

European Cocoa Association statement on Farm Gate Prices

July 2017

The Board and membership of ECA are very much concerned by the deterioration of cocoa farmers' living income brought about by the recent fall in world cocoa prices. Cocoa farmers and their families deserve a living income and should be helped to achieve it, as without successful cocoa farmers we will not have a sustainable cocoa economy.

Price volatility is a common occurrence in many global agricultural supply chains due to a variety of factors including government marketing policies, trade speculation, over-supply to meet demand, and climate change.

While there are government cocoa price stabilization mechanisms in Côte d'Ivoire and Ghana, aimed at mitigating the global market price volatility, we believe that governments in producing countries should intensify their efforts on other farm-level activities which can help farmers manage risks affecting their income whether these risks come from market volatility, or climatic events.

Good governance and environmental policies, transparent pricing, training on good agricultural practices, farmer group marketing, crop and income diversification, and access to financial services are compelling measures which can help the farmer to cope with fluctuating cocoa prices.

We notably consider that tackling illegal plantings is a prerequisite to address cocoa price fluctuations as the increase in plantings in recent years has led to a substantial surplus of production over consumption.

Therefore, in order to support farmers having an income that helps them to get out of poverty, as measured using the poverty threshold, we agree to the overall mid long term recommendations highlighted by Voice in the "Raising farm gate prices" paper, such as "holistic sustainability interventions", "incorporating income diversification strategies" and "access to finance in sustainability programs".

The price of cocoa has never been determined by the Traders nor the Processing industry but by the market - based on the sound economic principles of supply and demand. Raising farm gate prices (or adding a flexible premium to the farm gate price) without any correlation to the above-mentioned measures will render the intervention unsuccessful in the long run.

The members of the ECA remain open to further dialogue on how to address the structural challenges in the cocoa supply chain and to help both ends of the supply chain in achieving their respective objective to ensure decent livelihoods for cocoa farmers.