OXFAM RESEARCH REPORT

Towards a Sustainable Cocoa Chain

Power and possibilities within the cocoa and chocolate sector

This report contributes in various ways to the debate on a sustainable cocoa economy. A sustainable cocoa economy is where each person investing time or money into the supply chain would be able to earn a decent income for themselves and their family, work in good conditions, and in a manner which did not harm the environment. It provides an overview of the various stakeholders in the cocoa and the wider chocolate supply chain. It identifies the concentration and purchasing power of companies as well as the trends in the supply chain. Finally, it makes a series of recommendations to the various stakeholders in the supply chain.

Oxfam International

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Commissioned by Oxfam-Wereldwinkels

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1. Introduction

The cocoa tree is an important source of income for millions of farming families in equatorial regions. Cocoa originates in the river valleys of the Amazon and the Orinoco in South America. Its discoverers, the Maya people, gave it the name 'cocoa' (or 'God's food'). Cocoa was introduced to Europe in the fifteenth century. Cocoa imports were heavily taxed, and as a result it was consumed as a drink only by the wealthy. Investment from Great Britain and The Netherlands, combined with the launch of the chocolate bar in 1842 by Cadbury, resulted in a greater demand for chocolate. This led to the gradual expansion of cocoa production, spreading to Africa in 1870.

Today West Africa is the largest supplier of cocoa, accounting for 70 per cent of global cultivation. A significant proportion of its cocoa production, however, takes place in particularly bad conditions. Child trafficking, serious forms of child labour[1] and the financing of conflicts[2] are the problems most frequently discussed within the cocoa sector. Many other problems are barely mentioned, but are equally serious, such as the labour intensive nature of production and harvest, poor health and safety measures[3], the low incomes of the cocoa farmers, lack of access to credit, uncertain property rights, the forest cultivation methods and the use of pesticides and fertilisers (and the effects of these on public health and the environment).

Cocoa is traded through a local and international supply chain, and is marketed as a variety of products at different stages in the chain. In addition to the beans themselves, semi-processed products (such as cocoa powder, cocoa butter, cocoa oil and cocoa fats or chocolate tablets) and processed products (such as chocolate bars and other confectionery) are traded. Although Ivory Coast and Ghana, the two largest cocoa-producing countries, produce 56 per cent of all traded cocoa, the consumption of it within these countries amounts to barely 0.6 per cent of the world market. Many cocoa producers have never tasted chocolate. In the meantime, consumer markets in Europe, the United States and Asia are growing. By 2012 it is expected that global chocolate consumption will have increased by 15 per cent compared to 2006.[4]

The consumer leads the market, which is currently orientated mainly towards the lower price end. The main players in the cocoa supply chain, however, are coming under increasing public pressure to make the cocoa economy more sustainable. In theory this is possible, because currently a handful of companies dominate the international cocoa trade and in some continents that concentration is even stronger. Those companies could therefore incorporate environmental, human rights and social considerations into their business activities, including their contracts with suppliers, offering sustainable cocoa and chocolate products to the mass market.[5]

This report contributes in various ways to the debate on a sustainable cocoa economy. A sustainable cocoa economy is where each person investing time or money into the supply chain would be able to earn a decent income for themselves and their family, work in good conditions, and in a manner which did not harm the environment. It provides an overview of the various stakeholders in the cocoa and the wider chocolate supply chain. It identifies the concentration and purchasing power of companies as well as the trends in the supply chain. Finally, it makes a series of recommendations to the various stakeholders in the supply chain.

2. Cocoa production

West Africa is the largest cocoa supplier, accounting for 70 per cent of worldwide cocoa production. Ivory Coast and Ghana are the two largest cocoa-producing countries. In the harvest year 2006/07 they held a combined average market share of 56 per cent.[6]

Table 1: Output of the major cocoa-producing countries (in thousand tons)[7]

	2003/04	2004/05	2005/06	2006/07 (estimate)	2007/08 (prediction)
AFRICA					
Ivory Coast	1407,2	1286,3	1407,8	1229,3	1370,0
Ghana	737	599,3	740,5	615	675
Nigeria	180	200	200	190	210
Cameroon	165,7	184,9	166,1	166,3	185
Other, Africa	59,9	104,1	128,5	133,3	137,5
Total Africa	2549,8	2374,6	2642,9	2333,9	2577,5
AMERICA					
Brazil	163,4	170,8	161,6	126,2	160
Ecuador	117	116	114,4	114,5	114,5
Dominican Republic	47,3	31,3	42	43,7	50
Colombia	36,9	36,8	36,8	35	35
Mexico	44	36,4	34,1	36	25
Peru	16	18	18	20	20
Venezuela	16,2	15	18	19	19
Costa Rica	4,5	4,5	4,5	4,5	4,5
Haiti	3,6	2,3	3,5	4	4,5
Other, America	13,1	12,1	12,8	12,3	12,6
Total America	462	443,2	445,7	415,2	445,1
ASIA & OCEANIA					
Indonesia	430	460	560	520	580
New Guinea	38,9	47,8	51,1	50,3	50
Malaysia	34	28,8	33,9	32,8	34
India	8	8	10,2	11	12
The Philippines	5,7	5,6	5,7	4	5,5
Solomon Islands	4,4	4,6	4,4	4,1	4
Other, Asia & Oceania	4,1	4	4,6	4,6	4,6
Total Asia & Oceania	525,1	558,8	669,9	626,8	690,1
WORLD TOTAL	**3536,9**	**3376,7**	**3758,6**	**3375,9**	**3712,8**

Cocoa cultivation in Ivory Coast and Ghana is usually a family activity. Ghanaian statistics indicate that farm sizes typically average less than ten acres in the Ashanti and

Eastern regions, and 10 to 20 acres on the average in the Western North and Western South regions.[8] Such detailed statistics are not available for Ivory Coast; however, it is known that there are no large cocoa fields there. It is said that farmers in Ivory Coast own between 1.75 and 5 hectares.[9]

In Ghana and Ivory Coast farmers harvest on average 300 to 400 kilograms of cocoa beans per hectare per year.[10] This is 30 to 50 per cent lower than the potential productivity per hectare.[11] The reasons for this lower productivity are diverse. The cocoa trees there are, on average, old[12] and the farmers often do not possess the technical and financial capability to raise productivity per hectare and the quality of the beans.

3. The cocoa chain

The cocoa supply chain operates locally and internationally. Activities in producing countries include cocoa production and harvest, transporting the beans from the farmer to the local grinder and the exporter in the ports, the various administrative inspections in the country of origin and the local cocoa grinding process. The international supply chain includes transporting the cocoa beans, cocoa products and chocolate products away from the country of origin, grinding activities, the production and sale of the chocolate products and trading among companies including through commodities markets.

The domestic supply chains in Ghana and Ivory Coast operate according to different systems. Since 1947 the government in Ghana has been able to keep the cocoa trade under tight legislative control. The Ghana Cocoa Board (Cocobod) follows the entire supply chain. Cocobod determines price, buys and sells the cocoa, organises quality inspections, regulates cocoa transportation and conducts research into the national cocoa market.

The cocoa sector in Ivory Coast has almost been fully liberalised since 1999, a process triggered in 1995 by pressure from the World Bank and the International Monetary Fund. As a result, the government has little control over the cocoa market. However, it still regulates fiscal matters and para-fiscal matters[13], determines on behalf of the farmers the minimum prices for cocoa and in theory undertakes the quantity and quality inspections of the cocoa beans.[14]

The goal of the liberalisation of the cocoa sector in Ivory Coast was to increase production efficiency, to link local and international market prices and consequently to give the cocoa farmers a higher price. However, there is no proof that cocoa farmers benefit from the liberalisation of the cocoa market.[15]

3.1. The supply chain in Ghana

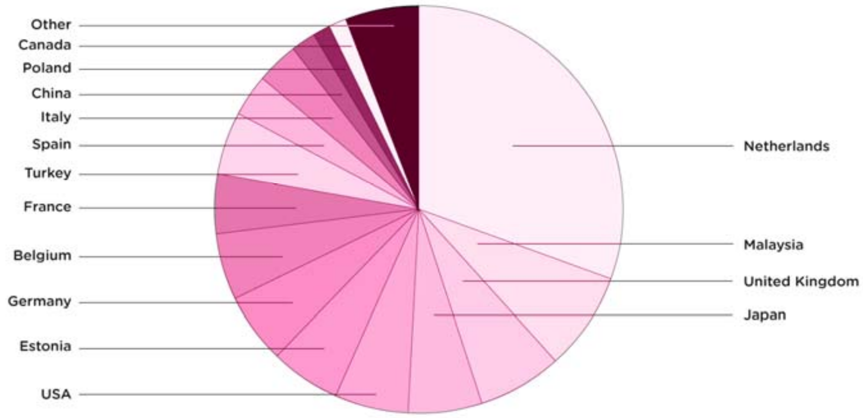
Ghana has approximately 720,000 cocoa farmers. After harvesting, fermenting and drying, the cocoa beans are sold to one of the government-approved traders or Licensed Buying Companies (LBCs).[16] The Licensed Buying Companies operate through recognised buying centres in cocoa-producing regions. The traders give the farmers a minimum price determined by the Producer Price Review Committee (PPRC).[17]

The Ghanaian government stated in 2004 that Ghanaian farmers would from 2004/2005 onwards receive at least 70 per cent of the international cocoa market price, as recorded by the London International Financial Futures and Options Exchange (LIFFE) and New York Board of Trade. However, it has not yet realised this objective during the harvest periods of 2004 up to 2007 (see Table 6).

The next step in the cocoa supply chain involves the inspection of the beans by the government. Cocobod's quality division (the Quality Control Division) samples and weighs the cocoa. For this, the division charges a price determined in advance by the PPRC. The recognised traders then transport the weighed and sealed bags to so-called 'takeover points'. These are the locations where the cocoa is sold to the Ghana Cocoa Board, at a price that is once more determined by the PPRC. Subsequently, Cocobod sells the cocoa to exporters or to companies that will process the cocoa themselves.

A total of 75 per cent of the cocoa beans from Ghana is exported to the following eight countries, listed here according to the size of their imports: The Netherlands, Malaysia, United Kingdom, Japan, Estonia, United States, Belgium and Turkey. The Netherlands are by far the largest importers (see Figure 1).[18] This is partly due to the major cocoa grinding installations of Cargill and Archer Daniels Midland (ADM) situated in Amsterdam. Both companies dominate the cocoa grinding market.

Figure 1: Importers of cocoa beans from Ghana (%)



3.2. The supply chain in Ivory Coast

Ivory Coast has approximately 800,000 farmers. In contrast to Ghana, there is little government supervision of the cocoa trade within the country. Traders, known as *traitants* and *pisteurs*, visit the villages on a regular basis to purchase cocoa. When the farmer sells the beans they are weighed and the quality is assessed. The trader pays the farmer in cash, for the most part without any information on international market prices or any written record of the sale.

Some of the large international traders also purchase beans in the villages. Olam buys from other traders and cooperative companies.[19] ED&F Man buys from other wholesalers and cooperative companies[20] and occasionally buys directly from the farmers. ED&F Man mostly has preliminary agreements with suppliers.[21] The trader transports the cocoa to the nearest large city, and from there to the ports of Abidjan or San Pedro where the beans are sold to the exporters. Sometimes the beans are stored in the large trucks that transported them to the ports. The journey from village to city to domestic port can vary from one day to several days.

The exporter inspects the quality of the beans. Afterwards he may, depending on the circumstances, dry the cocoa beans further using artificial dryers. The exporter collects the export bags in containers that, in theory, have to be shipped within seven days. However, a ship usually does not leave until it is completely loaded, so the cocoa may stay in the ships for a few days.

Cocoa bean exports from Ivory Coast are mainly to The Netherlands and United States.[22] According to statistics published in March 2008, 73 per cent of the annual cocoa export via the ports of Abidjan and San Pedro was purchased by eight companies (see Table 2).

Table 2: Cocoa exports from the ports of San Pedro and Abidjan, Ivory Coast[23]

Purchasing company (Country of Head Office)	Percentage purchase (San Pedro & Abidjan, March 2008)
Cargill (US)	15.96%
SAF Cacao (Ivory Coast)	12.54%
ADM Cocoa (US)	9.03%
Barry Callebaut (Switzerland)	7.72%
Outspan Ivoire-Olam (Singapore)	6.75%
CIPEXI-Continaf (The Netherlands)	4.68%
Tropival – ED&F Man (UK)	4.10%
TOTAL	**73%**

3.3. Cocoa bean grinding capacity in Ivory Coast and Ghana

Cocoa is cultivated in Ivory Coast and Ghana for both the local and the international market. In Ivory Coast the total grinding capacity amounts to 370,000 tons of processed product, and in Ghana it is 180,000 tons of processed product (see Table 3).[24] In Ivory Coast international companies dominate the local grinding market. In Ghana this is not currently the case, but this could change: a number of major companies, including the world's two largest grinders, Cargill and ADM, have plans to start up local production installations (see Table 4). In both countries, therefore, the three main processors, Barry Callebaut, Cargill and ADM, would be represented.

Table 3: Local processing capacity of cocoa beans in Ghana and Ivory Coast

GHANA				
Location	Company	Country of headquarters	Production capacity (in tons)	Production capacity after expansion (in tons)
Tema	Barry Callebaut	Switzerland	60,000	n/a
Tema	West African Mills	Ghana[25]	75,000	n/a
Tema	Cocoa Processing Company	Ghana	30,000	65,000
Tema	Afro Tropic Cocoa Pressing	Ghana	15,000	45,000
IVORY COAST				
Location	Company	Country of headquarters	Probable production capacity (in tons)[26]	Production capacity after expansion (in tons)
Abidjan	Micao (Cargill)		125,505	n/a
Abidjan / San Pedro	Saco (Barry Callebaut)	Switzerland	101,632	n/a
San Pedro	Unicao (ADM-Cocoa)	United States	76,581	n/a
Abidjan	Cemoi (Cantalou)	France	29,662	n/a
Abidjan	Condicaf	Ivory Coast	3,000[27]	70,000
Abidjan	Pronibex	Ivory Coast	10,000[28]	n/a
Abidjan	Chocodi (Barry Callebaut)	Switzerland	31[29]	n/a

Table 4: Production plans for cocoa bean processing in Ghana and Ivory Coast

GHANA				
Location	**Company**	**Country of headquarters**	**Production capacity (in tons)**	**Production capacity after expansion (in tons)**
Tema	Cargill	United States	60,000	120,000
Unknown	Rakhat	Kazakhstan	50,000	n/a
Unknown	ADM	United States	30,000	60,000
IVORY COAST				
Location	**Company**	**Country of headquarters**	**Production capacity (in tons)**	**Production capacity after expansion (in tons)**
San Pedro	Susco	n/a	14,000[30]	n/a
Abidjan	Pronibex	Ivory Coast	10,000	20,000[31]

The end products of local grinding are diverse: cocoa beans (whole or broken, raw or roasted), cocoa powder, cocoa paste (whether or not defatted), cocoa butter, fat and oil and cocoa shells. A large percentage of these end products is exported. This can be deduced from the fact that local consumption of chocolate in both countries is very limited.[32] The figures in Table 5 show that a small number of countries buy the exports of semi-processed products from Ghana and Ivory Coast. In 2006 Ghana exported 74,693 tons of cocoa paste, cocoa peels, cocoa butter and cocoa powder, of which 75 per cent is cocoa paste. In the same year Ivory Coast exported 251,746 tons of cocoa paste, cocoa peels, cocoa butter and cocoa powder, of which 45 per cent is cocoa paste. However, the figures, supplied by the UN databank Comtrade, do not provide a full picture. Statistics on cocoa beans without peels are not recorded separately.

Table 5: Exports of cocoa and processed products (2006)

IVORY COAST		
Product	**Amount (in tons of semi-processed products)**	**Top importing countries**
Cocoa total	1,176,877	Netherlands (29.75%), US (22.88%), Estonia (8.55%)
Cocoa beans, whole or broken, raw or roasted	925,129	Netherlands (29%), US (25.26%), Estonia (8.94%)
Cocoa powder, not containing added sugar or other sweetening matter	31,983	Netherlands (35.92%), Estonia (24.92%), US (12.27%)
Cocoa paste, not defatted (liquor)	112,401	Netherlands (34.84%), France (18.91%), US (8.33%)
Cocoa butter, fat and oil	60,236	Netherlands (37.51%), France (20.27%), Poland (12.97%)
Cocoa shells, husks, skins and other cocoa waste	47,126	US (32.57%), France (18.80%), Netherlands (18.20%)

GHANA		
Product	**Amount (in tons of semi-processed products)**	**Top importing countries**
Cocoa total	760,192	Netherlands (30.75%), Malaysia (7.78%), UK (6.49%)
Cocoa beans, whole or broken, raw or roasted	685,482	Netherlands (32.09%), Malaysia (8.61%), UK (6.85%)
Cocoa powder, not containing added sugar or other sweetening matter	239	Spain (41.33%), Netherlands (41.87%)
Cocoa paste, not defatted (liquor) and wholly or partly defatted (cocoa cake)	56,668	Spain (16.37%), Germany (14.89%), Netherlands (13.60%)
Cocoa butter, fat and oil	13,902	Netherlands (30.07%), France (19.42%), UK (17.01%)
Cocoa shells, husks, skins and other cocoa waste	3,900	Netherlands (45.28%), Spain (32.93%)

Both Ivory Coast and Ghana have identified mechanisms to stimulate local processing. In Ivory Coast tax on the export of cocoa powder (105 FCFA/kg)[33] is less than on the export of cocoa beans (220 FCFA/kg). In Ghana Cocobod gave the local grinders a reduction of 20 per cent on the purchase of smaller cocoa beans. This reduction provided an important commercial advantage to processing the cocoa in the country itself. However, at the end of March 2008 the government abandoned this within the framework of its economic policy to regulate the cocoa sector in the country.[34]

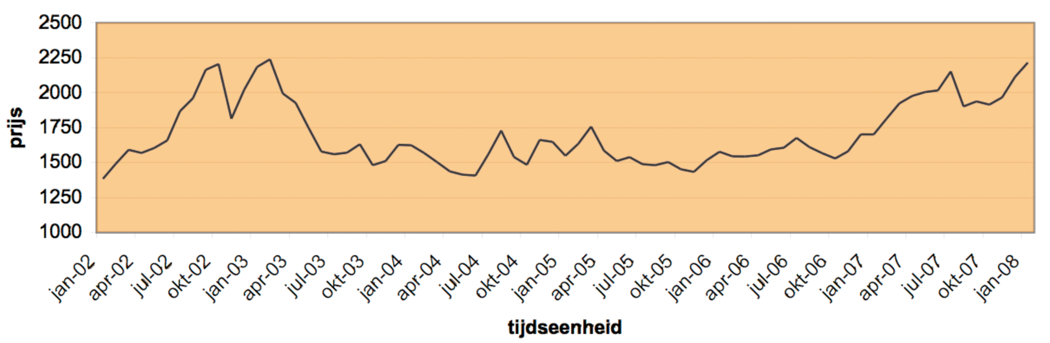
The import of cocoa beans and cocoa waste products and of semi-processed products such as cocoa butter and cocoa paste into the European Union from Ivory Coast and Ghana is not currently subject to import taxes and will not be subject to taxes following possible implementation of Economic Partnerships Agreements (EPAs) in 2008.

4. The price of cocoa

Various external factors determine the actual price that farmers receive per ton of cocoa beans. The dominant factor is the daily international cocoa market price.[35] That price is negotiated on the futures markets, of which the London International Financial Futures and Options Exchange and the New York Board of Trade are the most important. Both markets together daily trade the equivalent of 0.2 million tons of cocoa beans through futures contracts.

Recent research indicates a direct relationship between cocoa prices and the disclosure of new market information (for example, a production surplus). Speculative activities from non-commercial traders (hedge funds and others) are also likely to have an effect on the cocoa market price. However, detailed research into this is lacking.[36] One explanation is that only the American future markets is subject to independent monitoring which allows the identification of concentrations of power within the cocoa futures market. The US markets includes obligatory registration of the traders' market activities. Furthermore, the US futures market reports on the trade activities of commercial and non-commercial traders. Only on the basis of such figures can a thorough investigation be conducted into the fluctuations of the daily international price and into the effects of speculation.

Figure 2: Daily international cocoa market price 2002–2008 (in US$ per ton of cocoa beans)



Government policies in exporting countries also influence the price that the farmers receive per ton of cocoa beans. In Ivory Coast farmers barely receive 40 per cent of the international cocoa price. The high tax imposed by the government on the export of beans presses heavily on the price that the traders give to the cocoa farmer. Table 6 compares the average price received by farmers in Ivory Coast and Ghana with the international market price.

Table 6: Average market price in Ivory Coast and Ghana in relation to the international market price (per ton)[37]

Year	Internat. market price (in US$)	Percentage Ghana / market price	Price paid to farmers in Ghana (in US$)	Percentage Ivory Coast / market price	Price paid to farmers in Ivory Coast (in US$)
1993/1994	968	34	329.12	37	358.16
1994/1995	954	48	457.92	42	400.68
1995/1996	983	43	422.69	44	432.52
1996/1997	1117	47	524.99	40	446.80
1997/1998	1269	47	596.43	41	520.29
1998/1999	944	73	689.12	74	698.56
1999/2000	685	72	493.20	52	356.20
2000/2001	775	51	395.25	51	395.25
2001/2002	1231	39	480.09	55	677.05
2002/2003	1369	54	739.26	58	794.02
2003/2004	1047	66	691.02	43	450.21
2004/2005	1049	63	660.87	41	430.09
2005/2006	1068	63	672.84	41	437.88
2006/2007	1854	54	1001.16	41	760.14

An increase in the international market price does indeed contribute to a higher income for the cocoa farmer, but it certainly does not guarantee the cocoa farmer a sustainable or decent income. This can be explained by the many steps both in the supply chain and in the relationship between the futures markets and the farmer, where each organisation involved earns money from cocoa. The low income of the farmer from cocoa bean sales is in part due to the activities of cocoa grinders and international and local intermediary traders, and is also related to the governments' levy of export taxes on the beans. A second reason for low farmer incomes is the low cocoa production per cocoa farmer per harvest. A farmer could earn a decent income through higher 'farm gate' prices and through raising productivity per surface area by improving production and harvest circumstances. This, however, requires financial means and most farmers do not have financial reserves or access to credit.

5. The cocoa and chocolate supply chain

Three players dominate the cocoa chain. Together they have a grinding capacity of 1,440,000 tons of cocoa beans per year (see Table 7)[38], almost 40 per cent of the cocoa grinding on the world market. In order of size, they are Cargill, Archer Daniels Midland (ADM) and Barry Callebaut.

Table 7: Estimated cocoa bean grinding capacity per company (in thousand tons)

Company	2000/2001	2003/2004	2006/2007
Cargill	410	440	500
ADM	500	470	500
Barry Callebaut	360	400	440
Petra Foods	68	160	250
Blommer	110	170	190
Nestlé	250	150	85
Cadbury	100	100	85
Cantalou / Cemoi	120	90	75
Ferrero	50	70	70
Schokinag	50	60	70
Schwarteuer Werke (KVB)	n/a	60	70
Altinmarka	n/a	n/a	55
Guan Chong	n/a	n/a	50
Kraft Foods	70	60	45
Mars	50	50	45
Hershey	90	70	20
Other	940	850	1050
Total	**3168**	**3200**	**3600**

Cargill and ADM are termed 'traders': they produce semi-processed products, but rarely industrial chocolate for consumer products. On the other hand, Barry Callebaut is the largest producer of industrial chocolate and specialises in this. Nestlé, Cadbury Schweppes, Mars and Kraft Foods are known brand names and produce chocolate for the consumer.

Some companies operate at different levels within the cocoa supply chain. Table 7 shows that chocolate manufacturers also have the capacity to process cocoa beans. Furthermore, there are companies that are vertically integrated such as Barry Callebaut, Petra Foods, Kraft Foods and Blommer. The production capacities of industrial chocolate and chocolate for the consumer are difficult to find.

The global cocoa market has witnessed various shifts in the past seven years. Whilst ADM has maintained its production capacity in relation to 2000, Cargill and Barry Callebaut have increased their individual production capacities in relation to 2000 by approximately 22 per cent. Other rapidly growing companies are the Indonesian Petra Foods and the American Blommer. The production capacity of Petra Foods increased by 135 per cent in the period 2001 to 2003, which can be explained by its takeover of two Nestlé cocoa processing factories in Mexico and Brazil. Subsequently, Petra Foods and Nestlé signed a supply agreement.[39] Nestlé reduced its cocoa processing capacity by 100,000 tons between 2000 and 2003. The market will witness some more shifts in the near future; among others, Petra Foods intends to increase its European production capacity by a further 60,000 tons.

Furthermore, Cargill and Barry Callebaut reinforced their individual positions on the world market with respectively 0.95 per cent and 0.86 per cent increases in relation to 2000, whilst the production capacity of ADM fell behind by 1.89 per cent.[40] The strengthened position of Cargill and Barry Callebaut can be explained by the policy of the most powerful chocolate companies to phase out cocoa processing by the use of subcontractors. Nestlé has supply agreements with Cargill, Petra Foods and ADM. Cadbury Schweppes may be slowly phasing out its cocoa processing activities in Wales and negotiates supply agreements with processors. Cadbury already has such an agreement with Barry Callebaut. This trend also explains why the cocoa processing activities of the chocolate companies in the past eight years have sharply decreased.

The chocolate market is part of the broader chocolate and confectionery market. The chocolate market is dominated by six companies which in 2007 together controlled 57.4 per cent of the market (see Table 8).[41] Cadbury Schweppes, Nestlé, Mars, Ferrero and Hershey are the five companies with the biggest net sales figures in the global chocolate and confectionery market.[42]

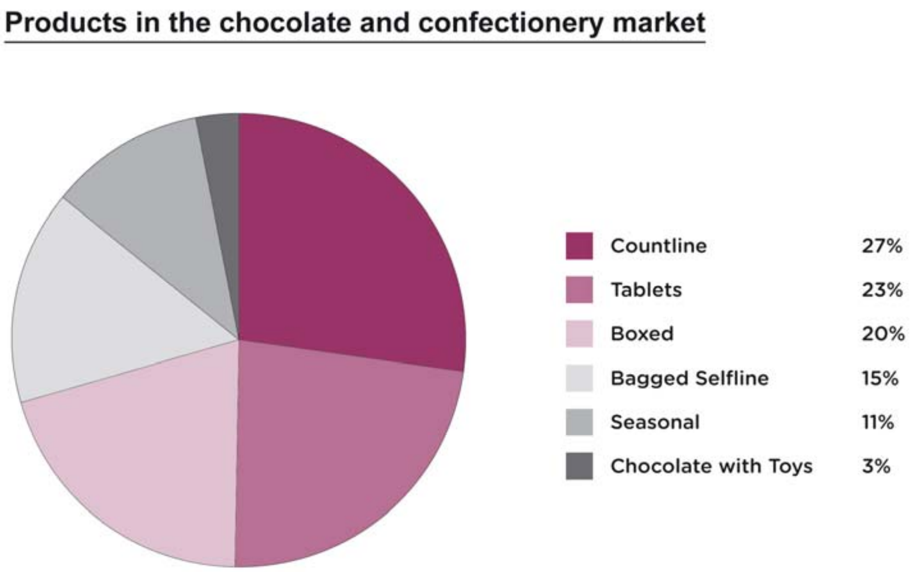
Table 8: Market division of the chocolate market and the global chocolate and confectionery market in 2007 (by US$)

Company	Chocolate	Chocolate and confectionery
Mars Incorporated	14.7%	8.9%
Nestlé	12.5%	7.7%
Hershey	8.3%	5.5%
Kraft Foods	7.8%	4.3%
Cadbury Schweppes	7.3%	10.1%
Ferrero	6.8%	4.2%

These six companies provide the consumer with a large assortment of products. The following products dominate the consumer market:

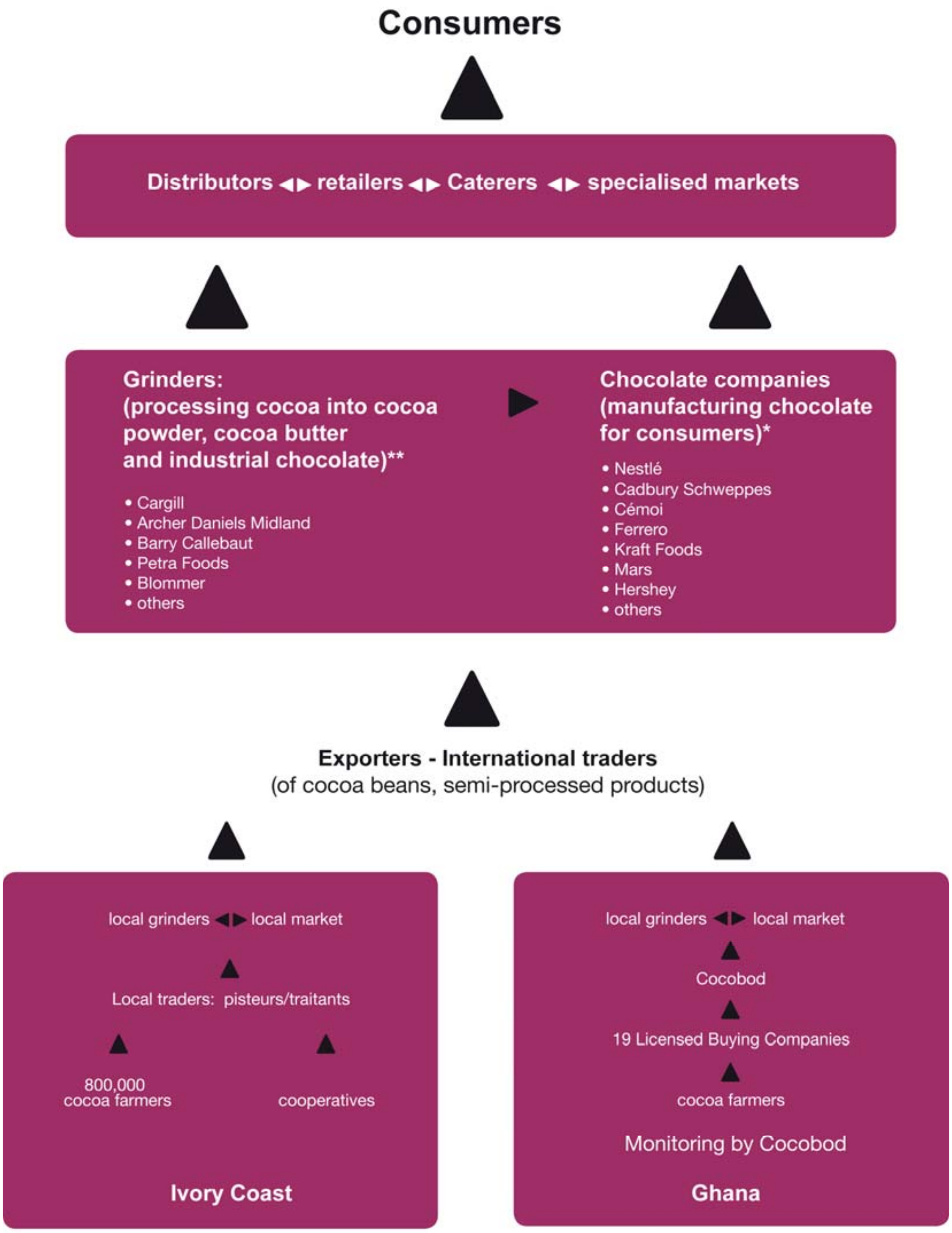
1 Countlines: chocolate snacks such as Mars Bars and Kit Kats (Nestlé);
2 Moulded chocolate e.g. plain or milk chocolate blocks;
3 Boxed chocolate (carton boxes or other packaging) such as the Celebrations Box (Mars);
4 Bagged self line: chocolate confectionery in bags, such as M&Ms (Mars);
5 Seasonals;
6 Chocolate with toys.[43]

Figure 3: Segmentation of the global confectionery market, percentage share (sales in US$)



The proportion of cocoa based ingredients varies in each of these chocolate and confectionery products from a few per cent to more than 50 per cent. Other ingredients in chocolate and confectionery products include sugar and milk. The consumption of the various products varies from country to country. In France, Italy and Germany the consumer prefers boxes of chocolates; in the United States, United Kingdom and Switzerland the consumer prefers count lines.[44]

Figure 4: The cocoa supply chain



* Some of the chocolate companies also have their own grinding capacity, but this is limited.
** These companies are not just involved in the grinding stage of the supply chain. Barry Callebaut. Cargill and ADM sell small amounts of industrial chocolate. Petra Foods, Blommer and Barry Callebaut manufacture chocolate for consumers.

6. The sphere of influence of companies in the supply chain

The cocoa and chocolate supply chain is dominated by nine companies: three grinders (Cargill, Barry Callebaut and ADM) and six chocolate and confectionery companies (Mars Incorporated, Nestlé, Hershey, Kraft Foods, Cadbury Schweppes and Ferrero). The three grinders together control 40 per cent of global cocoa processing, but they feel the hot breath of two growing players on the market (Petra Foods and Blommer). The six chocolate and confectionery companies together control 57.4 per cent of the chocolate market.[45]

In some continents the concentration of companies dominating the market is even stronger. In the United States 80 per cent of the chocolate market is controlled by Hershey, Mars and Nestlé.[46] This level of market concentration could lead to abuses of power. This is the argument of the Canadian company Comwest Industries Inc, which in January 2008 initiated legal proceedings in the United States against these companies[47] for price agreements on the global chocolate market, including in the US.[48] Comwest buys chocolate products from these three companies and accuses them of selling chocolate at artificially anti-competitive prices. A Canadian network of independent distributors to department stores (ITWAL) is accused by Comwest of complicity. ITWAL is accused of being aware of the price agreements, supporting and possibly coordinating them. According to Comwest, these activities have been going on since 2002. For this reason, the Canadian competition authority raided the accused companies' offices in November 2007.[49]

The fact that a few players dominate the market makes the misuse of purchasing and selling power possible. At the same time, however, the concentration of power in the global cocoa and chocolate market could have its advantages. These companies could work to bring about a sustainable cocoa economy. The three large cocoa grinders form a crucial link in the chain, because they purchase significant quantities of cocoa beans and the chocolate producers are dependent on their specific forms of operation. In addition, the trend towards concentration increases as more supply agreements are made between the large cocoa grinders and the well-known branded chocolate companies.

Various chocolate companies claim that the grinders hold back the integration of environmental, human rights and social clauses in supply contracts. The cocoa grinders are the most self protective group within international multi-stakeholder forums in striving for a sustainable cocoa economy. Therefore, certain chocolate companies have proactively included certain clauses in their supply agreements, usually in relation to the elimination of the worst forms of child labour. However, in practice this tactic does not work because there is little independent control or monitoring.

The grinders hold a different view. According to them, the chocolate companies have the greatest power within the sector and continue to exert pressure on the cocoa processors to keep costs as low as possible. The grinders claim that the chocolate companies leave them to perform the difficult activities in the supply chain and that it is easy for the media to target them because they purchase the cocoa beans.

Nevertheless, it can be concluded that the various companies within the sector are taking some responsibility for their impact on cocoa farmers and workers, the most vulnerable people in the cocoa supply chain. Over the past ten years, a clear trend can be observed of large and small market players individually and together taking steps towards a more sustainable cocoa economy. Currently, the trend shows an important shift from a formerly thematic approach, such as the elimination of the worst forms of child labour, to a more integrated approach. Such an integrated approach would result in a sustainable cocoa economy.

The work of the World Cocoa Foundation (WCF) is notable. WCF has the support of 60 companies which together make up 70 per cent of the cocoa and chocolate market. In West Africa it runs several programmes to support the cocoa farmers: improving the quality and quantity of cocoa fields; promoting better labour conditions[50]; strengthening the community; and supporting farmers who wish to grow new agricultural products (diversification). The West African farmers who took part in such programmes saw their incomes increase between 15 and 55 per cent.[51] The members of WCF rightly emphasise their own importance in these programmes, as funders of the programme, but there is still a long way to go. In the next three years, WCF wishes to support 150,000 cocoa farmers in Ivory Coast, Ghana, Nigeria, Cameroon and Liberia. Although ambitious, these intended programmes would reach only 7.5 per cent of all cocoa farmers in West Africa. A substantial increase in scale is impossible without accelerating the commitment of the cocoa and chocolate companies, and there is also a need for the African cocoa-producing countries to support the initiative, improve local basic infrastructure and facilitate credit for the farmers.

The trend towards greater sustainability started for two reasons. Firstly, in 2001 there was the imperative to react to media attention to child labour in the cocoa sector. Secondly, there was the risk that cocoa cultivation in Ivory Coast and Ghana would stagnate. Since cocoa cultivation is labour intensive but fails to generate sufficient income to live on, it appeals to fewer and fewer young people. This context has stimulated some companies to embark upon certain initiatives to increase the likelihood of continuing cocoa supply. Cadbury Schweppes invests 44 million pounds in the cocoa sector in Ghana in order to increase productivity, to stimulate cooperation between farmers and to support greater crop diversification.

Armajaro takes a different approach. This company is working in Ghana on a traceability system, and in Ivory Coast they have a similar project in cooperation with Kraft Foods, Rainforest Alliance and the Sustainable Tree Crops Programme.[52] A traceability system is crucial as a first step to arrive at a sustainable global cocoa economy. But the system will only be useful if it offers a sustainable future to cocoa farmers and their families,[53] enjoying the support of cocoa-producing countries,[54] internationally supported and commercially viable.[55] Therefore, it demands a commitment from all stakeholders within the supply chain,[56] from the farmers to the consumer and, as appropriate, a financial contribution from key organisations at different points across the supply chain. Any systems established should be institutionally rooted.

In order to ensure that the various stakeholders avoid shifting responsibility, a suitable forum is needed in which all the players are represented.[57] It is not entirely within the power of individual companies to give the farmers a decent income, because the chain is complicated by a number of external factors which impact upon the international market price, the tax system and the local trade system.

Nevertheless, there is already one place in which various important players within the supply chain discuss a more sustainable cocoa and chocolate supply chain: the International Cocoa Organisation (ICCO). ICCO brings together cocoa-producing and cocoa-consuming countries, and was founded in 1973 in order to put the first International Cocoa Agreement in place. This agreement was negotiated during the International Cocoa Conference of the United Nations.[58] Part of the most recent International Cocoa Agreement of 2001 was the establishment of the Consultative Board on the World Cocoa Economy. This council consists of private and public representatives from seven exporting and seven importing countries. The national cocoa producing and exporting representatives are public representatives.

The council advises the ICCO in four areas, including the development of a sustainable cocoa economy. A major flaw is the limited composition of the organisation. Several stakeholders are missing, such as the cocoa farmers, the consumers, the local traders, non-governmental organisations and unions. These involved parties should be able to have a voice, to enable the development of measures that are supported worldwide, and to get input from all stakeholders, in particular from those who are most affected: the cocoa farmers and workers themselves.

The International Cocoa Agreement of 2001 in Article 39 makes specific reference to the issue of sustainability and "encourages its Members to give due consideration to the development of a sustainable cocoa economy". In 2005 the ICCO Consultative Board on the World Cocoa Economy started to work on the issue. One of its starting points was to plan and organize a Round Table Meeting for Sustainable Cocoa. It should bring together all significant stakeholders in the world cocoa industry and would serve as a forum for a participatory and comprehensive approach to find a fair balance between the three pillars to attain a sustainable cocoa economy.[59] In essence it would seek broad consensus and agreement of all stakeholders on the concept, model, activities, indicators or measures, and type of validation in order to achieve sustainability and enjoy its attendant benefits.[60]

The first Round Table meeting on a Sustainable World Cocoa Economy was held in Ghana in 2007. The Meeting was organized by ICCO and the Ghana Cocoa Board. This meeting brought together more than 200 participants and included representatives from cocoa farmers representatives, traders, exporters, processors, chocolate manufacturers, wholesalers, retailers, governmental and non-governmental organizations, financial institutions as well as donor agencies.[61]

Consensus at the meeting was achieved on the following priority areas for action: institutional framework; sustainable production; sustainable commercialization; sustainable processing and manufacturing, sustainable consumption and international dimension.[62] A next Round Table meeting is scheduled to take place in March 2009 in Trinidad & Tobago. Among the specific objectives of the Round Table are:

- Identify principles underlying the Accra Agenda taking into account the three pillars of sustainable development (environmental, economic and social)
- Encourage (further) development of standards for sustainable cocoa, by starting a process of consultation and dialogue (in meetings and on the World Wide Web) on the establishment of standards and prepare a draft code of conduct on issues where this is broadly supported
- Identify ways and means of delivering traceability and monitoring the cocoa chain, from production through trade/processing to consumption
- Develop standards for best supply chain practice and promote their implementation, taking into account the special needs of smallholders
- Consider the role of certification for cocoa and the similarities/differences of existing and newly developed mechanisms of certification, taking into account the responsibilities of different stakeholders
- Exchange views on existing programmes aimed at the implementation of core labour standards
- Provide a platform for initiatives promoting sustainability in cocoa.[63]

The Round Table as such is not an institution with a worldwide mandate to work on a sustainable world cocoa economy. The subscription to the 'Accra Agenda' is completely voluntary and there are no rules for engagement and sanctions as yet. The ICCO is the driving force behind the initiative and this makes it contentious for some stakeholders.

The Trinidad meeting would have to come with a clear mandate to establish the Round Table as an institution to which stakeholders can subscribe and then have certain obligations to fulfil. This cooperation should also aim at preventing the fragmentation of initiatives and financial efforts of different organisations and enable the experiences of the various partners to be exchanged.

The two forums that would be most logical to be actively involved in the Round Table for a Sustainable Cocoa Economy are the World Cocoa Foundation (see above) and the Global Issues Group. The latter consists of the nine dominant companies in the cocoa chain (the three grinders and the six chocolate companies) and six federations of associations.[64] The group supports initiatives from the public and private sectors to eliminate the worst forms of child labour in the cocoa sector and in other agricultural sectors in Ivory Coast, Ghana, Cameroon, Nigeria and Guinea. This initiative was developed in response to the Harkin-Engel Protocol. The presence of the most dominant private players in the cocoa and chocolate market is an excellent contact point to come to a more sustainable supply chain. There is the potential for the group to extend its mandate beyond its scope of the elimination of the worst forms of child labour.

7. Recommendations

7.1. To the European Commission

The European Union is the largest importer of cocoa beans from Ghana and Ivory Coast, importing respectively 67 per cent and 64 per cent of those countries' exports in 2006. Various dominant players in the cocoa and chocolate supply chain have their processing factories and production installations in Europe, where they produce more than half of the world's chocolate. Europeans consume a little more than half of all the chocolate produced worldwide.[65]

The European Union has committed to respect, protect and promote human rights as part of its international development policies. It is also committed to the preservation and protection of biodiversity. Therefore it is clear that the European Commission has a central role in creating and supporting the establishment of a sustainable cocoa economy. It can do this with instruments that already exist, but it can also take additional steps.

7.1.1. Improve existing instruments

During its bilateral negotiations within the framework of the Cotonou Agreement, the European Commission should recognise the problems of cocoa farmers and should work together with the governments of Ghana and Ivory Coast to support concrete solutions. It could do so by providing financial support in three areas:

- institutional reforms to make the local cocoa sector more streamlined and efficient, including establishing a local system which enables the governments to trace the source of the cocoa bean from harvest to export, and conducting the necessary inspections at different times and points in the supply chain;
- supporting cocoa farmers to improve the quality of their production and harvesting techniques in order to enable them to earn a decent income;
- establishing cooperative agreements between farmers.

During its bilateral discussions with the neighbours of Ghana and Ivory Coast, the European Union should raise and explore the causes of child trafficking. Initial steps could include financial support to help these countries:

- sensitise the population to the issue;
- explore institutional reforms in order to trace and tackle the links between child trafficking and organised crime.

Finally, the European Union should grant free entry without import taxes or quota limitations to cocoa products and products containing cocoa that are exported from Ghana, Ivory Coast, Nigeria and other African countries to the European Union, whatever the final outcome of the ongoing Economic Partnership Agreement negotiations may be.

7.1.2. Strengthen existing multi-stakeholder forums

The European Commission should back current international programmes which aim to support:

- an international tracking system that makes it possible to trace the cocoa from production to consumption;
- improvements in cocoa production and harvesting conditions;
- investment in the establishment of a basic infrastructure in Ghana and Ivory Coast;
- micro-credit programmes for cocoa farmers.

It is important that all stakeholders are involved in the various programmes, including cocoa farmers, consumers, local traders and local organisations including non-governmental organisations and trade unions. This is a gap in the existing multi-stakeholder forums.

7.1.3. Increasing transparency

The European Commission should learn from the limitations of its Corporate Social Responsibility initiatives in impacting on the social performance of companies. Currently the European Union has taken a voluntary approach to CSR. However, it should also:

- identify ways in which companies in the cocoa and chocolate sector can contribute to a sustainable cocoa economy, and how the EU can support this;
- create obligatory transparency mechanisms for the companies in the sector. It is of vital importance that companies are required to demonstrate to the European Commission, the consumer and their other stakeholders how through their business activities they support the protection of human rights and the environment, and that they are not involved in or complicit to harmful effects on the environment and human rights. They should ensure that companies report on their selection of suppliers and on purchasing processes.

This approach requires the appointment of an ombudsman for the cocoa sector. This position would guide and monitor the implementation of the activities identified as necessary for a sustainable cocoa supply chain. The ombudsman should have necessary powers to investigate and halt abuses and to watch over the market activities of companies in order to prevent misuses of their purchasing and selling power.

Finally, the European Commission should increase transparency in the futures markets. In contrast to the New York Board of Trade, the London International Financial Futures and Options Exchange is not subject to any independent monitoring. The European Commission should complement the United States' monitoring of the New York futures market, and create institutional instruments in order to make a comparable external control possible.

7.2. To the companies in the cocoa sector

7.2.1. Respect legislation and rules

The most important cocoa-importing countries have already expressed their support for a sustainable cocoa economy. They have signed international treaties and issued the necessary relevant legislation.[66] Companies also need to comply with national legislation in cocoa-producing countries, including the international treaties that they have signed.[67]

When companies operate in countries that have not signed the international fundamental human rights treaties and the core International Labour Organisation's conventions, then the company must uphold whichever is the higher standard of domestic law or international norms.

7.2.2. Take additional measures

A sustainable cocoa economy is not an option but an imperative. Companies should:

- communicate proactively to the consumer activities they are undertaking in order to sell chocolate and confectionery products in which the ingredients are produced and traded in an economically, ecologically and socially responsible manner;
- work to an integrated rather than a single issue approach, with the focus on giving a decent livelihood to the cocoa farmers;
- take additional initiatives to improve the situation of cocoa farmers. Firstly, they need to evaluate and improve the impact of their direct operations and purchasing practices. Secondly, these improvements should be facilitated within the context of a multi-stakeholder forum and not on an ad hoc basis. The various stakeholders in the supply chain should demarcate responsibilities and draw up a timetable and an investment plan in order to bring about a sustainable cocoa economy. All the stakeholders in the cocoa chain should be involved in such a forum, including representatives for farmers, trade unions, and community organisations such as non-governmental organisations and consumer associations.

7.3. To the national governments of Ghana and Ivory Coast

The national governments of Ghana and Ivory Coast should aim to ensure that their cocoa farmers receive an income they can live on. It is precisely this lack of a decent income that is at the heart of the social and environmental problems in the cocoa sector.[68] Experience shows that substantial control over the internal cocoa market is needed in order to tackle these problems. Therefore, it is of vital importance that the governments:

- are able to fix cocoa prices annually for all those involved in the domestic cocoa sector. It is important to keep in mind that this will result in cocoa farmers receiving a decent income and that the authorities would have the financial means to invest in the country's cocoa production;
- are able to regulate the licensing procedures for traders in an objective manner;
- reinvest the income from export taxes in the cocoa chain and especially in meeting the needs of the small-scale cocoa farmers (e.g. by compensating their losses as recommended by the ICCO[69]). At the same time, the export tax system should contribute to the fiscal budget of the country;
- keep the internal cocoa chain as short, inexpensive and efficient as possible;
- establish an internal tracking system;
- perform the required controls to guarantee the quality of the cocoa beans throughout the process;
- map the activities of all those involved in the internal cocoa sector, and monitor, regulate or sanction where necessary;
- support cooperation between cocoa farmers and between farmers, trade unions and local community organisations. Public authorities in producing countries could provide the required stimuli and assistance to accelerate this process and to involve

those cooperative structures in decision-making for all aspects of the internal cocoa market;

- increase transparency in the cocoa sector, including for farmers. This could include information about the use of the tax revenues which are levied on the export of cocoa beans, cocoa peels and other cocoa waste products, and on chocolate products.

These different measures need to be anchored in the appropriate institutions.

7.4. To the chocolate consumers

By buying Fair Trade chocolate, consumers can be sure that cocoa farmers have received a fair price for their cocoa beans and a premium to invest in social & ecological projects and infrastructure. Moreover, Fair Trade organisations invest in long-term relations with their producers.

Annex 1
Cocoa production per country (in 1000 tons)

	2003/04	2004/05	2005/06	2006/07 (estimate)	2007/08 (prediction)
AFRICA					
Ivory Coast	1407,2	1286,3	1407,8	1229,3	1370,0
Ghana	737	599,3	740,5	615	675
Nigeria	180	200	200	190	210
Cameroon	165,7	184,9	166,1	166,3	185
Togo	21,7	53	73	75	80
Guinea	9,8	17	19	17,5	15
Sierra Leone	4,5	7	6,3	12	10
Uganda	4,5	5	7,4	8	10
Tanzania	3,3	5,1	6,9	4,5	6
Madagascar	4,4	4,5	4,5	4,5	4,5
Equatorial Guinea	3	3	3	3	3
Liberia	2,5	3	2,5	3	3
Sao Tome & Principe	2,8	3,5	3	2,8	3
Dem. Rep. Congo	1,7	1,7	1,7	1,7	1,7
Congo	1	1	1	1	1
Gabon	0,6	0,2	0,2	0,2	0,2
Benin	0,1	0,1	0,1	0,1	0,1
Total Africa	2549,8	2374,6	2642,9	2333,9	2577,5
AMERICA					
Brazil	163,4	170,8	161,6	126,2	160
Ecuador	117	116	114,4	114,5	114,5
Dominican Republic	47,3	31,3	42	43,7	50
Colombia	36,9	36,8	36,8	35	35
Mexico	44	36,4	34,1	36	25
Peru	16	18	18	20	20
Venezuela	16,2	15	18	19	19
Costa Rica	4,5	4,5	4,5	4,5	4,5
Haiti	3,6	2,3	3,5	4	4,5
Cuba	2,5	2,5	2,5	2,5	2,5
Bolivia	2,4	2,4	2,4	2,4	2,4
Honduras	2	2	2	2	2
Nicaragua	1,5	1,8	1,8	1,8	1,8
Panama	1,1	1,1	1,1	1,1	1,1

Guatemala	0,8	0,8	0,8	0,8	0,8
Trinidad & Tobago	1	0,9	1,6	0,6	0,8
Jamaica	0,7	0,2	0,2	0,6	0,6
Grenada	0,8	0,1	0,1	0,2	0,3
Belize	0,1	0,1	0,1	0,1	0,1
Dominica	0,1	0,1	0,1	0,1	0,1
Other, America	0,1	0,1	0,1	0,1	0,1
Total America	462	443,2	445,7	415,2	445,1
ASIA & OCEANIA					
Indonesia	430	460	560	520	580
New Guinea	38,9	47,8	51,1	50,3	50
Malaysia	34	28,8	33,9	32,8	34
India	8	8	10,2	11	12
The Philippines	5,7	5,6	5,7	4	5,5
Solomon Islands	4,4	4,6	4,4	4,1	4
Sri Lanka	1,6	1,6	1,6	1,6	1,6
Vanuatu	1	0,9	1	1	1
Thailand	0,4	0,4	0,4	0,4	0,4
Fiji	0,1	0,1	0,1	0,1	0,1
Other, Asia & Oceania	4,1	4	4,6	4,6	4,6
Total Asia & Oceania	525,1	558,8	669,9	626,8	690,1
WORLD TOTAL	**3536,9**	**3376,7**	**3758,6**	**3375,9**	**3712,8**

Notes

1 International Institute of Tropical Agriculture, Child Labor in the Cocoa Sector of West Africa, A synthesis of findings in Cameroon, Côte d'Ivoire, Ghana, and Nigeria, August 2002. Ministry of Manpower, Youth & Employment, Labour Practices in Cocoa Production in Ghana (Pilot Survey), National Programme for the Elimination of the Worst Forms of Child Labour in Cocoa, April 2007. Republic of Côte d'Ivoire, Prime Minister's Cabinet, Steering Committee for the Child Labour Monitoring System within the Framework of Certification of the Cocoa Production Process, Initial Diagnostic Survey in Agnibilekrou, Tiassale and Soubre, Executive Secretariat, Final Report, November 2007.

2 Global Witness, Hot Chocolate: How cocoa fuelled the conflict in Côte d'Ivoire, June 2007. Coffee Coalition, CREM, Oxam Novib, Sweetness Follows: A rough guide towards a sustainable cocoa sector, 2007.

3 The most documented problems have to do with the use of pesticides and fertilisers and of machetes during the harvesting and opening of the cocoa bean, carrying loads which are too heavy, long working hours and respiratory problems caused during the burning of biomass. These activities are also performed by very young children (between 5 and 18 years old).

4 ICCO, Annual forecasts of production and consumption and estimates of production levels to achieve equilibrium in the world cocoa market, 5 July 2007.

5 The consumption of fair trade cocoa and certified organic cocoa went though a sharp increase in recent years; however, the market share of these products remains small in relation to world consumption. In 2005 the consumption of fair trade chocolate represented 0.27 per cent of total chocolate consumption. The total consumption of organic cocoa during the period 2002 to 2006 amounted to 15,500 tons, of which 11,170 tons were allocated for export. Statistics for 2007 are not known, but the various parties involved in the sector speak of a sharp increase in both markets. ICCO, Executive Committee, A study on the market for organic cocoa, 26 July 2006. ICCO, Consultative board on the world cocoa economy, Facts and figures on fair-trade cocoa, 31 May 2005.

6 ICCO Quarterly Bulletin of Cocoa Statistics, Vol. XXXIII, No. 3, Cocoa year 2006/07. The average market share was calculated for the period 2004/05, 2005/06 and 2006/07.

7 Ibid. The production statistics describe the total cocoa production of the two harvest cycles per year. The most important harvest period is from October to January, producing 70 per cent of the total harvest. The second harvest, known as the 'in between harvest', takes place in June.

8 Data from the certification report of Ghana (Ghana, MMYE Child Labour Study, 2006).

9 Statements by Mrs Amouan Assouan Acquah, Special Advisor to the First Minister of Ivory Coast, at the ICI Conference of 1 April 2008.

10 A cocoa tree yields on average twenty to thirty cocoa fruits per year. Each of the fruits contains on average twenty to thirty beans.

11 Various experts speak of a possible increase in productivity up to two tons per hectare.

12 The cocoa tree starts to blossom only in its fourth year. Its yield is greatest in the tenth or twelfth year of its life, remains at that level for about ten years, and then declines. The cocoa tree lives for more than fifty years.

13 The semi-fiscal contributions are the social security contributions paid by employees and employers.

14 The Ivory Coast Cocoa Bourse sets minimum prices, but the cocoa market is liberalised. The internal cocoa sector in Ivory Coast before liberalisation was not comparable with the current situation in Ghana. The public enterprise CAISTAB, which had been operational since 1964, annually determined the cocoa prices for the involved parties in the internal cocoa sector, granted private enterprises a licence to trade cocoa, but – in contrast to Cocobod – did not purchase the cocoa, did not guarantee sales and also did not physically manage the cocoa.

15 Irfan ul Haque, United Nations Conference on Trade and Development, G-24 Discussion Paper Series, Commodities under Neo-liberalism, The Case of Cocoa, No. 25, January 2004.

16 At the moment there are nineteen recognised LBCs, including a subsidiary of Olam and Armajaro, which are two Ghanaian trading companies. Both are also international traders.

17 The PPRC consists of members of Cocobod, representatives of the cocoa farmers, the Treasury department, the Bank of Ghana, the Institute for statistical and social-economical research, the University of Ghana and representatives of the recognised traders.

18 UN databank Comtrade, 2006 statistics. Data on export by the individual companies have not been made public by Cocobod.

19 Author Personal Communication with Olam, 18 July 2008.

20 Author Personal Communication with Armajaro, 1 April 2008.

21 Author Personal Communication, 25 April 2008.

22 UN databank Comtrade, 2006 statistics.

23 This is for the main October 2007–January 2008 cocoa harvest cycle. Reuters, 25 March 2008.

24 Ibid.

25 The most recent press releases on the structure of West African Mills date back to August 2006, at which time the German company Hamester owned 60 per cent of shares in West African Mills. The remaining shares were owned by Cocobod. However, Hamester wished to sell its shares after discussions with Cocobod on the price of cocoa. In 2006 ADM showed interest in purchasing these shares. Subsequently, Hamester sold its largest chocolate company, situated in Germany, to Armajaro. In 2007 West African Mills came into the hands of a Joint Venture between Armajaro and Petra Foods (Petra Armajaro Holdings Pte Ltd).

26 These figures show the export of semi-chocolate products (in bean equivalent) from Ivory Coast, and are an estimate of actual production capacity.

27 The export of processed products by Condicaf amounted to 2,092 tons in 2007.

28 The export of processed products by Pronibex amounted to 416 tons in 2007.

29 Grinding factory started operating in 2007.

30 Susco started up in December 2007 with initial production of 14,000 tons, and had already exported 669 tons by the end of April 2008. Source: Dow Jones Commodities News.

31 The new installations were scheduled to be operational at the end of 2007. Data from the company's website www.pronibex.com

32 The most recent figures date from 2004/05 and show 9,300 tons were consumed in Ivory Coast and 8,700 tons in Ghana.

33 FCFA is the West African CFA franc. Ivory Coast levies some additional taxes, including a tax for inspecting and weighing the products and a contribution to the Coffee and Cocoa Exchange.

34 Author Personal Communication with ICCO, 2 April 2008.

35 ICCO, Study on the impact of terminal markets on cocoa bean prices, June 2007.

36 Ibid.

37 Author Personal Communication with ICCO, 22 April 2008. International market price is calculated from average New York and London exchanges.

38 The numbers were collected on the basis of ICCO statistics and the companies' annual reports.

39 Petra Foods website, www.petrafoods.com/index_news.html, viewed on 7 April 2008.

40 These figures indicate the growth or loss by which the percentage increase or decrease was established. Calculation: % (company production 2007/world market total 2007) minus % (company production 2000/world market total 2000). 1% change is approximately 30,000 tons.

41 Cadbury, Annual Report & Accounts 2007, p.15, www.cadbury.com/investors/reportaccounts/Pages/reportandaccounts.aspx?TabIndex=1

42 Candy Industry, Top 100 global confectionery companies, 2007, www.candyindustry.com/content/CI/2008/01/img/top100.pdf

43 ICCO, Market Committee, Cocoa Resources in Consuming Countries, 16 May 2007. The statistics in the report date from 2005.

44 Ibid.

45 Cadbury, Annual Report & Accounts 2007, p.15, www.cadbury.com/investors/reportaccounts/Pages/reportandaccounts.aspx?TabIndex=1

46 Hershey has 45 per cent of the American market, Mars has 29 per cent and Nestle has 9 per cent. United States District Court, District of New Jersey, Case 2:08-cv-00199-SDW-MCA, 10 January 2008, www.chimicles.com/chocolate/Chimicles+Tikellis%20Chocolate%20Complaint.pdf

47 Some other companies were accused in addition to Mars Inc., Nestle S.A., Nestle USA and Hershey Company. These include Cadbury Schweppes plc, Cadbury Schweppes Americas, Cadbury Adams USA LLC and Masterfoods USA.

48 Case 2:08-cv-00199-SDW-MCA, 10 January 2008, www.chimicles.com/chocolate/Chimicles+Tikellis%20Chocolate%20Complaint.pdf

49 Website of the legal practice Chimicles & Tikellis LLP, viewed on 28 April 2008, ww.chimicles.com/chocolate/

50 Research shows that up to 60 per cent of the labour burden is in harvesting the cocoa beans.

51 World Cocoa Foundation website, www.worldcocoafoundation.org

52 The activities in Ivory Coast receive financing from, among others, GTZ and USAid West Africa.

53 The surrounding countries should also be involved in the process in order to address the cause of child trafficking. These countries' involvement could be discussed at the International Cocoa Initiative, among other places.

54 In theory, it is already possible in Ghana to track the cocoa beans.

55 A useful system has already been implemented by Armajaro, which has started pilot projects in Ivory Coast as well as in Ghana.

56 A similar initiative in the entire cocoa sector would demand investment of US$ 1631 million.

57 Author Personal Communication with Cadbury Schweppes, Nestlé, Hershey, Kraft Foods, Mars Incorporated, Barry Callebaut, Cargill, Olam, Armajaro, ED&F Man, Federation of Cocoa Commerce, Association of the Chocolate, Biscuit, and Confectionery Industries of the EU, and the International Cocoa Organisation.

58 To date, six cocoa agreements have been negotiated. The sixth dates from 2001 and came into effect on 1 October 2003.

59 ICCO Consultative Board on the World Cocoa Economy, Sustainable cocoa economy: A comprehensive and participatory approach, CB/11/2/Rev. 1, 19 February 2007, p. 1, p. 9.

60 Ibid.

61 Report of the Round Table for a Sustainable Cocoa Economy, Accra, 3-6 October 2007. Oxfam is a member of the Round Table.

62 Round Table for a Sustainable Cocoa Economy, The 'Accra Agenda', towards a sustainable world cocoa economy, 6 October 2007, http://www.roundtablecocoa.org/documents/accra%20-%20english.pdf

63 Website Round Table for a Sustainable Cocoa Economy, http://www.roundtablecocoa.org/showpage.asp?RSCE2Mandate

64 Association of the Chocolate, Biscuit, and Confectionery Industries of the EU (CAOBISCO), Confectionery Manufacturers Association of Canada (CMAC), European Cocoa Association (ECA), National Confectioners Association of the US (NCA), World Cocoa Foundation (WCF), Confectionery Manufacturers of Australasia (CMA). Jeff Morgan, Mars Incorporated, Certification in the Cocoa Sectors of Côte d'Ivoire and Ghana, 31 March 2008, www.verite.org/news/main.html.

65 Residents of the European Union plus the Swiss and Norwegians.

66 One example of an international treaty is the Statute of Rome on the establishment of the International Criminal Court which includes the systematic abuse of humanity. At a national level, Belgium for example, has legislation in relation to punishing the involvement and complicity of companies in international crimes.

67 The UN Human Rights Committees that monitor the implementation of the core human rights treaties have elaborated on the interpretation of the treaties and have identified appropriate ways for how the treaties can be implemented by companies.

68 ICCO, Consultative Board on the World Cocoa Economy, Sustainable cocoa economy: A comprehensive and participatory approach, 18 June 2007.

69 ICCO, "Optimal" export taxes in cocoa producing countries, 5 November 2007, http://www.icco.org/Attachment.aspx?Id=ccf50552

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For further information on the issues raised in this paper please e-mail advocacy@oxfaminternational.org.

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