



BARRY CALLEBAUT

A balanced approach towards better farmer livelihoods

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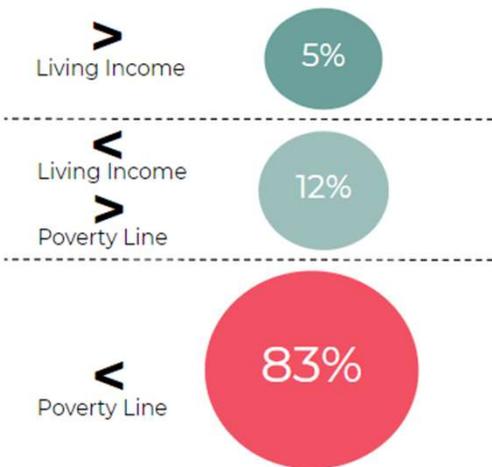
FOREVER
CHOCOLATE



The baseline

Baseline: where are we now?

BREAKDOWN FARMERS Vs POVERTY LINE & LIVING INCOME



* AgriLogic Farmer Field Book Project, Côte d'Ivoire 19/20

40% OF FARMERS IN PROGRAM ARE ABOVE POVERTY LINE* (57,495)

* Cocoa Horizons Verification Report 19/20

Under GISCO, we have a joint ambition to improve living conditions of cocoa farmers and their and to contribute to a secure living. We need TRANSFORMATIONAL CHANGE to achieve this goal.





Balanced approach

A balanced approach towards better farmer livelihoods

We need AN ENABLING ENVIRONMENT to help us realize TRANSFORMATIONAL CHANGE through a BALANCED APPROACH based on the below 4 LEVERS (among others)

SIZE OF FARM

Increasing the average size of farm is a fundamental leverage of poverty reduction which has been at stakes in all green/agric revolutions, being in Europe, Asia or Latin America.

YIELD PRICE

Increasing farm productivity through Farm Business Plans, Coaching cycles, quality inputs and seedlings

Farm gate price including Living Income Differential + Cash premiums

NON COCOA INCOME

Non-cocoa income only accounts for 10% to 20% of cocoa farmer's income hence a limited capacity to deliver systemic poverty reduction. Income diversification can however complement an approach.



Farm size

FARM SIZE versus Living Income

- Current Living Income models work with:
 - Average farm size - Côte d'Ivoire: **+/- 4 ha**
 - Average farm size - Ghana: **+/- 2- 3ha**
- **Consequence:**
Farmers with smaller farm sizes will not reach a Living Income
 - From our own database, we noticed that in certain geographical areas the farm sizes are all < 2.5 ha.
- **Increasing the average size of farm is a fundamental leverage of poverty reduction** which has been at stakes in all green/agric revolutions, being in Europe, Asia or Latin America.

Provision of 1.000 land titles to cocoa farmers in Ghana

Part of a co-funded project (Beyond Chocolate)

Expertise: **MERIDIA**

"In Ghana, farmers with land documents show a 21.9% productivity increase and a 15.5% higher income"*

Objectives:

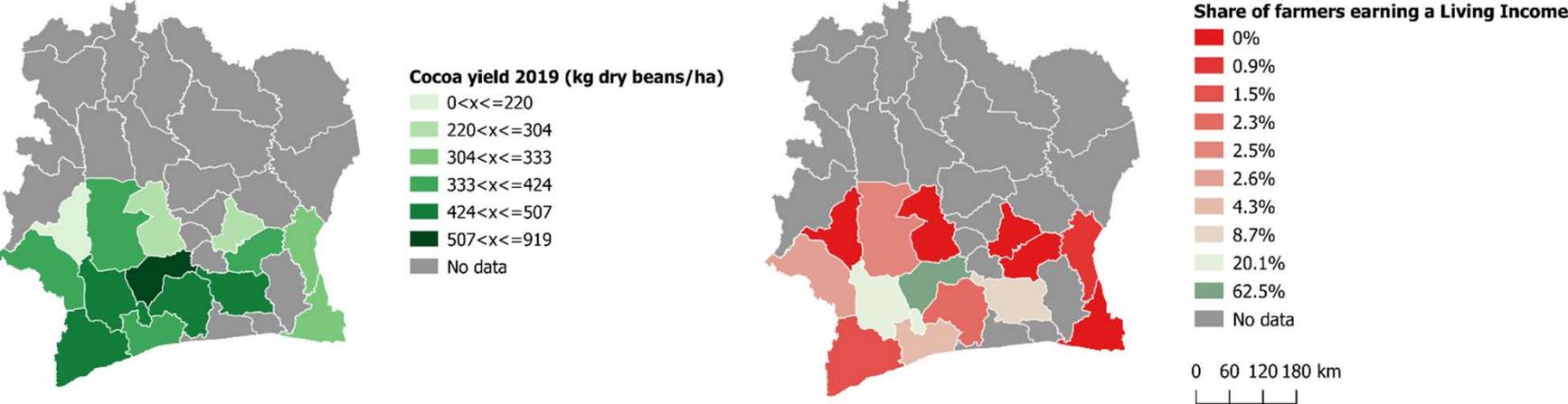
- Secure farm investment
- Access to finance
- Facilitate land transition to future generation, rent and trade
- Support women empowerment and right to property



Yield

YIELD versus Living Income

Unsurprisingly, analysis from AgriLogic in 19/20 in Ivory Coast, shows a straight correlation between average level of productivity per region and % of farmers earning a living income:



Data confirms the direct correlation between yield and poverty reduction and confirms our assumption that PRODUCTIVITY should be the PRIORITIZED LEVERAGE of our Cocoa Horizons strategy

What needs to change?

What is the current model? **No cash invested & all efforts on post-harvest.** The data we have from our AgriLogic Farmer Field Book project in Ivory Coast gives us fascinating inputs on the current business model at farm level. We have no reason to believe that Ghana would be different.

NO CASH INVESTED

P&L Per Tonne	
Revenue	817,431 CFA/Tonne
Cost of Prod.	118,180 CFA/Tonne
Profit Margin	699,251 CFA/Tonne
Profit Margin	85.5%

Only 14.5% of revenue as cost of production, meaning that the model adopted by farmer is to **1- limit to the maximum the external labour in the farm** (85% of the work done within the household) and **2- limit to the maximum the use of inputs** by only using insecticide and limiting drastically the use of fungicide and above all fertilizers

ALL ABOUT POST-HARVEST

A cocoa farmer in Ivory Coast spends in average 314 labour hours per hectare, broken down as follows:



Our intensified approach

The Farm Service approach is already a step forward compared to the traditional approach, with training/support delivered at **individual farmer level**. To be transformational, we need to go further and support in the “**doing**”:

3 KEY PRINCIPLES:

We need to provide stronger support in the **DOING**. Support farmers with **PRE-HARVEST** work, particularly pruning.

We can **SUBSIDIZE THE COST OF «DOING»**

while waiting for yield to increase. If farmers do not invest in their farm (external labour and/or fertilizers), it is because they cannot afford.

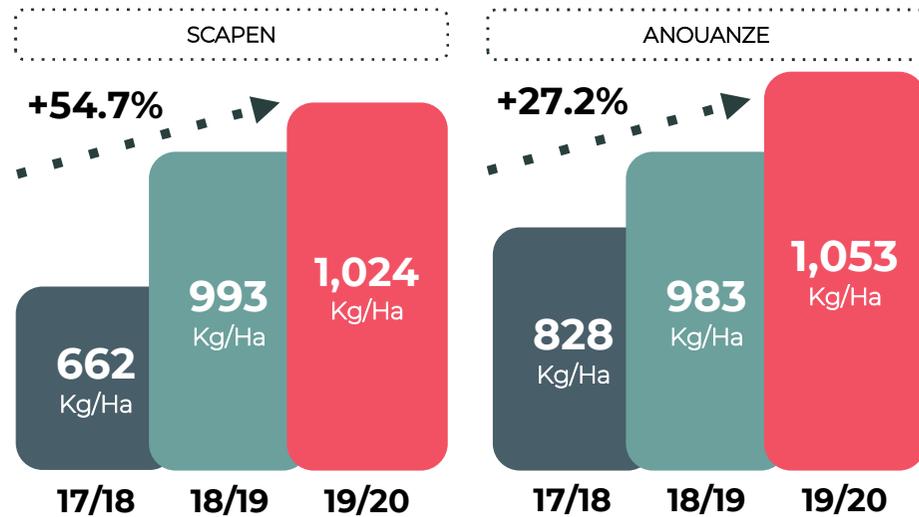
We can ensure **ACCESS TO FINANCE** to ensure farmers invest in **QUALITATIVE AGRIC INPUTS**.



A proven approach

How do we know it works? Because we have already tested it with partners

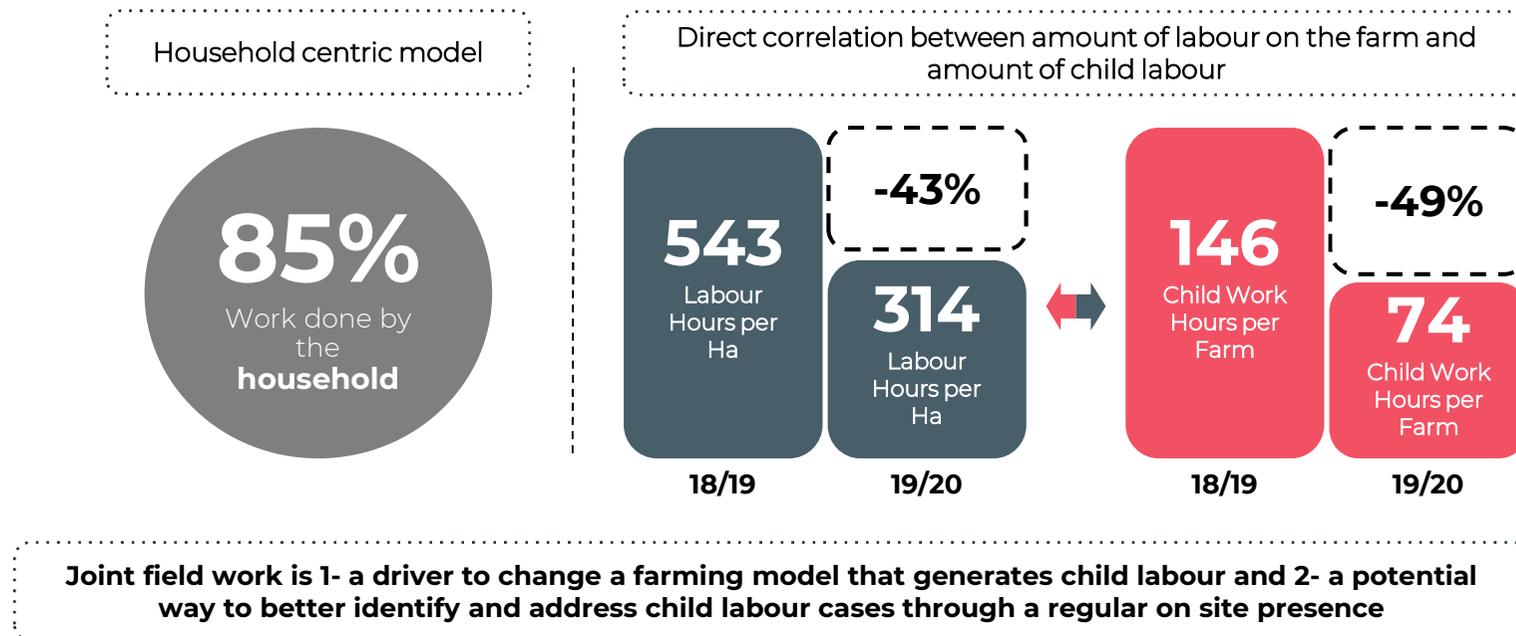
FACTSHEET	
Origin	Ivory Coast
Period	2018 – 2020
Coop.	2 cooperatives: SCAPEN & ANOUANZE
Location	Tiassale
Sample	38 farmers, 86 hectares – Control group of 18 farmers
Age of farm	10 – 30 years



Over the same period, both control groups in SCAPEN and ANOUANZE have seen their average productivity decrease respectively by 14.5% and 25.7% over the same period

Synergies with Child Labour approach

Changing the farming model is also pivotal to fight child labour. The lack of use of external workers and the farming model built almost exclusively on household work is a key driver of child labour as evidenced by the AgriLogic report:





Non-cocoa Income

NON-COCOA INCOME versus Living Income

Non-cocoa income only accounts for **10% to 20% of cocoa farmer's income** hence a limited capacity to deliver systemic poverty reduction. Income diversification can however **complement an approach.**



Non-cocoa income generation based through rearing of broiler chickens in Ghana

Part of a co-funded project (Beyond Chocolate)

Expertise: Boris B Farms

Objectives:

- Robust coaching system to manage complexity and risks.
- Payback time is rapid, 1.5 month; approx. 2 to 3 cycles per year
- Secured offtake
- *Anticipated income increase of +/- 300 USD per HH per year”.*



Price

PRICE versus Living Income

- Barry Callebaut is and will be contracting purchases, including the **LID**, in the normal buying pattern, working closely with the regulators of the two countries.
 - We support studies measuring the impact of LID
- **Cash premiums** are paid for sustainable cocoa
 - The premiums from the purchase of HORIZONS products only generated CHF 17.7 million in funds (+20,4%) in 19/20.
- And, **we enable supply chain projects going beyond the current farm gate price and cash premiums**, HOWEVER the majority of the market requests conventional cocoa, resulting in +/- 37% of our total sales containing sustainable cocoa (Forever Chocolate Report 19/20).
- Last but not least, the success of a balanced approach at farm level (based on the 4 levers - among others), depends heavily on the **enabling environment created by governments and policy makers, among other actors.**



Thank you!