

# Sustainable Cocoa Business

## Promoting Competitiveness of Diversified Cocoa Smallholdings in West Africa

### Rationale

Cocoa is one of the most significant crops in West Africa, occupying between five and six million hectares in the coastal humid zone. The region accounts for nearly 70 percent of the world's cocoa supply. Cocoa is mainly grown by small-scale farmers on fields of two hectares or less. The 'brown gold' is one of the leading foreign exchange earning crops and a source of income for two million smallholder families. 92 percent of their agricultural income in 2010 was derived from cocoa, ranging from 1,300 to 3,400 U.S. dollar (Baseline WCF-Mathematica, 2011). However, cocoa farms are ageing and average cocoa yields are declining. Farmers lack resources, technical knowledge and particularly business skills to modernize and take full advantage of the opportunities of growing cocoa.

### Objective

Diversification of incomes and increased competitiveness of cocoa smallholdings (cocoa and other products) are pre-conditions for more attractive livelihoods of cocoa producers, their families and the successor generation. This requires skills and experiences in business management and organization. Within the scope of the Cocoa Livelihood Program, a program co-financed by the World Cocoa Foundation (WCF), the Bill and Melinda Gates Foundation (B&MGF), the German Federal Ministry for Economic Cooperation and Development (BMZ) and private sector companies, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH has developed the **Sustainable Cocoa Business** project. Farmer Business Schools (FBS) are established in Cameroon, Côte d'Ivoire, Ghana and Nigeria

and support over 30 local partners in order to strengthen smallholder business knowledge and provide business services. Envisaged impacts of farmer trainings encompass establishment of business linkages enhanced nutrition and household management, increased incomes from cocoa and other products, professional organization as well as sound investments in diversification and intensification of production.

### Underlying Business Model

The program supports the capacity development of 33 public and private partners to provide (i) business skills training to male and female smallholders in cocoa producing regions and (ii) business services to this target group. The project partners integrate these services in their business model and mobilize human as well as financial resources for implementation.

Project name	Sustainable Cocoa Business
Commissioned by	German Federal Ministry for Economic Cooperation and Development (BMZ)
Co-financing	World Cocoa Foundation (WCF) with funds from 15 member companies, Bill & Melinda Gates Foundation (B&MGF)
Project region	Cameroon, Côte d'Ivoire, Ghana, Nigeria
Lead executing agency	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
Duration	2009 to 2014

Farmer Business Schools cover the following areas: diversification of production and income, economics of production, farm and financial management, improved production techniques to increase yields of cocoa and food crops,



Left photo: Cocoa beans after harvest in Ghana.

Right photo: Sprouting cocoa beans in a tree nursery in Sierra Leone - Cocoa nurseries endorse soil rehabilitation and provide business opportunities for farmers.

producer organization, i.e. group purchase of inputs and group sales of produce, healthy nutrition, measures to improve cocoa quality and school education for children.

Business Service Centers (BSC) supply the farmers with approved high-quality inputs and provide information on improved production techniques and related safety issues. In Cameroon, BSC are hosted by village banks providing access to financial services, FBS, technical trainings, market information and GPS data about farms in order to minimize default risk.

## Results and Impact

So far, partners have trained 133,575 farmers across the four African countries, from which 25 percent are women. Evaluations conducted by WCF confirm the effectiveness of the program (Figure 1). 63 percent of farmers have adopted Good Agricultural Practices (GAP) for cocoa, 44 percent have now bank savings and access to loans (17 percent) and 39 percent have become members in farmer organiza-

tions. FBS farmers have increased their agricultural income by 900 to 3,300 U.S. dollar per household. The share of income from food products has doubled helping farmers to compensate fluctuating cocoa prices and yields. Local implementing partners have mainstreamed FBS into their public-private extension programs. Additional 30,000 farmers are intended to engage in FBS trainings in Nigeria and Cameroon in 2013.

Nine BSC are being operated by agro dealers in Cameroon and Côte d'Ivoire providing quality inputs, technical and economic information and advice as well as financial services. In Ivory Coast, over 18,500 farmers have visited the BSC for the purchase of approved inputs and in order to obtain information on finance, GAP or markets. The principle of de-risked loans for cocoa and food crops is designed and tested in Cameroon.

Evaluation of Business Service Centers is underway. Pilots have shown that de-risked loans translate into higher yields and farmer incomes and have improved lending skills of involved village banks.

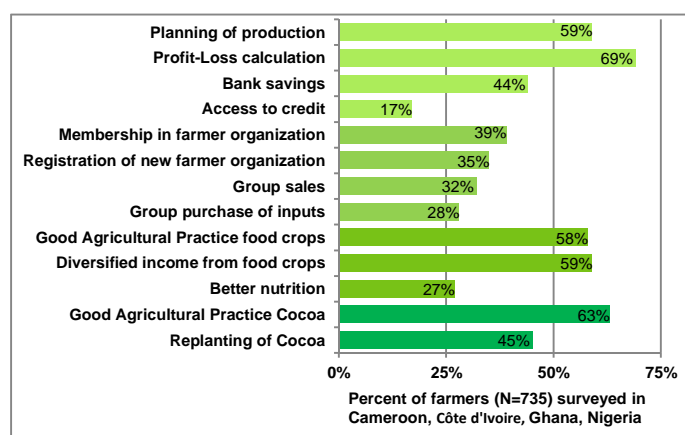


Figure 1: Evaluations conducted by the World Cocoa Foundation on changes in farmers' production and livelihood in Cameroon, Côte d'Ivoire, Ghana and Nigeria (Source: WCF-Dalberg 08/2012).

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