Chocolate is one of the most popular and widely consumed confectionery in the world. It has become a product of mass consumption: the average European and US-American consumes 5.2 kg of chocolate per year! Europe and the US accounts for more than 50% and 22% of global sales respectively. While chocolate is growing in popularity, little attention is paid to where the primary ingredient cocoa comes from and under which conditions it is produced. The value chain is very complex, opaque and characterized by a massive imbalance in the market at the expense of small-scale farmers. This often leads to impoverishment, exploitation of workers and child labour.

Cocoa cultivation: Few regions, many dependents

Cocoa is the primary source of income for 5.5 million smallholder farmers and is the livelihood for more than 14 million rural workers and their families. In some countries of West Africa such as Ivory Coast and Ghana, up to 90% of the area is used for cocoa cultivation. In addition, cocoa production is highly concentrated on a few large producers. This concentration has led to a lack of diversity in the sector and a highly competitive market that has driven prices down to historically low levels. This has had a negative impact on small-scale farmers, who are the primary producers of cocoa.

The bitter side of chocolate

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Sources

2. World Cocoa Foundation (2010): Cocoa market update, p.2
5. World Cocoa Foundation (2012): Cocoa market update, p.1
Fact Sheet “The bitter side of chocolate”

Many cocoa farmers and workers have to get by with less than 1.25 US Dollar a day.¹

70% of the world cocoa beans come from four West-African countries – Ivory Coast, Ghana, Nigeria and Cameroon.² Ivory Coast is by far the largest cocoa producing country providing more than one third of world traded cocoa. Ghana, as the second largest cocoa producing country, produces 21% of the global supply. Indonesia, Nigeria, Cameroon, Brazil and Ecuador are the other main suppliers of cocoa (see Fig.1). More than 90 % of cocoa is grown and harvested on small family-run farms of 2.5 hectares or less while just 5 % comes from plantations of 40 hectares or more.³

Tough competition with many losers

There are only a few big players in the highly competitive cocoa trading and chocolate confectionery market. While these companies are competing for an ever higher market share and higher profits, millions of cocoa farmers bear the costs by receiving a smaller and smaller portion of revenues. Five big grinding companies dominate the trade of cocoa: Cargill, Barry Callebaut, ADM, Petra Foods and Blommer have a share of more than half of the world market for grinding cocoa beans and are as well the dominating players in trade. Based on their market power they have a strong influence on the prices paid for cocoa. In chocolate production more than two thirds of the market share is held by only five companies (see Fig.2). By 2012, the global chocolate confectionery market generated to grow to 88 billion dollars in 2014.⁴ In addition to dramatic overall price decline since 1989, the volatile prices are lucrative for speculators, on contrary, volatile prices are lucrative for speculative trading on futures markets which also sparks volatility. While cocoa traders are able to compensate volatile prices by storing beans until the prices are favourable, farmers in the Global South are often forced to sell their beans immediately due to poor living conditions and lack of storage facilities.

Crucial consequences of price decline

Price volatility and decline together with increasing production costs result in economic insecurity and the impoverishment of millions of cocoa farmers. Despite the fact that the demand for cocoa will increase by nearly 20 % in the upcoming years and increasing revenues for chocolate companies, many farmers cannot even cover their living costs.¹⁵ With limited income and lack of information on market developments, the cocoa farmers and their families and workers are the losers in a lucrative cocoa and chocolate industry.

Exploitation of workers and child labour

Low and insecure income also leads to serious social problems. Insufficient financial resources cause the deterioration of working conditions for plantation workers, which often leads to breaches of internationally recognised principles as defined by the Universal Declaration of Human Rights and the International Labour Organization (ILO). Due to low prices, cocoa farmers cannot provide their workers with sufficient salary, humane board, lodging and health care. The use of child labour is a way to keep costs down with child trafficking being a well-documented side effect of the problem. Currently, up to 2 million children are working on cocoa plantations in West Africa, more than 500,000 of them in hazardous child labour which seriously harms their physical and mental health and strip them from their right to education. Further, there is evidence of children exposed to child trafficking and forced labour, especially in Ivory Coast.¹¹ Such practices are serious breaches of international human rights standards and are strictly prohibited under international labour law (ILO regulations 182 and 138).

Unequal actors - unfair trade

The highly competitive cocoa and chocolate market and the fundamental power inequalities between small-scale farmers and multinational companies are one reason for serious price decline. While the profits for multinational chocolate companies have increased rapidly since the 1980s, the price of cocoa beans has halved (see Fig.4). Cocoa farmers, on the other hand, are poorly organised and lack insight into the development of world market prices for cocoa. They therefore have to sell their harvest on conditions dictated by intermediaries. Millions of small-scale farmers stand opposite big traders and chocolate companies - an often unfair game. There lack the structure and organisation of big interest groups which would give them a bigger say in politics and international trade. Furthermore, depending on local trading structures, taxes and quality of the beans, cocoa farmers receive only part of the current market price. For example, farmers in Ivory Coast and Ghana received 40-50% and 70% of the world market price respectively. In order to eliminate the negative effects of the cocoa production on farmers and their families, it is important to foster change in international trade relations. The imbalance between the profit of the chocolate companies in the Global North and the insufficient income of the farmers in the Global South is very difficult for them to calculate their income and expenses in advance.

Unsustainable farming

Because of insufficient income, farmers use additional farmland to cultivate more cocoa, often at the expense of sustainable, ecological and diversified farming. Sometimes, they even clear areas of rainforests to extend their cocoa production. The most crucial environmental problems resulting from wrong and unsustainable farming are soil degradation, water and soil contamination through pesticides and fertilizers. In addition, up to 40% of the crop is lost every year due to incorrect maintenance.¹² Cocoa farmers’ income is often based on the cultivation of cocoa alone and not on several crops. This sole dependency on cocoa magnifies the impact of volatile cocoa prices, and creates an ecological disaster by harming biodiversity. Furthermore, cocoa farmers lack training and access to expert advice on sustainable agriculture to improve productivity and increase the quality of their cocoa beans.

Trade justice enables decent living

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³ Price volatility and decline together with increasing production costs result in economic insecurity and the impoverishment of millions of cocoa farmers. Despite the fact that the demand for cocoa will increase by nearly 20% in the upcoming years and increasing revenues for chocolate companies, many farmers cannot even cover their living costs. With limited income and lack of information on market developments, the cocoa farmers and their families and workers are the losers in a lucrative cocoa and chocolate industry.
⁴ Exploitation of workers and child labour
⁵ Unsustainable farming
⁶ Trade justice enables decent living