

*Where there's a will there's a way...*

# A conservation approach to global cocoa supply management (an example plan)

Niek Koning

Roel Jongeneel



# *Preparation*

- Producing country governments and farmers form an international organization with a secretariat and an own trading company
- Members agree on principles
- Private stakeholders (industry & civil society actors) in producing and consuming countries are asked to cooperate and monitor the implementation
- Member countries designate no-clearing zones and diversification zones and make diversification plans to reduce production to national quotas

# *Transition phase*

- Producing countries impose a common export tax (*on top of existing taxes*) that is transferred to the international secretariat
- The revenue is used for three purposes
  - *One part is used for buying up and destroying enough stocks and surpluses to move prices into a pre-agreed price band*
  - *Another part is refunded to governments to finance the implementation of diversification plans (supervised by the international secretariat)*
  - *A third part is transferred to farmers' associations for an organization drive among cocoa farmers (supervised by the international secretariat)*

# *Post-transition*

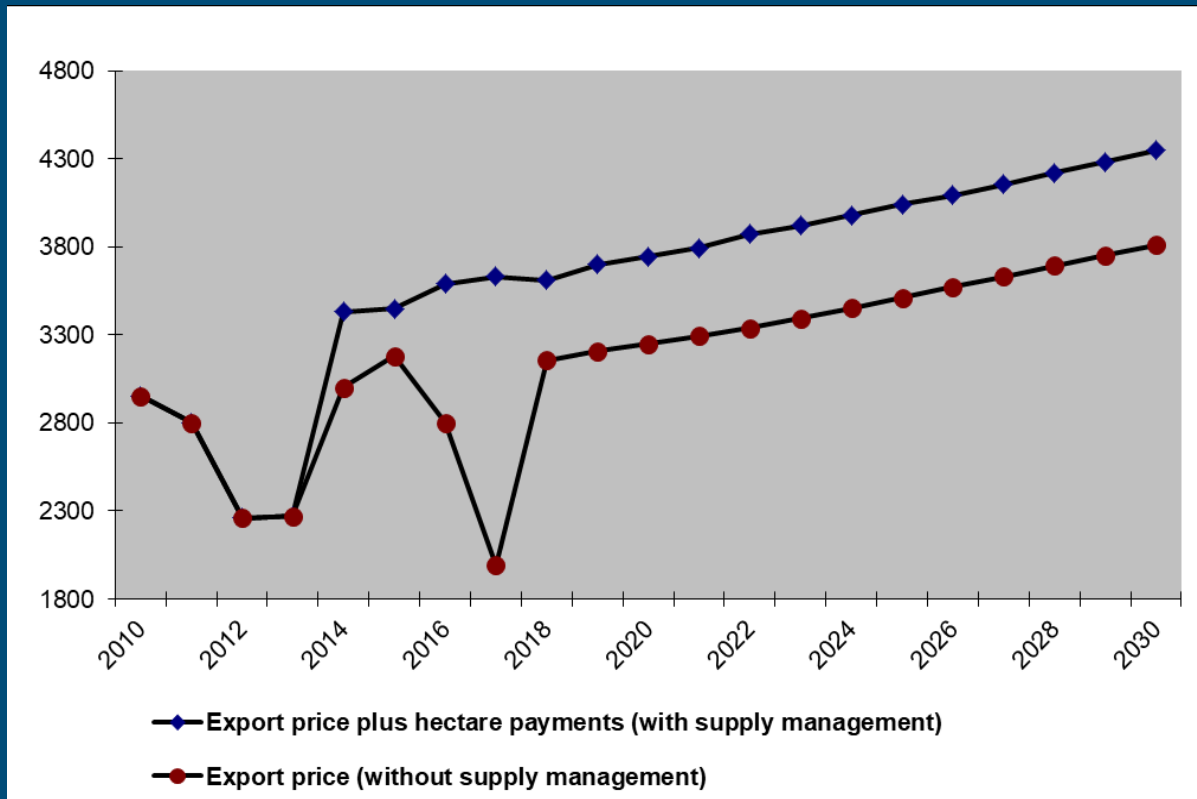
- The secretariat runs a buffer stock to keep prices within the price band
- Governments and farmer associations negotiate farm-gate prices, respecting a pre-agreed minimum farmer share in export prices
- The secretariat transfers the export tax revenue to farmers' associations for hectare payments to farmers
  - *Farmers must meet sustainability and labour standards to qualify*
  - *Payments must be shared with sharecroppers and tenants*
  - *Allocation is supervised by the international secretariat*
- The price band and national quotas are adjusted to the evolution of global demand and production costs
  - *Based on pre-agreed formulas with objective indicators ascertained by the international secretariat*

# *Discouraging free riding*

- **CARROT:** gradual transfer of quota rights from higher- to lower-cost countries
  - *Based on pre-agreed formula with objective indicators ascertained by the international secretariat*
  - *Higher-cost countries receive diversification aid from a fund managed by the international secretariat and financed out of the common export tax and contributions from lower-cost countries*
- **STICK:** The organization's trading company uses the advantages it derives from its direct relationships with members for profitable market operations that undermine the prices of free-rider cocoa

# Illustrative model calculation4

Export prices (plus hectare payments) with supply management compared to export prices without supply management (US\$/tonne)



## Assumptions:

- Programme introduced in 2014
- Export tax \$ 300 / tonne
- 4 years transition period

# More information?

Read our paper *La CEDEAO peut-elle créer un OPEP du cacao durable?* (<https://www.cairn.info/revue-tiers-monde-2008-3-p-661.htm>)

Or send an email to [niek.koning@ziggo.nl](mailto:niek.koning@ziggo.nl) or [roel.jongeneel@wur.nl](mailto:roel.jongeneel@wur.nl) (*also for model update*)