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The dark side of chocolate

Author: Friedel Hütz-Adams
Publisher: SÜDWIND e.V.
Lindenstr. 58-60, 53721 Siegburg
Tel.: +49 - (0)2241 – 259735
E-Mail: huetz-adams@suedwind-institut.de
Homepage: www.suedwind-institut.de
Progress of discussion

Cultivation in tropical regions

Debate about working conditions

Possible solutions
Progress of discussion

Germany

- Discussion in the USA/Great Britain as well as Harkin-Engel Protocol (2000/2001) were not present in the German public
- SÜDWIND study (9/2009) : Big coverage in the media
- SÜDWIND study about responsibility of companies will be published 10/2010 at the INEF-Institute / University Duisburg
- SÜDWIND study about situation in Ghana will be released at the end of this year / Conference in spring 2011
- Application to EU by organisations from Germany, Austria and Poland is in progress. Aim: Supply studies, campaigns and educational material – promote fair trade
Activities in other countries

- Further studies were written in Belgium, the USA and the Netherlands
- Campaigns and homepages in Switzerland and Austria
- Extensive discussions in the Netherlands
- Network of Non-Governmental Organisations and Trade Unions planned
Cultivation in tropical regions

Germany: important market

- Main Importers
  - USA (23 % of global production)
  - Germany (13 %)
  - Europe: about 50 %
- Germany’s most important supplier of unprocessed cocoa: Ivory Coast
  - Share of 50 %
  - Including imports which were smuggled from the Ivory Coast to neighbouring countries: about 66 %
## Cultivation in tropical regions

### Imports of cocoa to Germany 2002 – 2009 in tons

<table>
<thead>
<tr>
<th>Producing country</th>
<th>2002</th>
<th>2004</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ivory Coast</td>
<td>134,418</td>
<td>118,648</td>
<td>146,578</td>
<td>157,760</td>
<td>162,054</td>
<td>161,870</td>
</tr>
<tr>
<td>Togo</td>
<td>1,809</td>
<td>2,828</td>
<td>24,277</td>
<td>42,274</td>
<td>53,605</td>
<td>64,210</td>
</tr>
<tr>
<td>Nigeria</td>
<td>21,876</td>
<td>16,482</td>
<td>36,748</td>
<td>41,168</td>
<td>43,067</td>
<td>46,597</td>
</tr>
<tr>
<td>Ghana</td>
<td>19,133</td>
<td>22,536</td>
<td>35,963</td>
<td>48,459</td>
<td>22,616</td>
<td>26,490</td>
</tr>
<tr>
<td>Ecuador</td>
<td>9,885</td>
<td>13,904</td>
<td>15,174</td>
<td>17,123</td>
<td>14,775</td>
<td>13,832</td>
</tr>
<tr>
<td>Indonesia</td>
<td>5,238</td>
<td>1,241</td>
<td>1,649</td>
<td>6,880</td>
<td>707</td>
<td>3,524</td>
</tr>
<tr>
<td><strong>Total Imports</strong></td>
<td><strong>204,810</strong></td>
<td><strong>200,710</strong></td>
<td><strong>290,199</strong></td>
<td><strong>353,527</strong></td>
<td><strong>334,033</strong></td>
<td><strong>336,391</strong></td>
</tr>
</tbody>
</table>

Source: Verein der am Rohkakaohandel beteiligten Firmen / BDSI 2010a
Cultivation in tropical regions

Price decline from 1980

- Massive price decline inflation-adjusted 1980-2000
- Situation of farmers very difficult
- Increase of child labour
- Today's „high“ price is in reality lower than the one 1980 and much lower than the peak in the 1970s
### International Cocoa Supply and Development of Prices

<table>
<thead>
<tr>
<th>Year</th>
<th>Yield in 1000 tons</th>
<th>Price in US-Dollar per tons</th>
<th>Inflation-adjusted price in US-Dollar per tons (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980/81</td>
<td>1.695</td>
<td>2.098</td>
<td>4.844</td>
</tr>
<tr>
<td>1985/86</td>
<td>1.975</td>
<td>2.149</td>
<td>4.037</td>
</tr>
<tr>
<td>1990/91</td>
<td>2.506</td>
<td>1.193</td>
<td>1.812</td>
</tr>
<tr>
<td>1995/96</td>
<td>2.915</td>
<td>1.438</td>
<td>1.897</td>
</tr>
<tr>
<td>2000/01</td>
<td>2.858</td>
<td>990</td>
<td>1.153</td>
</tr>
<tr>
<td>2005/06</td>
<td>3.759</td>
<td>1.854</td>
<td>1.854</td>
</tr>
<tr>
<td>2007/08 (forecast)</td>
<td>3.713</td>
<td>1.972</td>
<td>1.945</td>
</tr>
</tbody>
</table>

(1) Calculated on the basis of the year 2006/2007

Source: ICCO
Debate about working conditions

*Ghana*

- 270,000 children worked in cocoa sector (2009) in a way that violates ILO 138 and 182
- Work was partially hazardous:
  - 54% of children suffered in the last 12 months from injuries: open wounds, insect bites, muscles pain and back pain
  - 68.7% complained about carrying to heavy weights
  - 85.2% worked with tools, including machetes
  - 1.6% are involved in process of spraying pesticides or insecticides

(Source: Payson Center)
Debate about working conditions

Ghana

- Main problem of farmers: financial situation
  - price for cocoa is too low
  - Expenses for seasonal workers as well as for fertilizer and pesticides are too high for small farms
- End of 2006: People on cocoa farms had 0.63 US-Dollar per day and capita of which were 0.43 US-Dollar earned through the cultivation of cocoa
- Many farmers do not invest: Old trees, low yields per hectare
- Many farmers want to abandon cocoa production
Debate about working conditions

Ivory Coast

- 270,000 children work in the cocoa sector (2009) violation of ILO 138 and 182
- 58,7 % of children go to school
- Work was partially hazardous:
  - 50,6 % of children reported injuries at work in the last 12 month
  - 79,8 % suffered from carrying to heavy weights
  - 93,9 % of work was partially hazardous to the health
  - 1,4 % were involved in the process of spraying pesticides or insecticides

(Source: Payson Center)
Debate about working conditions

Ivory Coast

- According to those affected poverty is main reason why children do not attend school
- Rise in incomes precondition for a higher standard of living
- Many farmers do not invest: Old trees, low yields per hectare
- Many farmers want to abandon cocoa production
Possible Solutions

Timid approaches

- Aim mainly: Reduction of child labour
- Market participants try to create sustainable trade chains
- Efforts concentrate on Ghana and the Ivory Coast
- Actions often not well-coordinated
- Further programs of International Cocoa Initiative (ICI), World Cocoa Foundation (WCF) and Gates Foundation
- Even through implementation of all projects till 2012 only one third of all cocoa farmers in Western Africa can be reached
Possible Solutions

ICI and WCF

- Companies call ICI an important instrument to reduce child labour,
  
  BUT
  
  - Budget 2009: 2,1 Mio. Euro
  - Evaluation shows success of individual projects, but only small amounts of villages reached
  - lack of money stops further expansion

- WCF Budget: about 2 Mio. Euro – also underfunded
  
  - Additional money is given by Gates Foundation and industry
  
  - Projects of the next years: 40 Mio. Euro
Possible Solutions

Narrow perspective

- Aim: Increase of 25% in yields, better quality
- Could be starting point for improvement in life situation of farmers

BUT:

- Due to rise in amount of harvest, threat of price decline: consumption increases only slowly and does not adopt to price changes
- Big increase in amount of harvest could lead to a much lower price per kilo. Thus: Only increasing yields is a double-edged sword!
## Dependency of prices on the output

<table>
<thead>
<tr>
<th></th>
<th>Forecast</th>
<th>Scenario A</th>
<th>Scenario B</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007/08</td>
<td>2012/13</td>
<td>2012/13</td>
<td></td>
</tr>
<tr>
<td>World production of Cocoa (1)</td>
<td>3.713</td>
<td>4.459</td>
<td>4.190</td>
</tr>
<tr>
<td>Price of Cocoa (2)</td>
<td>1.374</td>
<td>1.257</td>
<td>1.693</td>
</tr>
<tr>
<td>Value of world production in Mio. SDR (2)</td>
<td>5.101</td>
<td>5.605</td>
<td>7.094</td>
</tr>
</tbody>
</table>

(1) Numbers in thousand tons  
(2) Data in SDR je Tonne. SDR: The International Monetary Fund calculated a currency out of the rates of exchange of US-Dollar, Euro, Japanese Yen and British Pound. 1 SDR is about 1.19 € (date 2.7.2010)  
Source: ICCO
Possible Solutions

What are further steps?

- Aim: long-term stabilization of prices for farmers, which secure a fair share of the profits in the billion-dollar cocoa business
- The financial tools exist:
  - Six biggest chocolate producers use 8.6 billion US-Dollar for advertising (2007) - more than the value of the total worldwide cocoa harvest
  - Costs for non-processed cocoa contribute only to 4% (2006) of the selling price of full milk chocolate in Great Britain, more current data mention 4 to 8% depending on the quality of the chocolate


Thank you for your attention!