

## AGRICULTURAL PRODUCTS IN THE INTERNATIONAL TRADE

### COCOA

Cocoa is originated from the tropical and humid forests of Central and Latin America: Mexico, Venezuela and Ecuador. Following a Mexican legend, cocoa plant has been discovered in the sacred fields of the sons of sun by Quetzalcootl, the sacred king of the Toltec's.

#### 1. Comprehension of the situations

##### a) The production

Cultivated by the Mayas and after by the Aztecs, used as a drink or as exchange money in the 19<sup>th</sup> century, the production grows in West Africa and later in 1970 in South East Asia, under the colonial period.

- **World production 2001 – 2002:** 3 millions of tons of cocoa beans

Volume	
Central and Latin America	13 %
West Africa	70 %
South East Asia	17 %

*(Source of CNUCED 2003-2004)*

Countries	% of production
Ivory Coast	37
Brazil	6
Indonesia	14
Ghana	19
Nigeria	6
Cameroon	5
Others (Malaysia, Ecuador, Columbia, Mexico, Dominican Republic, Venezuela, Papaouise)	10

- **Evolution of the production**

In the beginning of the 1970`s, production of cocoa beans was concentrated in Ghana, Nigeria, Ivory Coast and Brazil. Now we can find it in diverse regions as Pacific Islands and countries like Indonesia where we can observe a spectacular growing production rate. Production is growing very fast in South East Asia. For example, Malaysia which is nowadays the 5<sup>th</sup> world producing country: in 1975 it grows cocoa on 10.000 ha, in 1994 on 400.000 ha, and in 2000, on 2 millions of ha.

##### b) The consumption

Cocoa is mainly produced in developing countries but its diverse products are mainly consumed in industrialised countries.

<b>Consumer's countries in %:</b>	
USA	26
Germany	11
France	9
United Kingdom	7,3
Russia	7
Japan	6
Brazil	4
Italy	4
Spain	3
Others	23

### c) The World Trade

<b>Country</b>	<b>% of cocoa in the exportations</b>	<b>Number of farmers *</b>
Ghana	43,7	600 000
Ivory Coast	38,7	700 000
Cameroon	18	220 000
Nigeria	2,4	300 000
Malaysia	1,9	50 000
Brazil	1,6	30 000
Indonesia	0,1	50 000

\* Those data's are not taking into account the agricultural workers in the plantations

(Source: Fair Trade, Memento 1995, EFTA 1995, page 71)

#### - Exportation by destination in 2003 :

<b>Country</b>	<b>Tons produced</b>	<b>Main addressees of the exportations</b>
Ivory Coast	937 816	UE (698 000 T), USA (152 000 T), Russia & Canada
Indonesia	322 551	USA (166 300 T), Malaysia (76 000 T), UE & Singapore
Ghana	310 657	UE (210 700 T), Japan (46 600 T), Turkey (33 000 T), Malaysia, Canada, USA, Singapore
Nigeria	201 400	UE (172 000 T), Turkey (29 400 T)
Cameroon	120 155	UE (120 155 T)
Ecuador	20 944	USA (20 944 T)
Dominican Republic	24 109	USA (24 109 T)

- **Transnational having the control**

Their size give them a market power quite important. They are in situation of oligopoly and play a major role in the fall down of international prices.

- 5 Northern enterprises are controlling 80 % of the world trade. The most powerful are Caillebaud, ADM Cocoa and Cargill;
- 5 multi-national Eastern companies controlled the processing of cocoa beans: Caillebaud, ADM Cocoa, Cargill, Nestlé and Hamester;
- 6 multi-national companies share 80% of the market: Hershey (Mars), Philipp Morris ("Côte d'Or"), Kraft (Jakib-Suchard), Nestlé (Cadbury), Schweppes (Ferrero).

Cocoa is the 3<sup>rd</sup> crop in the world market; it is called "brown gold", very much appreciated by the traders and the processors.

**d) Types of agriculture**

Produced in developing countries, cocoa is mainly exported. Its cultivation needs a lot of workers for the harvesting, process of fermentation, drying, and all tasks which are hand realised.

- Family production: West Africa, Central and Latin America
  - 1,2 million families are depending on cocoa production which is the main source of their incom
  - Plantations of 4 to 5 ha in poly culture
  - Few or inexistent organisations for the production and the professional defence
  - The producers are not following their product up to marketing .(not giving importance to valuaddition). That is why they are totally depending on the buyers
  
- Production on big areas
  - From 500 to 5 000 ha
  - Very often properties of multinational companies
  - Monoculture, salaried workers coming from foreign countries
  
- Public supports

Till the end of the 20<sup>th</sup> century, buying and exporting were organised by the States organisations. The objectives were to stabilise the income for fixing an annual price for the production; to make contracts for the market in the Bourse; and to organise a proper transporting system.

Without any notable effects, while there was overproduction, under the influence of IMF and WB, the producing countries have been forced to give cocoa trade to private enterprises.

## 2. Analysis of the mechanisms

As cocoa is exclusively producing in developing countries, thus without competency with the Northern agriculture, it constitutes an important source of income for the producing countries. At the first rank, we can find Ivory Coast which represents 36% of the world production. As a lot of other agricultural raw material, the world value of cocoa is characterized by a constant fall down.

Till the beginning of the 1980's, it seems a constant and growing demand for cocoa. But the production has exploded with the doubling of Ivorian production and the arrival of new producers on the market (Indonesia, Malaysia), following the precept of IMF: to develop the export's culture in order to make money entering the country and refunding the public debt.

As a result the world stocks had exploded and the fall down of the prices had affected all the actors in the channel in the producing countries: farmers, transporters, traders, States (lack of money from the export)

On the opposite of the chain, the European consumer has not seen any difference in the price of its chocolate... even it's the contrary.

### a) Cocoa Trade

Till the end of the 20<sup>th</sup> century, in the majority of the producing countries, trade and export were done by states organisations. It was a main task to stabilize the revenues of the planters while fixing an annual buying price. They were the ones to control and conclude the markets with the intermediaries of the cocoa bourses of London and New York and to organize the buying, transport, stock, control and selling of cocoa. With the income, they were able to support the prices and to guarantee credits with law interests to the planters. But quite often, those state organisations were not that much efficient and were taking high taxes from cocoa production. As for the international conventions on cocoa, they were supposed to stabilize the world value and by the same to procure guaranteed income to the planters. Actually those conventions were mainly without any effects because of the chronic overproduction of cocoa and antagonist interests between producing and consuming countries.

Under the influence of WB and IMF, liberalism has gained the market of brown gold. The producing countries have given the cocoa trade to private enterprises, opening by the same their national market to competition.

### b) World value of cocoa

Cocoa price is fixed in the Bourses of London and New York. The mechanism is the one of offer and demand, in other words, the market law. Cocoa market is rather speculative and this creates price instability.

#### - Important fluctuation of the prices

- Very high prices in 1970: growing of the production especially in Ivory Coast, Malaysia and Indo-China
- Fall down of the prices from 1978 to 1981: the value is divided into 2; in 1983 – 1985, a little betterment gives hope but in May 1986, a new crisis appears with at the same time fall down of the cocoa value and fall down of the US\$.

- **Agreements**

- 1972: signature of international agreements on cocoa (ICCA) to stabilize the prices and regulate the quotas
- 1980: this mechanism is not able to stop the fall down of the prices
- 1992: the price is at its minimum: 830 US\$ per ton
- 2001: the last international agreement concluded in March 2001, has none economic clause and nothing is mentioned about a price regulation mechanism. Cocoa market is more than ever submitted to market's law. With regard to the fall down of the prices, there is no mention of the rich consumer countries' responsibility, except the one which recommend the promotion of cocoa consumption in the home country. The recent European directive that allows the utilisation of vegetable fat instead of cocoa butter in the fabrication of chocolate is not at all following this recommendation. Cocoa producers, especially in Africa, should not expect any support from this new agreement to see a betterment of the prices. This cocoa agreement is nothing more than an empty shell.

### 3. Perspectives for the future

*“ The presence of private societies in food sectors, agriculture and water can be a factor of efficiency, but a huge concentration of monopolistic power, can be a great risk as well as for producers than consumers.”*

(Human rights Commission in UNO – 2004)  
*Jean Ziegler, special reporter of the UNO*

#### a) Human rights

During the 11<sup>th</sup> UNCTAD Conference in June 2004 in Sao Paulo (Brazil), a consensus has been elaborated in favour of the less developed countries.

The right to a policy space regarding the international trade regulations has been recognised. This is an essential opening to elaborate and to work out national development strategies corresponding to the needs of each country. This is actually the first time to see this concept written down in an inter-governmental declaration.

#### b) Towards solidarity economy

Criteria's for a fair trade of cocoa have been established since 1988 by numerous non governmental organisations (NGOs), in a partnership between Northern and Southern Organisations. This fair system is based on 2 essential pillars: the criteria's and the controls.

Those criteria's include 3 fundamental notions linked to sustainable development:

- *Socially*: this system must lead farmers to more autonomy and must allow better living conditions for the waged workers
- *Ecologically*: the preservation of environment is taken into account, organic production is promoted
- *Economically*: this system, which is a process, must be viable without support and must be profitable to all protagonists of the market, from the producers to the consumers.

### c) Food sovereignty

- *FIMARC*

“The States, members of WTO, are also United Nations Organisation members (UNO). To preserve food sovereignty of all peoples and to guarantee their right to a sustainable development in solidarity, the FIMARC imperatively demands the States to put their international trade practices in conformity with the principles of Human Rights Declaration and with the Pact related to economic, social and cultural rights. This is only way to have a chance to see the right of all people to fix its agricultural and alimentation policy, being achieved.” (FIMARC Declaration to the Human Right’s Commission of the UNO in 1999).

The concept of food sovereignty strongly defended by FIMARC is nowadays valorised by more and more civil society organisations and particularly by Via Campesina, the international farmers movement.

- *Via Campesina, International Organisation of Farmers Movements and farmers trade unions*

Via Campesina and its members organisations affirm “food sovereignty gives obviously priority to live production, healthy, of good quality and culturally adapted for the local market. It is fundamental to maintain the food capacity production based on a diversified farming production (bio-diversity, productive capacity of the soils, cultural value, preservation of natural resources) to guarantee independence and food sovereignty of the populations...”.