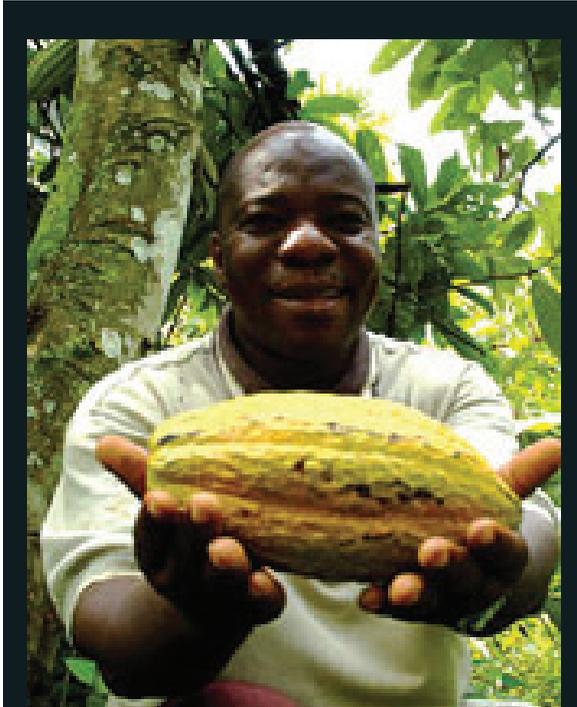


Cocoa Partnership: Improving Productivity and Farmer's Incomes



Initiative Description

In 2008, Cadbury joined the Business Call to Action and launched the Cadbury Cocoa Partnership to encourage the development of thriving cocoa communities in Africa, Southeast Asia, and the Caribbean. When Kraft Foods acquired Cadbury, the initiative was rebranded as the Cocoa Partnership. The initiative is a £45 million (\$73 million) commitment to support sustainable cocoa farming in major cocoa-growing communities.

The Cocoa Partnership's goals:

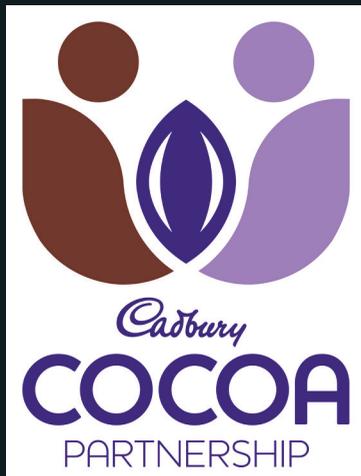
- Promote sustainable livelihoods for one million cocoa farmers
- Increase crop yields for farmers participating in the program 20 percent by 2012 and 100 percent by 2018
- Create new sources of income in 100 cocoa-farming communities
- Address key issues affecting the cocoa sector, including child labor, health, gender diversity, and environmental sustainability

Business Model

Around the world, Ghanaian cocoa is prized for its excellent quality and rich, deep flavor. Despite high demand for this valuable export, Ghana's cocoa production has been on the decline. In 2008, Ghanaian farmers produced only 40 percent of the country's potential cocoa yield due in part to issues with pests, disease, and aging cocoa trees.¹ As cocoa productivity declines, income from cocoa decreases, and it becomes more difficult to attract the next generation of cocoa farmers to the field. For confectioners such as Cadbury, this decline in production presents a worrisome barrier to growth in its chocolate business. Ghanaian cocoa is a vital ingredient in Cadbury's chocolate products. Without this source of cocoa, the company could not produce its chocolate products.

The Cocoa Partnership aims to address the root causes of these issues by enhancing farmer productivity and helping to attract the next generation to cocoa farming. To achieve these goals, the Partnership is focused on improving cocoa farmer incomes by increasing yields and cocoa quality; introducing new income streams in rural cocoa-producing areas; and investing in cocoa-growing communities by providing opportunities for education and improving infrastructure. The Partnership also supports the development of farmer groups so that sustainable growth in this sector is driven from the grass-roots level.

Farmers, governments, non-governmental organizations (NGOs), and international organizations collaborate on the Cocoa Partnership to ensure the interventions in cocoa-growing communities are appropriate and address key barriers to growth. To date, the partners are working in over 100 cocoa communities in Ghana to provide the necessary training and technical assistance that will increase cocoa productivity and quality; expand access to finance for farmers and entrepreneurs; enhance



¹ Sustainable Cocoa Production in Ghana. Institute of Development Studies, Sussex and the University of Ghana, Legon, 2008.

community infrastructure to improve daily life; and promote opportunities for new business ventures.

The Partnership also includes a trade dimension in which the company is working with the Fairtrade Foundation to help cocoa communities benefit from Fairtrade certification. Through the certification process, cocoa producers in Ghana are guaranteed a fair price for their beans and participating farmer organizations receive an additional sum that is invested back into the cocoa-producing communities. By committing to source Fairtrade beans for its Cadbury Dairy Milk bars in the UK, Ireland, Canada, Australia, New Zealand, and Japan, Cadbury is expected to quadruple sales of cocoa sold under Fairtrade terms in Ghana.

How it Works:

In 2009, the Cocoa Partnership was launched with the support of the United Nations Development Programme (UNDP). Since then, a number of partners including farmer groups, NGOs, international organizations, and government officials have joined together to develop the Partnership's governance structure and coordinate on a strategy for community mobilization and engagement.

The Partnership is governed by both international and country-level boards made up of key stakeholders that provide input on strategy and objectives, as well as oversight of project activities. The International Board is led by Cadbury's senior management and includes Ghanaian government officials; members of the International Cocoa Initiative; representatives from Anti-Slavery International, a human rights organization; and a senior advisor from UNDP. The International Board manages the overall strategic direction and decision-making for the Partnership.

At the country level, the Ghana Board is co-chaired by

Cadbury/Kraft Foods and the Ghana Cocoa Board and includes representatives from government, farmer associations, and UNDP. The Ghana Board is responsible for guiding and monitoring the implementation of program activities on the ground and reports on progress to date. In August 2009, both the Ghana and International Boards approved a four-year plan outlining the desired project outcomes; the program approach and activities that will achieve these goals; and the role each partner plays in the realization of program objectives.

On the ground, CARE, World Vision and VSO – international NGOs with strong local ties – work with farmers and other community members to identify strategies for community-led engagement and mobilization. These NGOs collaborate with farmer organizations to develop Community Action Plans, which outline community priorities in terms of cocoa production, infrastructure development, environmental sustainability, and social growth. Community extension officers are hired to provide the necessary training and technical assistance to meet cocoa production goals, while NGO partners support efforts to meet development goals.

Where they do not exist, NGO partners also help farmers form farmer organizations. Once established, the farmer organizations are encouraged to associate together in co-operatives. These co-operatives strengthen a farmers' ability to negotiate terms of trade and gain access to cocoa buyers, or Licensed Buying Companies. In Ghana, cocoa farmers sell all of their beans to these Licensed Buying Companies, which in turn sell to the Ghana Cocoa Marketing Board (COCOBOD) – a government institution. The company sources all its cocoa from COCOBOD, which guarantees farmers a set minimum price for their cocoa, provided they meet quality standards. This system helps insulate farmers from fluctuations in world cocoa prices and from predatory cocoa buyers and helps Ghana maintain its status as a premium supplier of cocoa on the world market.

Cadbury Cocoa Partnership Business Operations Model



Results Achieved

Since 2009, the Cocoa Partnership has worked with 100 cocoa-farming communities to provide training and technical assistance in cocoa production.

Business Impact

Securing a consistent, high-quality source of cocoa is a priority for confectioners. If current trends continue, reduced cocoa production will translate into higher sourcing costs. By investing in the sustainability of the cocoa supply chain now, the Cocoa Partnership is reducing the risk of higher costs and an inadequate supply of cocoa in the future for confectioners.

Through this initiative, the company hopes to increase productivity from current levels of 400 kg of cocoa per hectare to 1,000 kg per hectare by 2018. The Partnership's focus on Fairtrade certification will help confectioners capture a significant chunk of the Fairtrade chocolate market. The Cocoa Partnership investment in Fairtrade cocoa production could help the company generate as much as \$350 million per year in additional revenues.

Cadbury/Kraft also benefits from:

- Improved relationships with government and resource organizations as well as with cocoa farmers.
- Heightened awareness both in Ghana and around the world of Cadbury/Kraft's investment in local communities.

Development Impact

Through the Cocoa Partnership, Cadbury/Kraft and its partners are addressing Millennium Development Goal (MDG) 1 to end poverty and hunger by providing farmers with training and opportunities to improve their incomes and MDG 4 to promote gender equality.

Ten thousand farmers and their families in 100 cocoa-farming communities, as well as 55,000 members of the Kuapa Kokoo farmer's co-operative in Ghana, are already benefiting from efforts to more than double cocoa production and to improve incomes in farmer communities. As of February 2010, Cadbury/Kraft has invested approximately £3 million (\$4.6 million) in the Partnership.

Results to date include:

- Hiring of 17 community officers who will offer free training on farming practices and access to reduced price farming inputs in the 100 Partnership communities. The technical assistance provided by the officers is expected to yield significant increases in productivity.
- Provision of Fairtrade-certified cocoa farmers with an extra £500,000 (\$770,000) premium, to be invested in community development activities.
- Increased awareness among Partnership communities of key issues such as child labor and gender equality through education and empowerment programs. Approximately 30 percent of Partnership communities are run by women as a result of the program.



Key Success Factors

The Cocoa Partnership's £45 million (\$73 million) commitment represents a significant investment in the sustainability of the cocoa supply chain, which suggests clear linkages between local community development and the future productivity of these groups.

Key success factors have been identified as:

Strong Business Case

The commercial implications of decreasing cocoa yields are considerable. Confectionary brands such as Cadbury/Kraft Foods run the risk of high resource costs for cocoa beans if production continues to drop. The Partnership helps the company reduce this risk and promote sustainability of the cocoa value chain.

Local Engagement

Crucial to the success of the Partnership is the role of cocoa farmers and farmer organizations in the development of Community Action Plans that identify the resources, training, and development initiatives which would be most beneficial to the community. By engaging directly with beneficiaries, the interventions and activities are targeted and appropriate for the groups' needs.

Partnerships

The Cocoa Partnership relies on a network of partners including companies, non-governmental organizations, government officials, donor organizations, and the farmers themselves. These partnerships are extremely valuable, as they help to ensure the success of the Partnership activities.

Importance of Social and Business Approach

Investment in social development, such as training in business skills and the empowerment of women, is just as important to the success of this program as farmer training and assistance. These activities benefit the entire community and enhance the socio-economic impact of the program.

Next Steps and Spin Off Effects

The Cocoa Partnership is a relatively new initiative. Lessons learned from implementation of this program in Ghana will be applied to Partnership activities elsewhere in Africa, Southeast Asia, and the Caribbean.

Fairtrade Certification

The Partnership will broaden its efforts to educate Cocoa Partnership communities in Ghana about the benefits of Fairtrade certification.

Environmental Sustainability

The Partnership aims to address environmental challenges such as deteriorating soil quality and deforestation in cocoa-growing communities. As cocoa garden soil becomes depleted of nutrients, farmers use increasingly use harsh agrochemicals or other agricultural interventions which can pose threats to health as well as to the long-term supply of cocoa. Cadbury/Kraft Foods conducted a three-year research project with Earthwatch, the Nature Conservation Research Centre, the Cocoa Research Institute of Ghana, and Reading University to find solutions to these problems. The Partnership will help farmers implement the report's recommendations.

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