



Forum Nachhaltiger Kakao

German Initiative on Sustainable Cocoa

48th INTERNATIONAL TRADE FAIR FOR SWEETS AND SNACKS (ISM) 2018

Event of the German Initiative on
Sustainable Cocoa (GISCO)



Nachhaltigkeits-
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Event of the German Initiative on Sustainable Cocoa at the International Sweets and Biscuits Fair (ISM) 2018: “Certification and More – Achieving Impact in Cocoa Sustainability“

The German Initiative on Sustainable Cocoa and the World Cocoa Foundation (WCF) joined the International Sweets and Snacks Fair (ISM) 2018 in Cologne together for the first time and hosted a panel event. International speakers from industry, trade and non-governmental organizations discussed the topic “Certification and More – Achieving Impact in Cocoa Sustainability”. All participants agreed that a close cooperation of all actors is necessary in order to make cocoa fairer and more sustainable beyond certification.

The event was framed by the opening speech by Dr. German Jeub, Head of Directorate at the Federal Ministry of Food and Agriculture (BMEL), and the closing words by Dr. Heike Henn, Head of Division at the Federal Ministry for Economic Cooperation and Development (BMZ). Wolf Kropp-Büttner from the German Initiative on Sustainable Cocoa and Tim McCoy from the World Cocoa Foundation welcomed the guests to the joint event and underlined the importance of the close partnership between the two organizations. Cathy Pieters (Mondelēz) outlined the company’s new holistic sustainability approach, Karin Kreider (ISEAL Alliance) pointed out limitations of certification systems and possible innovations. Aminata Bamba (ECOOKIM cooperative), Noura Hanna (Rainforest Alliance), Rachel Munns (Tesco) and Antonie Fountain (VOICE Network) shared their experiences with certification in the panel discussion in which the 110 guests actively participated. The event was moderated by Lucas Simons (NewForesight).

The German Initiative on Sustainable Cocoa and the World Cocoa Foundation had adjacent exhibition stands (Piazza, Hall 10/11) for the first time at the ISM which took place in Cologne from 28 to 31 January 2018 and is the world’s largest trade fair for sweets and snacks. This years, the ISM recorded about 37,500 visitors from 144 countries and 1,656 exhibitors.





OPENING



Dr. German Jeub, Head of Directorate “EU Policy, International Cooperation and Fisheries” at the Federal Ministry of Food and Agriculture (BMEL), opened the event. He said that sustainability is high on the agenda of the Federal Government. With regards to the cocoa sector it means the following: improving the living conditions of the farmers, saving the resources and conserving biodiversity. In the light of the current situation it is unbelievable that cocoa was the currency of the kings in South America once. “With 75 percent sustainably sourced cocoa we already made good progress”, Jeub said in view of the share of sustainably sourced cocoa in products of GISCO members. But 100 percent sustainable cocoa will also not completely solve all sector problems. Therefore, it is

necessary to get involved beyond certification. The close exchange with partners is of particularly great importance, according to Jeub. Recently, the German Initiative on Sustainable Cocoa and the Swiss Platform for Sustainable Cocoa signed a Memorandum of Understanding at the International Green Week.

Jeub also referred to the discussion on the future of agriculture at European level. Among other things, a better coherence of agricultural and development politics, which includes a market-oriented cooperation with higher prices for the benefit of producers, is an agenda item. “At the World Cocoa Conference, which is hosted by the Federal Government and the International Cocoa Organization (ICCO) in Berlin in April, 1,500 actors from the cocoa supply chain will work on a new vision for the sector”, Jeub said. Cooperation of politics, economy and society and beyond sectoral and national borders is necessary to achieve long-term changes. The EU increasingly supports a sustainable production of agricultural commodities.

WELCOMING WORDS

Wolf Kropp-Büttner, Chairman of the German Initiative on Sustainable Cocoa, welcomed the speakers and guests and said that he appreciates the increasingly close cooperation with the World Cocoa Foundation. Sustainability is on the agenda of many but often the understanding of it differs. “We need to clarify the right approaches and work together in the same direction to resolve the complex challenges”, he said. The questions are: “What else must be tackled?” and “What direction must certification take in order to achieve true sustainability?” It is the main theme of GISCO in 2018 and therefore an additional working group will also deal with this topic. “Better governance on the ground is an important key. We must work closely together with the governments in the producing countries in order to achieve this”, Kropp-Büttner emphasized.

There are still three main challenges: raising farmers’ income, improving living conditions and conserving natural resources. Changes must be measurable and traceable. Therefore, he referred to GISCO’s key performance indicators (KPI) for the work of GISCO and the CEN ISO standard which is underway. Following the previous speaker, Kropp-Büttner underlined the importance of institutional partnerships. The cooperation with the Swiss platform as well as the participation in working groups of the International Cocoa Organization (ICCO), for instance for the development of KPIs for the world cocoa agenda, are important examples of this.





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Tim McCoy, Vice President for Member and External Relations at the World Cocoa Foundation (WCF), also welcomed the participants and thanked the German Initiative on Sustainable Cocoa for the cooperation. He said that the WCF has functioned as a platform since its creation in 2001 around which the various actors of the cocoa sector can come together to discuss the challenges towards sustainable cocoa. The certification model has achieved remarkable progress but has not transformed the sector fundamentally. “Real transformation depends on much more joint action and joint accountability by all stakeholders”, McCoy said. The entire industry as well as governments and civil society must be involved, especially since each of these stakeholders can contribute valuable expertise and individual perspectives to the discussion. Certification models should be reconsidered in the context of new and ever-changing challenges. It must be the aim to achieve a cocoa supply chain that

does not contribute to deforestation and degradation of forestry areas in the cocoa producing countries. McCoy addressed the audience directly and said: “I hope you will take this opportunity to join us because at the end of this discussion, you will walk away with a better sense of what your company, maybe even you as an individual, can do to advance this critically important agenda”.

Facilitator **Lucas Simons**, who develops sustainability strategies for businesses as the founder of the company NewForesight and looks back on years of experiences with more than 15 food sectors, addressed the parallels between the different supply chains. It is no coincidence that the challenges are always similar. It is rather due to the basic structures of the food supply chains.

Simons presented a model according to which sustainable transformation of a sector takes place in stages: The first phase involves the recognition of fundamental problems. In the second phase, the industry starts a competition for sustainability. In the third phase, the industry comes into contact with the public sector and civil society and analyzes in which areas cooperation would be more useful than competition. In the fourth phase, cooperation is institutionalized which defines sustainability as a new standard. This model can be transferred to every sector. One must identify the current stage each time to act accordingly.



PRESENTATIONS

Cathy Pieters: New holistic approach to sustainability and insights from the certification model

The first presentation was held by **Cathy Pieters**. Head of the CocoaLife program at Mondelez International. She highlighted the many years of the company’s commitment to sustainability. Mondelez was among the first ones to introduce certification to mainstream chocolate brands about eight years. The company set up its own sustainability program in 2012. With CocoaLife, it intends to invest 400 million US-Dollar (313 mio. EUR) until 2022 to improve living conditions of 200,000 cocoa farmers.

Pieters stressed that a strong, vibrant supply chain secures a robust growth: “We cannot grow our business on a weak value chain”, Pieters said. Transparency and responsibility are of particular interest: For instance, Mondelez commits to fixed purchase volumes and prices at the beginning of the season in order





to provide farmers with planning security. It should also be clear how the premium payments for certification are returned to the producers. Mondelēz works closely together with local governments and non-governmental organizations and attaches great importance to direct contact to farmers. According to Pieters, they must be perceived as worthy actors. The impact measurement of projects is also a central aspect. The CocoaLife program has already achieved remarkable results, including diversification and higher incomes. Accountability for invested funds is a key to successful change which should especially strengthen farmers and their communities. “From this perspective, money that flows in such projects is not an expensive but an investment in the future”, Pieters said. She explained that new measures should be embedded in the public structures of the producing countries in order to ensure a long-term transformation.

Karin Kreider: General definition of sustainability, overview of the development and implementation of sustainability approaches, their potentials and limitations; outlook for necessary innovations



Karin Kreider, Executive Director of ISEAL Alliance, addressed the growing global awareness for the urgency of sustainability issues in her presentation. The debate has now spread to all fields which is why ISEAL operates across sectors and covers a wide range of agricultural commodities with its 22 members – all of them are standard-setting related organizations. Kreider highlighted the various positive effects of certification. But she also pointed out that credible standards systems must go further by now. “We need innovations to make progress, within certification systems and to meet the challenges of a rapidly changing environment. And we need to literally push boundaries: We could consider geographical certification, or take jurisdictional approaches”, Kreider said.

One example she mentioned is the Global Living Wage Coalition, a joint initiative of seven standards systems, including Rainforest Alliance and Fairtrade. More than 30 benchmark studies defining and measuring living wages are underway or completed. According to Kreider, the requirements for an “ideal” cocoa sector are as follows: 1. Certification systems must focus on the farmers and regularly ask them how they would change the respective models; 2. All relevant stakeholders must come together and discuss different approaches; 3. Transparency, accountability and local relevance as key principles must support the credibility of all measures; 4. Progress and learning experiences must be clearly documented and should serve as a basis for continuous improvement. Kreider views the governments of the producing countries as crucial for the implementation of sustainability, for instance by creating infrastructure for market access or setting minimum wages.

After the two presentations, the facilitator Simons called on the attendees to exchange their views in table rounds and to introduce themselves briefly afterwards. Among other things, the desire was expressed to include the topics cocoa price and diversification in the discussion which the panellists subsequently did.



PANEL DISCUSSION

Aminata Bamba (EBOOKIM), Noura Hanna (Rainforest Alliance), Rachel Munns (Tesco) and Antonie Fountain (VOICE Network) were invited as panellists in order to discuss the topic in depth from different perspectives.

Aminata Bamba, a representative of the cooperative EBOOKIM, in which 13,000 farmers in Côte d'Ivoire are organized, and responsible for sustainable development at EBOOKIM, illustrated the importance of promoting entrepreneurial spirit among farmers. "Additional sources of income, such as the cultivation of food crops, reduce dependence on cocoa. Crises like the current cocoa price crisis can more easily be managed with diversified sources of income", Bamba explained. She talked about the positive experiences with certification programs: For instance, the productivity of the farms increased significantly. Furthermore, the village communities benefited from the program.

Examples are schools and means of transport for the often very long way to school. Bamba referred to state efforts to regulate and stabilize the cocoa prices when asked about the role of the government of Côte d'Ivoire. Of course, international markets are a mayor influence but also the governments in the consuming countries need to be more active. Consumers must become aware of the importance of their purchase decisions and be willing to pay potentially higher prices, according to Bamba. If the world market price is low, local governments can do very little about it.



Noura Hanna, a representative of the newly formed Rainforest Alliance, views the merger of UTZ and Rainforest Alliance as a step in the right direction: "Because of the scale provided by our merger, we are now even better placed to help catalyze change. But no single actor or single system can solve the remaining challenges in isolation", she said. Hanna explained that farmers are doing much better thanks to certification but that the new organization is also pursuing different approaches in order to tackle the remaining challenges. "For instance" she said, "our code of conduct is being revised which offers opportunity to improve our model and existing test systems

are enhanced by modern technology, such as satellite data collection systems." At the same time, a holistic approach is paramount, including close partnerships with governments in both producing and consuming countries. The trend towards greater transparency and responsibility must be expanded to the entire supply chain and supported by solid data. UTZ and Rainforest Alliance are in very good position to promote this transformation thanks to their high market share, according to Hanna. Warning about devastating consequences because of the drop in cocoa prices, Hanna asked: "How can sustainability be sustained with low prices?"

Rachel Munns, Responsible Sourcing Manager at Tesco, a British grocery retail chain, called attention to the perspective of consumers in the discussion. According to Tesco, consumers increasingly want to know where the products they buy are coming from and the potential challenges associated with sourcing and production. Tesco is aware of its role in the transformation to a more sustainable cocoa sector with certification serving as the first step in their commitment to responsibly sourced cocoa. "Independent certification adds to the confidence we have in our sources and means customers feel reassured we are working responsibly. We also have an





important role to play beyond certification to tackle challenges in the cocoa sector – and we're committed to working with our partners to achieve this", Munns said. Tesco's active participation in the World Cocoa Foundation is an example of this. Munns also emphasized the importance of close cooperation of the entire industry.



In light of the cocoa price crisis, **Antonie Fountain** from the VOICE Network underlined the consequences for the farmers in the producing countries. "Farmers are the only risk bearers of the huge price volatility in the cocoa sector and they also have the weakest economic position to start with", he said. "Can voluntary standards really be sufficient, or do we need more legislation?" According to him, the market cannot regulate this on its own because a sustainable supply chain is usually linked to higher expenses for companies. Governments have to take over responsibility in this regard, especially in the producing countries. Action at EU level is useful to achieve a necessary reach. A binding European legal framework should be created that focuses on transparency and accountability and is guided

by instruments such as the UN Guiding Principles on Business and Human Rights. A fundamental transformation of the food sector is required in order to ensure adequate prices and living incomes everywhere, Fountain said. Certification is just one of several different tools that can be used to achieve sustainability.

The audience's contributions to the discussion primarily dealt with the question of which measures could be used to increase the cocoa price for the benefit of farmers. It was suggested to discuss this issue at EU level and initiate a common approach. However, it was also pointed out that minimum prices are difficult to define and that higher prices could increase the problem of overproduction unless effective supply control by the producing countries is ensured at the same time.

CLOSING WORDS

Dr. Heike Henn, Head of Division "Food and nutrition security; global food policy" at the Federal Ministry for Economic Cooperation and Development (BMZ), drew a positive conclusion of the event in her closing words: "I am impressed by the willingness and sincere interest of all persons involved, the speakers as well as the participants to jointly create a fair and sustainable cocoa sector", she said. She intends to combine the most important aspects of the discussion with the ambitions of the BMZ, especially with the work on the Sustainable Development Goals (SDGs). The focus is on the farmers, resource conservation and the principles of transparency and accountability. It must be considered how the transition from individual initiatives to a stronger institutionalization can be achieved.

Henn also referred to the recently completed study on pricing in the cocoa value chain by the BMZ in cooperation with the SÜDWIND Institute. She understands the consumer's interest in low prices but as long as the farmer – based on the current world market price – only makes four cents on a conventional bar of chocolate there is a need for change. The complexity of pricing should not be a reason for any stakeholder to avoid responsibility. Henn said that a price increase alone is not a solution. The agricultural sector must be changed fundamentally. Therefore, the BMZ is involved in the entire agrarian economy, including the special initiative, "ONE WORLD – No Hunger" and the new Green Innovation Centre in Côte d'Ivoire. Furthermore, the BMZ presented the cocoa value chain at the International Green Week in Berlin to particularly raise consumer awareness.





Henn asked all those involved in the cocoa sector to participate in multi-stakeholder platforms, such as the German Initiative on Sustainable Cocoa and the World Cocoa Foundation. She said that the upcoming World Cocoa Conference in April opens up many opportunities to engage in a sustainable cocoa sector.

*The presentations are available for download on the website of the German Initiative on Sustainable Cocoa:
www.kakaoforum.de/en*

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