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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

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

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

Producing country	2002	2004	2006	2007	2008	2009
Ivory Coast	134.418	118.648	146.578	157.760	162.054	161.870
Togo	1.809	2.828	24.277	42.274	53.605	64.210
Nigeria	21.876	16.482	36.748	41.168	43.067	46.597
Ghana	19.133	22.536	35.963	48.459	22.616	26.490
Ecuador	9.885	13.904	15.174	17.123	14.775	13.832
Indonesia	5.238	1.241	1.649	6.880	707	3.524
Total Imports	204.810	200.710	290.199	353.527	334.033	336.391
Source: Verein der am Rohkakaohandel beteiligten Firmen / BDSI 2010a						

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

Cultivation in the tropics

International Cocoa supply and development of prices

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

(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

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)

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

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

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

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!

Possible Solutions

Dependency of prices on the output			
	Forecast	Scenario A	Scenario B
	2007/08	2012/13	2012/13
World production of Cocoa (1)	3.713	4.459	4.190
Price of Cocoa (2)	1.374	1.257	1.693
Value of world production in Mio. SDR (2)	5.101	5.605	7.094
(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			

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

Literature

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Thank you for your attention!