

# **Raising Farm Gate Prices**

## **Approaches to Ensure a Living Income for Smallholder Cocoa Farmers**

A Cocoa Barometer Consultation Paper  
Antonie Fountain, VOICE Network  
June 2017

# Price Decline a disaster for all

- For cocoa farmers
- For Ghanaian and Ivorian governments
  - Cocoa revenues are an essential part of GDP
  - Farmer confidence in governments
- For sector
  - Erase all sustainability gains
    - Child labour
    - Gender inequality
    - Deforestation
    - Poverty reduction
  - reduce willingness to invest in rehabilitation and GAP

# Living Income is the goal

- Protection from market volatility secondary: sustainable livelihoods the goal
- Common approach to living income necessary
- Common definition and calculations
- Gender and child rights as important lenses

# Productivity Increase is not the answer

- SEO: *“Initiatives to raise cocoa sector productivity are not the solution for all farmers ... farmers need both a major price increase for their cocoa and a substantial increase in productivity in order to make a decent living out of cocoa”*.
- Global oversupply of cocoa (arguably one of the causes of the current price decline) will hardly be dealt with by increasing productivity even further.
- A productivity-driven approach might work for a few farmers but will further exacerbate the problems of the majority of farmers.

# Industry: holistic approaches (including paying more)

- Extra profits at the expense of extra poverty
- Production increase  $\neq$  solution
- Diversification and access to credit
- Companies should simply pay more

# Flexible Premiums

- Risk of price volatility could be shared
  - Maximum level above which no premium
  - Shared risk percentage
  - Minimum level; below which the risk is for companies
- Challenges
  - Unorganised farmers
  - How to deliver finances to farmers

## Flexible Premium Model (example)

Gross Price	Premium	Farm gate
\$3,000	\$0	\$3,000
\$2,900	\$50	\$2,950
\$2,800	\$100	\$2,900
\$2,300	\$350	\$2,650
\$2,200	\$400	\$2,600
\$2,000	\$500	\$2,500*
\$1,800	\$700	\$2,500

**Government:**  
coherent agricultural policies  
global supply management



# Agricultural Policies

- Commensurate to the size of the challenges
- Diversified income and access to credit
- Access to basic needs for farming communities
- Ensuring child rights and gender equality
- Higher national minimum prices
- Not just national cocoa production increase targets

# Supply Management

- Bufferstock Funds
- Quotas
- COCOPEC
- Physical limitation of cocoa supplies through alternative uses of stockpiles.
- within the individual countries, as well as on a global level.
- In all situations, a supply management solution would require significant political will
- It would also require a higher level of trust and integrity at government levels than currently is the situation

# Community of Practice

- Common definition
- Agree on approaches
- Benchmarks in place
- Shared Data
- Commitment to achieving LI

# Summary

- Farm gate **prices must go up**
- **Living Income** should be the aim
- **Productivity increase** will not suffice
- **Companies**
  - Pay more
  - Holistic sustainability policies
- **Governments**
  - Supply management solutions
  - Agricultural policies
- Strong **political will** & improved **trust, transparency & accountability**
- **Common Definitions**

# Questions?