Overview of Cocoa Value Chain in Ghana

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Outline

• Background

• Ghana’s Value Chain

• Challenges / Conclusion
BACKGROUND

- **GDP contribution:** About 7% of the country's GDP and 25% of total export earnings.

- **Total production:** fluctuates between 750,000-850,000 MT/year. 90% of total production grown by smallholder farms.

- **Second largest exporter:** 2nd after Côte d'Ivoire.

- **Employer:** offers livelihoods for over 700,000 farmers and delivers 70-100% income. It also provides income for about six million people (Anthonio and Aikins, 2009; Gockowski et al., 2011; USDA, 2012).

- **Cocoa producing households:** In most cocoa-producing households, cocoa accounts for over 67 percent of household income (Kolavalli and Vigneri, 2011).
Background contd

• **Size of cocoa farms**: smallholder base with avg farm size of not more than 4ha (Anim-Kwapong and Frimpong, 2005)

• **Planted area** has fallen slightly from 1.82 million ha in 2008 to 1.63 million ha in 2010

• **Yield**: Average annual yield is 400kg/ha

• **Reputation** for high-quality cocoa; slightly higher-than-average fat content; low levels of debris; and low levels of bean defects
Background contd

• **Poverty reduction:** Reduction in poverty levels among cocoa producing households from 60.1% in the 90's to 23.9% in 2005 against the national poverty rate which has fallen from 51.7 in 1991/92 to 28.5 percent in 2005/2006. The sudden decrease in poverty levels for cocoa producers coincides with a period of favorable cocoa prices, higher yields, and increased production.

• Producer Price: 2016/2017 crop season stands at GH₵475.00 per bag. 11.76% increase, representing a 77.45% increment of the net of the FoB.
Cocoa Value Chain

• Ghana’s cocoa value chain has a so-called partially liberalized marketing structure, which combines elements of privatization with a strong government presence

• The Cocoa Marketing Company (CMC, the COCOBOD subsidiary that holds the export monopoly)

• Quality Control is also held in monopoly by QCC, COCOBOD.

• The price determination within the value chain is subject to government regulation - (PPRC).

• Still, only 8-15% of cocoa is processed domestically

• Mainly low value added.
Cocoa Value Chain Contd

• Classified into **Main actors & Supporting actors.**

• Main actors contribute directly to the production, processing, transportation and marketing of cocoa and cocoa products.

• Supporting actors do not directly participate in the production, processing and retailing of cocoa, but provide various types of support to the value chain.
<table>
<thead>
<tr>
<th>Actor</th>
<th>Function</th>
<th>Outputs</th>
<th>Type of sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private input dealers, CHED, SPD</td>
<td>Input supply</td>
<td>Seeds, fertilizers, pesticides, fungicides</td>
<td>Mainly informal, Public</td>
</tr>
<tr>
<td>Farmers</td>
<td>Production</td>
<td>Cocoa beans</td>
<td>Agribusiness</td>
</tr>
<tr>
<td>LBCs</td>
<td>Internal marketing</td>
<td>Purchases of cocoa beans from farmers and delivery it to COCOBOD</td>
<td>Formal</td>
</tr>
<tr>
<td>Hauliers</td>
<td>Transportation</td>
<td>Transportation of cocoa beans</td>
<td>Formal</td>
</tr>
<tr>
<td>CMC (COCOBOD)</td>
<td>Exports</td>
<td>Exporting of cocoa beans</td>
<td>Public</td>
</tr>
<tr>
<td>Processors</td>
<td>Processing</td>
<td>Cocoa powder, cocoa butter, liquor, cakes, beverages, chocolate</td>
<td>Formal</td>
</tr>
<tr>
<td>Cocoa waste companies</td>
<td>Cocoa waste marketing</td>
<td>Exporting of inferior cocoa and cocoa waste</td>
<td>Formal</td>
</tr>
<tr>
<td>Big supermarkets Small retailers, table top</td>
<td>Retail</td>
<td>Delivering products to consumers</td>
<td>Formal &amp; informal</td>
</tr>
</tbody>
</table>
## Supporting Actors of the Cocoa Value Chain

<table>
<thead>
<tr>
<th>Actors</th>
<th>Function</th>
<th>Outputs</th>
</tr>
</thead>
<tbody>
<tr>
<td>COCOBOD (CHED &amp; CRIG) Research institutions Farmers' groups Processors and LBCs NGOs</td>
<td>Extension services &amp; Research</td>
<td>Research and transfer of knowledge</td>
</tr>
<tr>
<td>COCOBOD (QCC)</td>
<td>Quality control</td>
<td>Stable quality of raw cocoa</td>
</tr>
<tr>
<td>Formal &amp; Informal Financial services org.</td>
<td>Financing</td>
<td>Financial services</td>
</tr>
<tr>
<td>Insurance orgnization (public &amp; private companies)</td>
<td>Insurance and Social protection</td>
<td>Risk mitigation</td>
</tr>
<tr>
<td>NADMO, GNFS and local disaster volunteer groups</td>
<td>Disaster management</td>
<td>Risk mitigation</td>
</tr>
</tbody>
</table>
Economy-wide linkage effects of cocoa

• Strong cross sector linkages through Cocoa processing (milling and butter), Food industry (beverages, bakery, etc.)

• Government revenue to support other sectors

• Processed cocoa exports increased from 83.6 mil. US$ in 2004 to 152.9 mil. in 2006

• 5% of government revenue coming from cocoa export tax alone.
SECO’s intervention

• **CORIP;** The Cocoa Rehabilitation and Intensification Programme for Ghana (CORIP GHANA). A four year programme, co-funded by the private sector and IDH Sustainable Trade Initiative with a focus on improving productivity and sustainability of the cocoa sector by setting up a structure in the form of financially sustainable rural service centers to provide services to farmers, such as agro-inputs, training, certification and other services, including crop diversification. The programme provides a framework for the various ongoing public and private initiatives in which the public and private sector, NGOs and knowledge institutes will work together.

• **Organic Cocoa;** The project is scale up an existing initiative started 2007 by the Swiss SME Pakka AG and its Ghanaian counterpart, Yayra Glover Ltd. The project enables a significant and growing number of farmers in 3 districts (*Suhum-Krabo-Coaltar, Hohoe and Jasikan*) in Ghana to improve their livelihoods in a sustainable way by adopting organic and fair-trade standards for cocoa production and by selling their produce via traceable value chains to market players in the Swiss chocolate sector. The project planned to cover 7’000 farming households that are sustainably cultivating almost 17’000 hectares of cocoa plantations within an agroforestry system.

• **Lindt & Sprunngle Cocoa Farming Program (2015-2017)** Enhance and scale the reach of ist RSC delivery model to offer more innovative and inclusive agricultural services to about 48,750 cocoa farmers. The core activities of the project are group formations (FBOs), professionalization through training, farmer-led nurseries & farmer-led demo plots showing integrated soil fertility management (ISFM)
Challenges

• Inadequate compensation for quality cocoa, low productivity and inadequate farmers’ income
• Inadequate access to credit, rural development services, diversification.
• Inadequate extension support
• Aging farmers and lack of interest by the youth
• Unfavourable land tenure system
• Lack of conservation and wise use of biodiversity
• Deforestation and forest degradation through non-shade cocoa
• Macro-economic challenges (inflation, exchange rate regime,
• Need for more reforms? (e.g. COCOBODs Support Services, subsidies)
conclusion

• Ghana is still operating below its potential yield levels and hence still has room for growth and further expansion to take a greater share of the export market.

THANK YOU