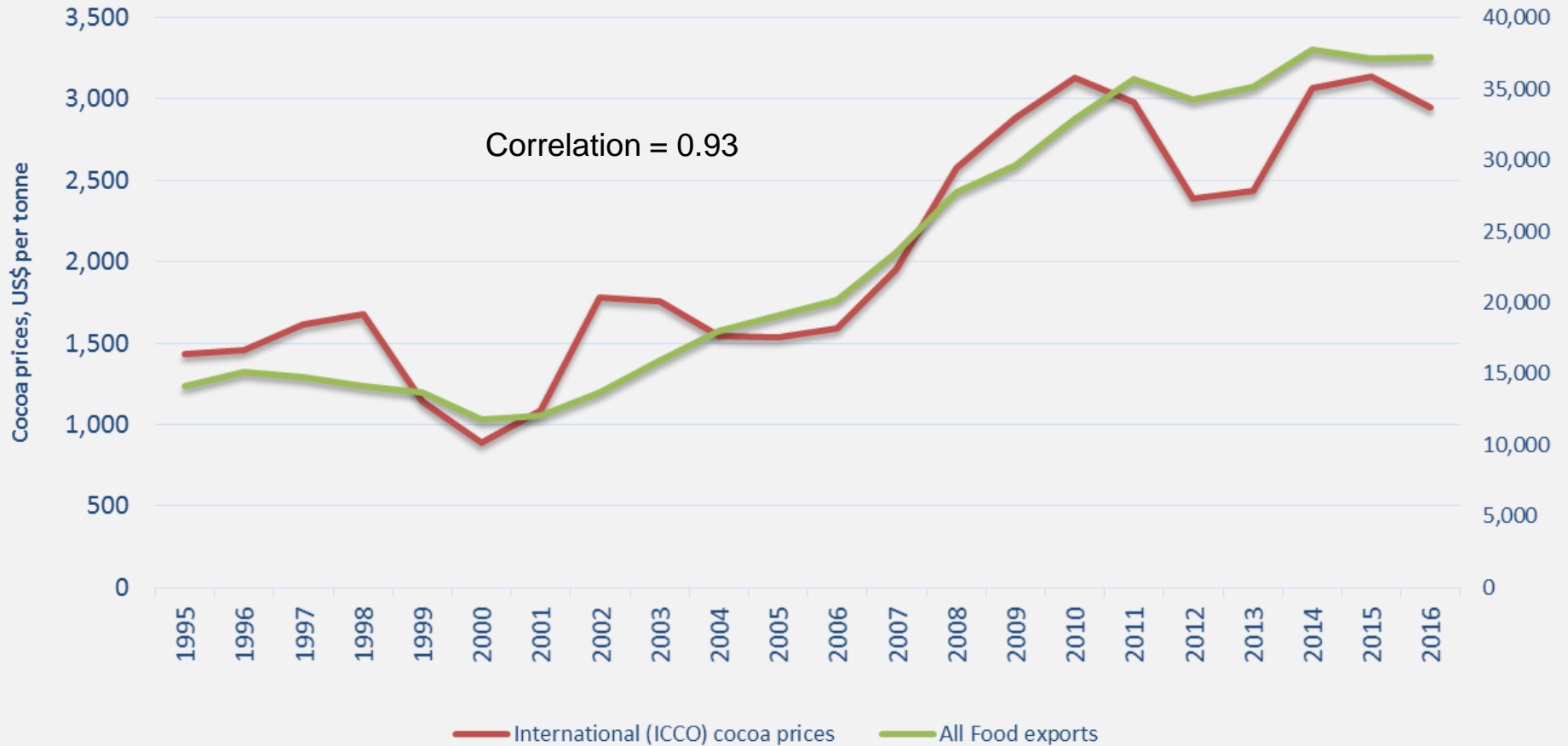
|                  | Côte d'Ivoire            |                            | Ghana                    |                            |
|------------------|--------------------------|----------------------------|--------------------------|----------------------------|
|                  | At national poverty line | At \$1.90 a day (2011 PPP) | At national poverty line | At \$1.90 a day (2011 PPP) |
| Total Population | 46.3% (2015)             | 28.2% (2015)               | 24.2% (2012)             | 12.0% (2012)               |
| Urban Population | 35.9% (2015)             |                            | 10.6% (2012)             |                            |
| Rural Population | 56.8% (2015)             |                            | 37.9% (2012)             |                            |
| Cocoa farmers    |                          | 37% (2016)                 |                          |                            |

Sources: World Bank, CGAP smallholder HH survey 2017, Author's calculation

# Deforestation

- In West Africa, cocoa has been identified as a major driver of deforestation which has led to serious soil degradation, water insecurity and crop failures in the region (*World Bank, 2017*)
- Historically, cocoa has been a “slash-and-burn’ crop. Rainforests would be cut down for new cocoa fields, and after the trees grew old in forty or fifty years, the cocoa planters would move on to new parts of the forest and start the cycle all over again (*Cocoa Barometer, 2018*).
- 2.3 million ha of forest loss in Côte d’Ivoire and Ghana from 1988 to 2007 (*CIFOR, 2010*), including 570,000 ha of protected areas from 2000 to 2014 (*Mighty Earth, 2017*)

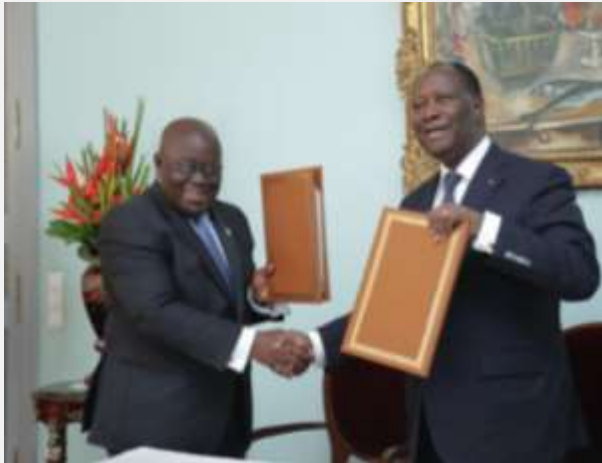
# Africa's exports: Cocoa dependence



Sources: UNCTADStat, ICCO, Pipitone

## Make cocoa great again...

- Better coordination of cocoa policies between Côte d'Ivoire and Ghana (the source of 60% of world production), with the priority to limit risks of over-production!!!



Presidents Akufo-Addo and Alassane Ouattara sign the “Abidjan Declaration”, resolving to implement a Strategic Partnership Agreement  
*26 March 2018*

- Better collection of data on cocoa resources on the ground (planted areas, tree profiles, varieties, farmers, etc.) and information on programmes implemented by the various stakeholders
- Increase productivity: improve the environment for doing agriculture business and enhance the quality and effectiveness of public expenditure in agriculture (R&D, technology transfer, irrigation, etc. progressively replacing input subsidies) in the context of limited fiscal space.



## ... and implement a diversification strategy

**Vertical diversification:** emergence of micro, small or medium-sized enterprises to service the cocoa sector, marketing, storage, agro-processing, chocolate making

*(topic presented at the 8<sup>th</sup> session in 2016)*

**Horizontal crop diversification:** production of other agri-food products, based on demand (local, regional and RoW) and potential:

- micro-level: review opportunities for cocoa farmers to diversify towards alternative crops
- Macro-level: review trend in demand and national food balance sheet

# The impact of agriculture on economic growth and poverty

Precise role of agriculture (vs non-agriculture) towards economic growth and poverty reduction in Africa remains much debated:

- In the 60s and 70s, agriculture typically viewed as a backward unproductive subsistence sector.
- But experience of the green revolution in Asia during the 1970s and 1980s
- Belief in the potential of agriculture eroded gradually thereafter, especially in SSA, following the poor performance of many agricultural development projects, decline in food price, and strong appeal of East Asia's export-led manufacturing growth miracle
- New change of direction: introduction of the poverty reduction dimension through the MDGs and the 2007-2008 food price crisis

Empirical literature usually finds that agricultural growth has larger economy-wide multiplier effects and stronger linkages to poverty reduction than non-agricultural growth

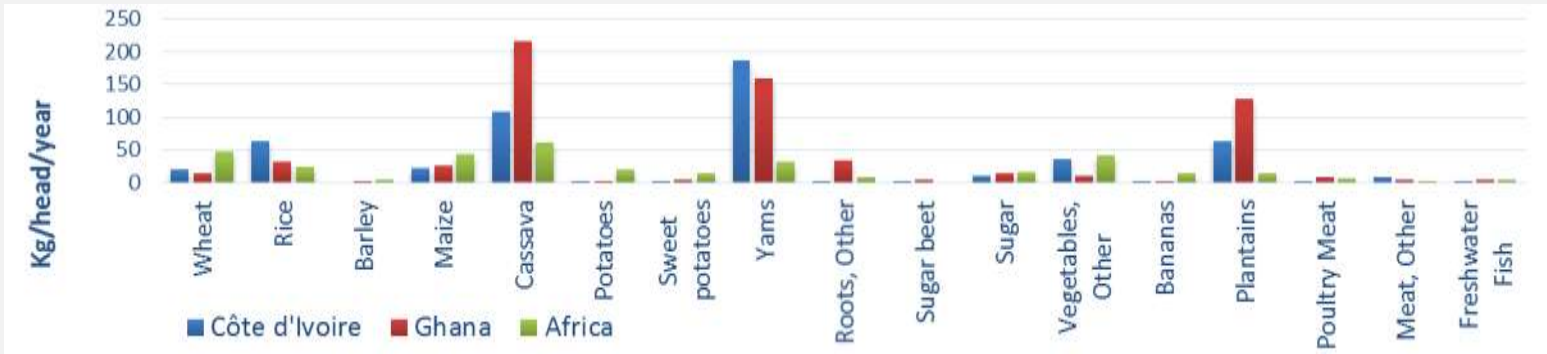
Agricultural growth contributes to general economic growth and overall poverty reduction through two effects: directly, and indirectly through strong growth linkages with non-agriculture sectors

“GDP growth originating in agriculture induces income growth among the 40 percent poorest, which is on the order of three times larger than growth originating in the rest of the economy”  
(*De Janvry and Sadoulet, 2010*)

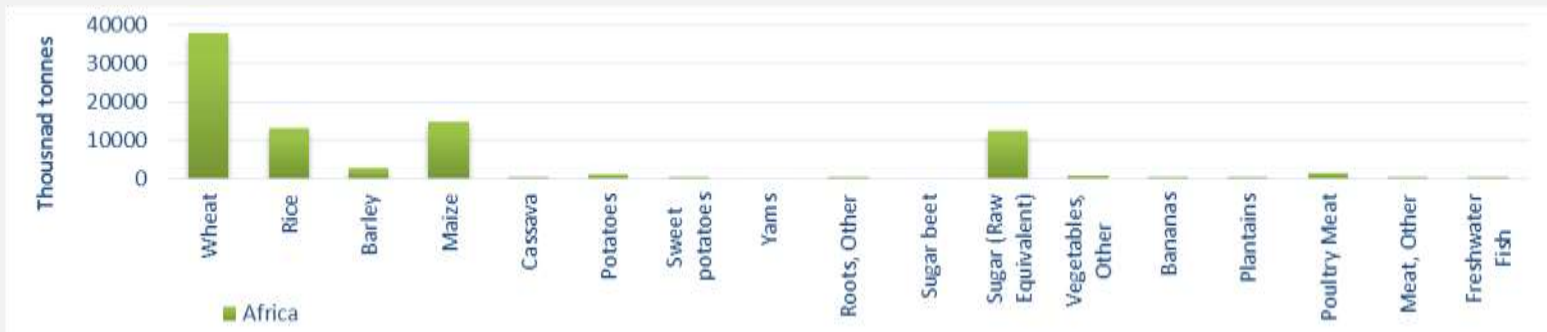
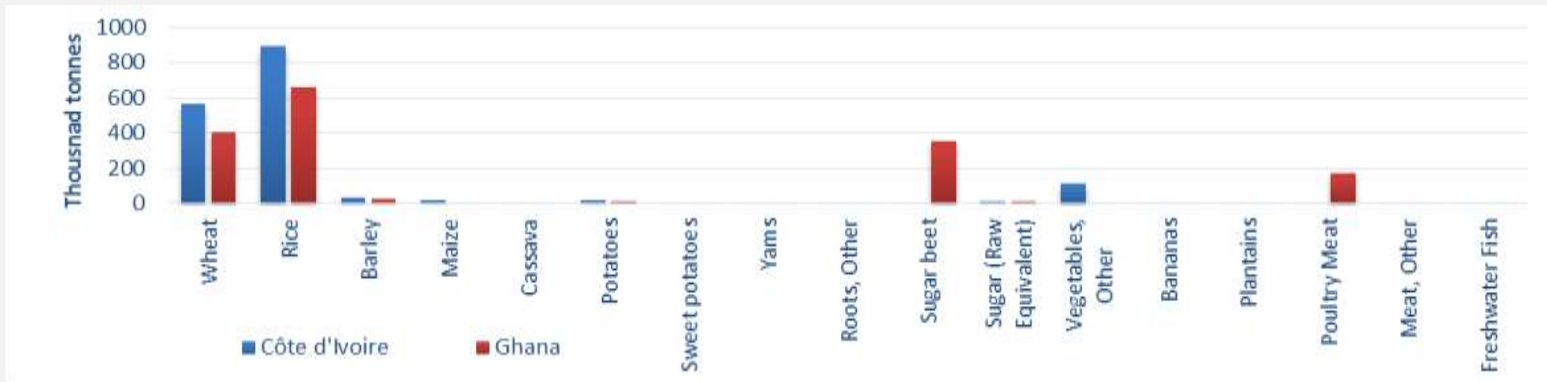
“Agricultural growth led by food crops is more poverty reducing than growth led by export-oriented crops” (Diao et al., 2012)

# Crop diversification: which staple crops?

Consumption, 2013



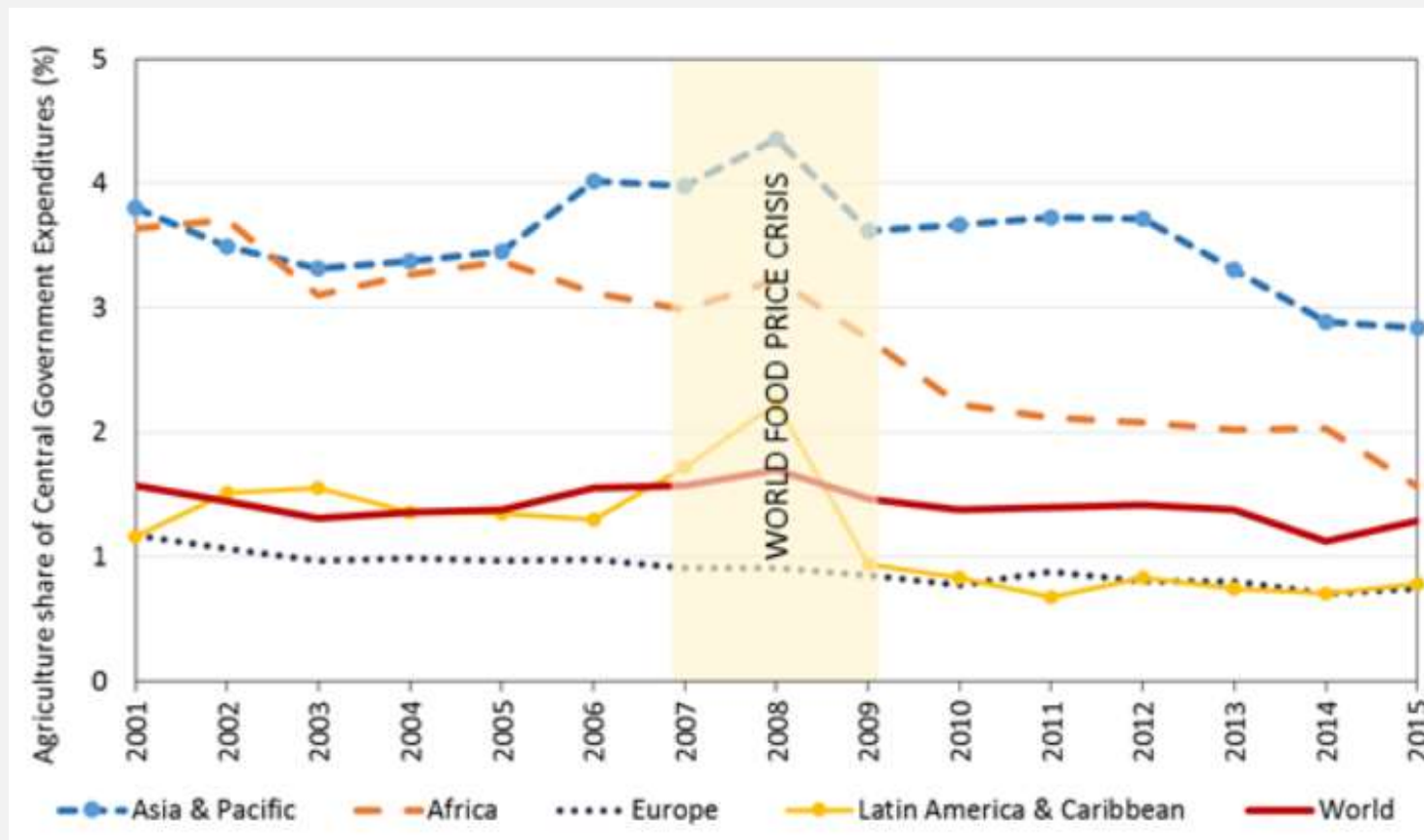
Imports, 2013



Source: FAOSTAT, April 2018

# Public expenditures in Agriculture: underinvestment

Maputo Declaration (2003): African Union's nations committed to allocate 10% of government expenditures to agriculture and rural development  
*(the commitment was reiterated through the Malabo Declaration, 2014)*



Source: FAO

*Thank you for listening*

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*... and enjoy eating (dark) chocolate*