



## **BÁVARO COCOA DECLARATION**

### **INTRODUCTION**

1. At the kind invitation of the International Cocoa Organization (ICCO) and the Government of The Dominican Republic, around 1,300 participants from 64 countries gathered in Bávaro from 22-25 May 2016 for the Third World Cocoa Conference (WCC3). The purpose of the conference was to map progress made in implementing the Global Cocoa Agenda as well as to review new challenges and opportunities.

2. The *Global Cocoa Agenda*, adopted at the First World Cocoa Conference (WCC1) in November 2012 in Abidjan, Côte d'Ivoire, provided the roadmap towards sustainability in the world cocoa economy. It outlined the strategic challenges facing the cocoa sector, recommended actions to address them and identified the responsibilities of each stakeholder along the cocoa value chain, at the national, regional and international levels, to develop thriving cocoa communities worldwide.

3. The Second World Cocoa Conference (WCC2) in Amsterdam, The Netherlands in June 2014 urged countries, through their Public-Private Partnerships, to assume the lead role in coordinating sustainability initiatives, giving priority to policies that empower farmers and improve their incomes in a measurable way. This is the basis upon which governments are to steer the entire cocoa value chain onto a path of sustainable development to benefit all stakeholders, especially farmers.

4. Building on the success of both conferences, the participants at the Third World Cocoa Conference (WCC3) reported on the progress made in the first four years of implementation of the Global Cocoa Agenda, identified the constraints faced, fine-tuned remedial actions and explored ground-breaking innovations to reinvigorate the sector. The Conference drew lessons from the many successful private sector initiatives, particularly those underway in countries in the Latin American and Caribbean regions.

5. Overall, the participants noted that, while much progress has been achieved, many challenges still remain.

### **BUILDING BRIDGES BETWEEN CONSUMERS AND PRODUCERS**

6. Focussing on the theme of “*Building Bridges between Consumers and Producers*”, the Conference urged all relevant stakeholders to promote policies and actions that empower farmers, and ensure that their voices are heard along the cocoa value chain, thereby increasing their bargaining power. Participants welcomed the strong participation of producers in the Farmers’ Forum, organized by the ICCO. The Conference encouraged cocoa farmers to strengthen their position at national level through Farmer-Based Organizations (FBOs) and invited them to collaborate more closely at international level, articulating in one voice, and to be fully engaged in the ICCO Consultative Board and other key international fora.

7. Participants highlighted the importance of conservation and evaluation of cacao diversity. In addition, national cocoa institutions, as well as the cocoa and chocolate industry, are urged to improve recognition, preservation and evaluation of cocoa diversity through promotion and awareness-raising in relation to its quality. This approach should be embraced by cocoa growers.

8. Consumers are increasingly demanding a larger variety of chocolate products, including high cocoa content, fine or flavour, single origin, dark chocolate, healthier products and goods that are adapted to specific national and regional markets as well as hot climates. Considering demographic and consumption behavioural changes, continuous innovation in introducing new cocoa and chocolate products is required to meet this diverse consumer demand. Through such approaches, not only are new markets created, but in the process, farmers who are kept abreast of the evolving global demand are better placed to produce cocoa beans that meet the requirements of consumers.

9. Simultaneously, through their purchasing behaviour, consumers have an important role to play in the mainstream chocolate retail sector, as ethical consumers of mass market chocolate. They also have a role to play in engaging industry and governments, by demanding improvements and efforts to make the cocoa value chain more sustainable. While consumers expect high quality cocoa beans to be used in the manufacture of cocoa and chocolate products, cocoa growers expect the extra efforts being made in producing quality beans to be adequately rewarded.

10. In bridging the gap between producers and consumers, there is an important role set out for certification and standards bodies and retailers, both of which should take the necessary steps towards sustainability. Certification and standards bodies should also be transparent, so that farmers are unambiguously aware of the investment required in order to gain certification, and the rewards that can be expected when they achieve them.

### **BUILDING BLOCKS IN SUSTAINABILITY INITIATIVES**

11. The conference called for closer collaboration among cocoa stakeholders through national Public-Private Partnerships (PPPs) to invest in the provision of key public goods, and urged cocoa exporting countries to establish and/or to accelerate their national cocoa plans. Participants underlined the urgent need for countries to conduct an inventory of cocoa resources. As a key partner, the cocoa and chocolate industry is aligning sustainability initiatives in concert with national cocoa plans. Likewise, cocoa importing countries are urged to establish and/or scale-up the implementation of their national cocoa plans.

### **PROMOTING INNOVATION**

12. Participants recognized that innovation is key to increasing productivity in order to transform the cocoa landscape. Innovations in terms of high performance planting materials, and appropriate inputs, tools and technologies, would transform traditional smallholder cocoa farms into more profitable business entities. Economically-viable medium- to large-sized cocoa plantations, incorporating state of the art technology, reaping economies of scale and high returns, could operate as models.

13. It is recognized that additional support is required to finance research and development to accelerate innovation in cocoa. In this regard, ICCO is requested to facilitate an international conference on cocoa research, whereby the cocoa community and scientists can exchange the

latest findings on research innovations and ensure that these results reach farmers and are adopted as required.

### **LIVING INCOME**

14. The central aim of sustainability in the cocoa value chain is to ensure that smallholder farmers earn a living income that will strengthen cocoa farming as a viable business, as well as to meet the growing global demand for cocoa and chocolate products. With the anticipated increase in global cocoa output, efforts should be made to ensure that production and consumption of cocoa grow in tandem, so that an increase in production will not bring downward pressure on the price of cocoa beans.

### **PRIORITY AREAS**

15. Taking cognizance that achieving long term sustainability is a step-wise evolving process which requires a transformational change to the existing cocoa value chain through continuous improvement, the Conference agreed to intensify efforts initiated at the First World Cocoa Conference (WCC1), using the *Global Cocoa Agenda* as the roadmap.

16. The Conference adopted the following priority areas, in line with the *Global Cocoa Agenda*:

- i. Injecting innovation in cocoa farming, including strengthening farmer-based organizations;
- ii. Increasing the living incomes for cocoa smallholders;
- iii. Raising women's voices and attracting a new generation of young cocoa farmers;
- iv. Marketing cocoa quality, sustainability and origin;
- v. Key Performance Indicators (KPIs): measuring progress in the implementation of the *Global Cocoa Agenda*; and
- vi. Sustainable funding of the cocoa sector.

17. The conference reaffirmed that the ICCO Consultative Board on the World Cocoa Economy, under the authority of the International Cocoa Council, in accordance with the provisions of the International Cocoa Agreement 2010, remains the most appropriate platform to continue discussions on strategic issues pertaining to the global cocoa sector. Its tasks include monitoring progress on the *Global Cocoa Agenda*, aligning cocoa sustainability initiatives to achieve a sustainable world cocoa economy, and making recommendations to the International Cocoa Council, as appropriate.

### **WORD OF THANKS TO THE HOST GOVERNMENT AND SPONSORS**

18. Participants expressed their deep gratitude to the Government of The Dominican Republic for the fantastic hospitality, generous sponsorship and impeccable logistical support provided in organizing the Third World Cocoa Conference (WCC3) in Bávaro.

### **NEXT CONFERENCE**

19. The Government of Germany has kindly offered to host the Fourth World Cocoa Conference (WCC4) in March 2018, to be facilitated by the ICCO Secretariat.

*This section complements the Bávaro Cocoa Declaration, based on recommendations made by working groups who met during the Conference.*

### **BUILDING BLOCKS IN SUSTAINABILITY INITIATIVES**

20. Recognizing the need to provide an essential building block for a strong foundation upon which farmers could begin to embark upon sustainable practices, the Conference reiterated the need for national governments to invest in the provision of key public goods to equip cocoa farmers with the right tools to increase their productive capacity. These would also include quality education, access to healthcare, clean potable water and electricity and access to markets. To achieve this objective, the Conference called for closer collaboration among cocoa stakeholders through national Public-Private Partnerships (PPPs) already established in the main producing countries, acting in a coordinated manner to harness existing resources, strengths and expertise.

21. The Conference urged cocoa exporting countries to accelerate the implementation of policies prescribed in their national cocoa plans, with all the appropriate components, and to provide an enabling environment - adequately supported by programmes, institutions, and governance - that is grounded on sound evidence. Participants underlined the urgent need for countries to take the next steps to build an inventory of cocoa resources, as a basis to monitor progress achieved and follow-through with the necessary support until successful completion. The inventory would set the basis upon which strategic programmes would be undertaken to bridge the gaps to meet the set targets.

22. As a key partner, the chocolate and cocoa industry, through the WCF's *CocoaAction* initiative, is undertaking a commitment to further align sustainability initiatives in concert with national cocoa plans. The initiative is also seeking partnerships within industry, the donor community and civil society, as a vehicle for scaling up reach and impact. Likewise, major cocoa importing countries agreed to scale-up the implementation of their national cocoa plans, tailored to support sustainability efforts by cocoa producing countries. Simultaneously, companies and countries are exhorted to take their individual responsibilities, and to raise the ambitions of their work in making the cocoa sector more sustainable, thereby fully embodying the concept of shared responsibility.

### **PROMOTING INNOVATION**

23. Participants recognized that innovation is key to increasing productivity in order to transform the cocoa landscape characterized by low yields, outdated technology, the ageing population of farmers, and old and disease-prone tree stocks. Innovations in terms of high performance planting materials (with high yields, traits of disease resistance and good flavour), the right inputs (adequate fertilizers and pesticides, as and when required), appropriate tools and technologies aimed at optimizing yields and quality, as well as meeting the environmental criteria, would transform traditional smallholder farms into more economically viable business entities.

24. A catalytic tool to inject new dynamism has to be promoted and implemented in cocoa producing countries. Economically-viable medium to large sized cocoa plantations, incorporating state of the art technology, reaping economies of scale and high returns on existing cultivated land in a sustainable manner are already showing positive results in this direction. These plantations could operate as models, providing the impetus to modernize existing smallholder farms through the transfer of technology in both hardware and software, including best practices from growing, harvesting, fermenting and drying to storage in a two-way symbiotic partnership. Successful scaling up of such schemes would result in a new cocoa eco-system that would overcome a key constraint that has in the past, hampered the provision of adequate extension services to smallholder farmers. Consequently, the governments of cocoa producing countries are encouraged to consider policies that attract such investments as a new engine for growth, while ensuring that these investments adhere to social, environmental and economic standards through a sound policy and regulatory environment and, at the same time, ensure that the situation of existing smallholders benefits from this development through a phased inclusive approach. Successful models in Latin America could serve as examples to be adapted in countries, according to each individual country's specificities.

25. It is recognized that additional support is required to finance research and development to accelerate innovation in cocoa. There is a need for greater support for research institutions to take stock of ongoing initiatives and to identify areas for greater synergy. Recognizing that gaps have to be bridged in disseminating innovative research results from renowned cocoa research institutes to farmers, participants agreed that there is a need for a better exchange of knowledge between cocoa research institutions. In this regard, they requested that the ICCO should facilitate an international conference on cocoa research, whereby the cocoa community and scientists can exchange the latest findings on research innovations and ensure that these results reach farmers and are adopted as required.

#### **PRIORITY AREAS GOING FORWARD**

26. Taking cognizance that achieving long term sustainability is a step-wise evolving process, which requires a transformational change to the existing cocoa value chain through continuous improvement, the Conference agreed to intensify efforts initiated at the first World Cocoa Conference using the *Global Cocoa Agenda* as the roadmap.

27. Going into specifics, the following recommendations were made, in line with the *Global Cocoa Agenda*:

**i) Cocoa farm models of the future: knowledge gaps, research priorities and climate change**

*Participants agreed that there is a need to develop and share cost benefit analysis of different farm models that integrate and take account of technical support, economics, environment, climate change, available planting materials and land availability, which incorporate both intensification (better use of existing land) and diverse farming systems.*

*“Seeing is believing” is seen as an efficient way to promote change. There is a need to facilitate farmer-to-farmer exchanges on farming models so that farmers can choose the optimum model suited to their needs, situation and capacities. Information and communication technologies can facilitate these exchanges.*

## ii) **Living Income for cocoa smallholders**

*Participants recognized that achieving a living income is a challenge that goes beyond the cocoa value chain, and is a broader rural/agriculture issue, with inter-crop parity carefully ensured to avoid production distortions and negative price impacts.*

*There is a need to reinforce the discussion on Living Income within all stakeholder groups. A consensus on a common definition of 'living income' has to be established within the short term. To this end, there is a need for all parties to contribute available data towards a better and more coordinated understanding of whether smallholders can and are making a living income from cocoa. Additionally, increased transparency of the roles of all actors is required.*

*Critical levers to increase farmers' incomes have to be identified, that ideally can be integrated into current activities and programmes of actors, thereby not requiring new programmes. These levers should include - but are not limited to - interventions in:*

- *Increased yields and quality;*
- *Income diversification;*
- *Increased transparency and knowledge on the role of governments in providing for infrastructure and services that form an important part of the needs within a Living Income calculation (i.e. access to education, healthcare, potable water, paid adult labour, the availability of subsidies, etc);*
- *To have an innovative approach to ensure that there are better mechanisms to take into account externalities and ensure that farmers receive an adequate price for their cocoa;*
- *To strengthen the Farmer's Voice; and*
- *To strengthen the evidence-based discussion on the scale of farms, models of aggregation of smallholders, to increase land tenure security.*

## iii) **Raising women's voices and attracting a new generation of farmers**

### Women

*Women tend to have different tasks in cocoa farming than men and these tasks are shaped by tradition and culture. Women perform a large part of the work on cocoa farms. Hence their participation in training and their access to inputs is crucial. Given women's roles in their families and homes, their social and economic marginalization has implications for the health, nutrition and education of their families. Industry players and policy makers should therefore listen more to women and work with them to address their specific needs in order to give them some economic reward for their work in cocoa. Women should be supported to own their own farms and encouraged to join and hold positions in cooperatives. This should be done with the collaboration of the men in society. These interventions targeting women should be designed to suit the particular needs of women in each region.*

## Youth

*Cocoa farming and the provision of farm services can be an attractive career choice for the youth, if they receive the necessary training and support. The farmers of tomorrow can go beyond subsistence agriculture to become commercial cocoa growers if they: use sound agricultural practices; coupled with training in business and financial management; as well as having access to land, inputs and financing; and receive supportive mentorship and coaching programmes. They will inevitably provide not only for themselves, but for their families as well. The various actors in the cocoa sector (i.e. policy makers, NGOs, industry and local communities) should work together in designing and implementing programmes that will support the youth to succeed in having successful careers in the cocoa value chain.*

*For both women and the youth, there should be an integration of labour and time-saving devices and tools to modernize and professionalize farming.*

### **iv) Marketing cocoa quality, sustainability and origin**

*The cocoa and chocolate sectors are in transition, moving from a segregated sector toward integration. Through this transition, there is an imperative to integrate quality, flavours and origin, as a means of differentiation among contexts, markets, products, prices, people and terroirs (varieties, environment and knowhow), thereby creating more opportunities to improve producers' livelihoods and uplift the sector as a whole.*

*There is an opportunity to review the current classification of fine and flavour vs. bulk cocoa. It will also require consensus in relation to the definitions of "specialty", "fine", "origin" cocoa and "sustainable cocoa".*

*The current development of international standards for the assessment of quality and flavour should be supported. It is recommended that these standards reflect diversity at all levels of the cocoa value chain and assist national programmes in building capacity to value quality and flavours at origin. This requires educating consumers, producers and other stakeholders to recognize and to value quality. Lessons can be learned by looking at other (terroir) related products like wine, beer and coffee. Participants recommended that ICCO supports existing initiatives and platforms like international, national and regional cocoa and chocolate competitions, festivals and fairs.*

*There is space for integrating quality and differentiation in existing working group and country platforms on sustainable cocoa.*

*There is an opportunity to expand the role of the ICCO ad hoc Working Group on Fine and Flavour beyond country classification. The Working Group would work together with producers, governments and industry to value and safeguard cacao diversity.*

v) **Key Performance Indicators (KPIs): measuring progress towards sustainability and implementing the *Global Cocoa Agenda*.**

*The Global Cocoa Agenda is focused in four key areas for which the ICCO is seeking global indicators that will be adopted by countries, namely sustainable production; sustainable consumption; sustainable industry chains; and strategic management. For sustainable production, the working group recommended that the ICCO use the CocoaAction indicators as a starting point. These indicators are based on collaboration with the Governments of Côte d'Ivoire and Ghana, input from the CocoaAction companies and inputs from a variety of other organizations, such as the voluntary sustainability standards organizations. Other KPIs include the distribution of cocoa prices throughout the value chain, farm-gate prices and supply/demand ratios. In order to help expedite the adoption of KPIs, national governments should leverage on existing indicator sets and impact assessment initiatives that operate within the cocoa sector.*

*Participants agree that ICCO should consider hiring a consultant to conduct a review of existing KPIs for the entire cocoa supply chain (in the four areas mentioned above). From the review, the list should be refined to a manageable set, using existing frameworks for standard harmonization and taking into account questions of the indicators' relevance, usefulness and feasibility of implementation. After the review, the list has to be endorsed and shortlisted. Governments could then use the list to help select KPIs that are most relevant to their national cocoa plans.*

vi) **Cocoa Sustainability Fund**

*The conference noted that it is still too early to decide on the establishment of a Cocoa Sustainability Fund. The study for the Fund contained some important information, but further investigation is needed into the priority purpose of such a Fund, based on the objectives of the Global Cocoa Agenda; a prioritization of funding gaps and the scoping of solutions.*

*Based on this analysis, it has to be decided whether a new Fund – as opposed to intensifying the use of existing financing mechanisms – would be an appropriate and feasible mechanism to meet the identified needs.*

*The Consultative Board should decide at the meeting in spring 2017 whether a Fund is appropriate and feasible. If affirmative, the Consultative Board should set the next World Cocoa Conference as the deadline for designing (purpose, disbursement, governance ...) of the Fund.*