Cocoa consumption is a major cause of deforestation – estimated to have destroyed an area of forest the size of Belgium between 1988 and 2008. Other problems include endemic use of child labour, local tenure conflicts, and extreme poverty among cocoa farmers and their families. As the world’s largest importer, manufacturer and consumer of cocoa and cocoa products, the European Union (EU) has a special responsibility to help tackle these issues. Fern is calling for the EU to take action to ensure cocoa imports don’t cause deforestation, and pay farmers a fair income.

Forest cover in Côte d’Ivoire, 1990-2015

The EU is the world’s largest importer of raw cocoa, responsible for over 60% of global imports

**TOP 4 GLOBAL IMPORTERS**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Netherlands</td>
<td>25%</td>
</tr>
<tr>
<td>2</td>
<td>USA</td>
<td>13%</td>
</tr>
<tr>
<td>3</td>
<td>Germany</td>
<td>11%</td>
</tr>
<tr>
<td>4</td>
<td>Belgium</td>
<td>10%</td>
</tr>
</tbody>
</table>

Most of the world’s cocoa comes from two countries:

- **40%** Côte d’Ivoire
- **20%** Ghana

Nearly all farmers in **Côte d’Ivoire** and **Ghana** live under the poverty line, defined as $1.90 by the UN.
Cocoa comes from the cocoa tree, originally native to the Americas. The trees produce fruits known as pods. Each pod contains 20 to 40 cocoa beans which, after processing, are used to make chocolate, cocoa powder and cosmetics. Cocoa flourishes in warm, moist conditions, and cultivation is often achieved by clearing biodiversity-rich tropical forests.

Cocoa is the ultimate small farmer crop, mostly grown on tiny plots of land. Smallholders account for more than 90 per cent of cocoa production, with average farm sizes of just two to three hectares.\(^1\)

**EU the biggest importer, manufacturer and consumer**

The EU is the world’s largest importer of cocoa beans, responsible for over 60 per cent of global imports.\(^2\) The Netherlands is the top (25 per cent of global imports), followed by the United States (13 per cent), with Germany in third place (11 per cent) and Belgium in fourth (9.8 per cent).\(^3\)

The EU is also the largest manufacturing centre, hosting 40 per cent of global cocoa bean processing.\(^4\) The Netherlands is the world’s leading cocoa grinder and processor. Germany is the largest chocolate manufacturer. Italy, Britain and Belgium also have large chocolate making industries.\(^5\)

The global consumer market for chocolate is vast and growing. Retail chocolate sales amounted to just below US$ 110 billion worldwide in 2013, double the figure for 2000.\(^6\) Western Europe is the largest market, accounting for 35 per cent of global chocolate purchases, followed by North America with an 18 per cent share. Europeans have the highest individual consumption levels in the world: the Swiss are top (9 kg per year) and the Germans are in second place (7.9 kg), followed by the Irish and the British (both at 7.4 kg).\(^7\)

**West Africa the biggest producer**

Around 70 per cent of the world’s cocoa comes from West Africa. The two biggest national players are Côte d’Ivoire, responsible for about 40 per cent of global cocoa output, and Ghana which accounts for about 20 per cent.\(^8\) Cameroon and Nigeria are also big African producers with six per cent and five per cent of the global cocoa market respectively. Other significant producers include Indonesia, Ecuador, and Brazil.\(^9\)

While Côte d’Ivoire and Ghana remain the dominant producers, much of the recent growth in cocoa production has taken place in South America. The South American cocoa growing model has involved a shift away from smallholder production to large-scale plantations, leading to significant environmental and social concerns. An example is the controversy surrounding a company called United Cacao in Peru, which has been accused of illegally destroying primary forest and displacing indigenous communities to make way for plantations.\(^10\)

**Cocoa a significant driver of deforestation**

Data on cocoa’s overall deforestation footprint is sparse, although a study for the European Commission\(^11\) made a rough estimate that expanded cocoa cultivation led to two to three million hectares of deforestation worldwide between 1998 and 2008.

On the global scale, cocoa is not as important a cause of deforestation as beef, soy, palm oil and timber. But in the countries where it is grown, cocoa leaves a devastating trail of destruction.

Côte d’Ivoire, the world’s largest producer, has lost nearly 80 per cent of its forest cover since 1960.\(^12\) Enlargement of cocoa cultivation has been the main cause, with much of this taking place in national parks and other supposedly protected areas – which are home to nearly 6,000 plant and animal species, including some of the last refuges of the threatened chimpanzee.

The invasion of state-owned protected areas has been closely tied to illegality. An estimated 35 to 40 per cent of the country’s cocoa production – 60 per cent of which goes to the EU – is produced on illegally converted land. Cocoa farmers have already noticed the effects of rapid forest loss, with decreases in rainfall and soil quality negatively impacting their productivity.\(^13\)

Similar pressures have been at work in neighbouring Ghana. Without action, Ghana stands to lose all remaining forests outside its national parks in the next decade, according to a study by the US NGO Mighty Earth.\(^14\)

Both countries are at the edges of the Sahel, vulnerable to creeping desertification that becomes worse every year thanks to climate change. The rapid destruction of the countries’ forests is removing their last barrier of resistance, posing a serious threat to the future of agriculture.\(^15\)

**A few powerful companies control the supply chain**

Mighty Earth has found that in Côte d’Ivoire and Ghana, the primary driver of forest destruction has been the chocolate industry, and that the extent of illegal deforestation for cocoa in national parks and protected areas is “an open secret” known throughout the entire chocolate supply chain.\(^16\)
The supply chain is complex and has an inbuilt imbalance of power. Millions of small-scale cocoa growers sell their products through several layers of local intermediaries (each taking a cut) to a comparatively small number of large-scale international traders, cocoa processors and chocolate companies – an asymmetry in size and level of organisation that favours buyers and industrial users of cocoa over producers of the raw material. Cocoa-growers’ cooperatives could be a venue for growers to organise and command better prices, but at the moment they act as little more than a clearing house for farmers’ product – and a further middleman to reduce farmers’ profits.

Following a wave of corporate takeovers and mergers in recent years, around 60 per cent of cocoa processing capacity is reported to be in the hands of just three companies (Barry Callebut, Cargill and Olam), while the four largest chocolate manufacturers (Mars, Mondelez, Nestlé and Ferrero) supplied nearly half of global consumption in 2013.

Endemic poverty and low cocoa prices

"Most cocoa farmers live in destitute poverty", according to the 2015 Cocoa Barometer, an NGO-led study, which estimates that growers in Côte d’Ivoire earn around 50 US cents a day and those in Ghana around 84 cents a day. Both figures are well below the "extreme poverty" level currently defined by the World Bank as a daily income of below US $1.90.

Cocoa growers’ incomes – and the lives of their families – depend on the price they get for their cocoa. Trends have rarely gone in their favour. Cocoa prices have been depressed since the 1970s, barring a few short-lived upward spikes. In June 2017, the price of cocoa traded in the US fell to its lowest level in ten years before recovering slightly. Growers have been trapped in a vicious circle. Rising prices have encouraged production, leading to oversupply and price declines.

Cocoa farmers have also had to cope with an increasingly unequal distribution of revenues. In 1980, cocoa growers were paid 16 per cent of the value of a chocolate bar. Today, they receive just 6.6 per cent.

Poverty drives child labour & deforestation

Cocoa farmers’ poverty has been at the root of problems such as poor working conditions, illiteracy and malnutrition. Child labour is the topic that has attracted the most international attention. More than two million children worked under hazardous conditions growing cocoa in Côte d’Ivoire and Ghana in 2013/14, according to a study funded by the US government. Numerous other studies show child trafficking and slave labour, notably in West Africa, but also in other cocoa growing areas. Fern believes the chocolate industry can help end these practices by paying farmers a living income for their cocoa, addressing the poverty that drives growers to rely on child labour.

Low and sinking cocoa prices also drive deforestation. If the price of cocoa goes down, farmers increase production to get the same incomes, and this means expanding into new areas of forest. This has been a repeating pattern, particularly in West Africa.
Certification and company initiatives won’t solve the problem alone

More than 40 per cent of world cocoa production is now certified, according to the World Bank. Three main certification schemes have taken hold: UTZ, Rainforest Alliance and Fairtrade (UTZ and Rainforest Alliance have agreed to merge).\textsuperscript{28,29}

In theory, certification allows farmers to be paid more for their cocoa, as well as access to better fertilizers, training and investment in community facilities in return for adopting more sustainable farming practices. But results have fallen short of expectations.\textsuperscript{30,31} Growers have found that certified cocoa often does not bring higher prices. And there have been many incidents of cocoa being certified despite coming from areas that were recently primary forest.\textsuperscript{32}

Another major industry initiative, the World Cocoa Foundation’s (WCF) Frameworks for Action, was launched at the November 2017 United Nations climate conference. The Frameworks for Action committed around 35 major chocolate and cocoa companies to end deforestation in the global cocoa supply chain, with an initial focus on Côte d’Ivoire and Ghana.\textsuperscript{33}

The Frameworks for Action could be a positive contribution – but they will need to avoid the toothlessness of the existing certification initiatives and the Ivorian government’s failed pledge to end deforestation in cocoa production by 2017. The high rate of illegality in West African cocoa production suggests it is enforcement, not making commitments, that is the problem. The WCF Frameworks for Action were drafted in less than a year and could not involve much input from cocoa farmers, communities and local civil society. Yet these people’s contributions are most important of all, if commitments are to be realistic, adapted to local problems, and have any chance of being enforced.

Policy Recommendations

The EU has made a commitment to end its role in deforestation by 2020. To achieve this it must:

- Develop an “Action Plan to Protect Forests and Respect Rights” to meet the EU’s existing commitments to stop deforestation, respect rights, and tackle climate change.\textsuperscript{33}

- Regulate cocoa supply chains. The EU already regulates supply chains of illegal timber, illegal fishing and conflict minerals. It should now regulate cocoa supply chains to ensure EU consumption is free from conflict, is paying cocoa farmers a fair income, and does not lead to deforestation.

- Support in-country processes to resolve social and environmental issues in cocoa production, using lessons learned from the EU’s Voluntary Partnership Agreement (VPA) process. This could start in Côte d’Ivoire and Ghana, where the EU is already negotiating VPAs for illegal timber. The EU could, in these two countries, facilitate:
  - National processes to resolve land and tree tenure
  - Cocoa growers’ cooperatives to start acting as representative institutions for cocoa farmers
  - Cocoa producers to shift to shade agriculture.

All references available online at www.fern.org/cocoafacts

Fern office UK
1C Fosseway Business Centre, Stratford Road, Moreton in Marsh, GL56 9NQ, UK

Fern office Brussels
Rue d’Edimbourg, 26, 1050 Brussels, Belgium

www.fern.org

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