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Informed Analysis, Expert Opinions

Executive brief

Cocoa sector

1. Background and key issues

ACP producers play the leading role in global cocoa production, which is concentrated in West and Central Africa, while fine/flavour cocoa mainly comes from the Caribbean and Pacific. Although there are ambitious plans to develop cocoa production in non-ACP countries, this is unlikely to challenge the ACP producers' dominant role in the short term.

"ACP producers play the leading role in global cocoa production"

After the 2012 sharp drop in prices and a slow start in 2013, cocoa prices rose almost constantly up to July 2014. Initially, weather-related issues in West Africa created market uncertainty over cocoa supplies, but production subsequently picked up. Nevertheless there remain long-term concerns over the future availability of cocoa beans, in the face of emerging market demand and growing European consumption.

In response to the rising global demand, the big players in the cocoa and chocolate market are increasingly involved at all stages of the value chain, in order to reinforce cocoa production in key producing countries as in West and Central Africa, Indonesia and elsewhere. In addition, there is growing pressure to ensure that cocoa production meets the ever rigorous sustainability requirements. This is matched by a growing impatience at the lack of visible progress. The issue of an inter-generational renewal of the cocoa farming community in West Africa remains a matter of ongoing concern. Furthermore, net economic returns to cocoa farmers are of vital concern, with stricter sanitary and phytosanitary (SPS) regulations and food safety requirements compounding the challenge faced.

Table 1: Worldwide cocoa bean production 2011–2014

	2011/12		2012/13 (estimate)		2013/14 (forecast)	
	thousand tonnes	%	thousand tonnes	%	thousand tonnes	%
Africa	**2,919**	**71.5**	**2,820**	**71.5**	**2,942**	**71.7**
Cameroon	207		225		210	–6.6
Côte d'Ivoire	1,486		1,449		1,550	+6.9
Ghana	879		835		870	+4.2
Nigeria	235		225		220	–2.2
Others	113		86		92	
Americas	**655**	**16**	**626**	**15.9**	**666**	**16.2**
Brazil	220		185		200	+8.1
Ecuador	198		192		210	+9.3
Others	237		249		256	
Asia and Oceania	**511**	**12.5**	**496**	**12.6**	**496**	**12.1**
Indonesia	440		420		410	–2.3
Papua New Guinea	39		36		40	+11.1
Others	33		40		46	
World total	**4,085**	**100**	**3,942**	**100**	**4,104**	**100**

Source: ICCO, Quarterly Bulletin of Statistics, April 2014

2. Latest developments

Global developments in 2013–14

Production

After a drop in 2012/13, world cocoa production is expected to register a hefty 5.9% increase in the 2013/14 crop year. Production grew in the two largest cocoa producing countries, Côte d'Ivoire and Ghana, but stagnated in Nigeria and underperformed in Cameroon.

Production in Ecuador showed the second largest increase, with it now being on a par with Cameroon. Brazil also saw strong growth, but for domestic consumption.

The strongest production increase, however, is expected in Papua New Guinea (PNG) – a producer of niche premium grade cocoa – which is marking a recovery to 2011/12 production levels.

"There is growing interest from investors in developing estate-based cocoa production"

Indonesia, for its part, had the most disappointing season in a decade, despite government-supported investments of over US$350 million and major investments by multinationals in expanded cocoa grinding capacity.

A further trend that became apparent in 2013/14 was the growing interest of investors in developing estate-based cocoa production to capitalise on the emerging production deficit. According to the website *Agrimoney.com,* on the assumption of cocoa prices of US$2,700–2,800 per tonne, "some operators are talking of very high operating profit margins… up to 66% at maturity". *Agrimoney.com* identified a range of new estate-based cocoa investment at the planning stage, including:

- an investment by Agriterra in a 4,000 ha plantation in Sierra Leone;
- an expansion of production at ROIG Agro Cacao's 3,000 ha plantation in the Dominican Republic;

- an expansion of Agro-Nico Holdings' cocoa estate to 8,000–9,000 ha;
- plans for 3,000–4,000 ha of combined cocoa and hardwood production at the United Cocoa estate in Peru; and
- a range of unspecified new investments in Africa and Indonesia (see *Agritrade* article 'Prospective trends in the future location of global cocoa production', 25 July 2014).

Demand

While the major preoccupation in 2012/13 was the impact of Côte d'Ivoire's reform measures on production, in 2013/14 the major concern has related to poor weather conditions, especially in West Africa.

> *"For the second consecutive crop year, world grindings are projected to exceed world production"*

For the second consecutive crop year, world grindings are projected to exceed world production, with an annual increase forecast at +2.7% in 2013/14. However, the expansion of grinding capacity in Africa, Indonesia and other southern hemisphere countries means that grinding figures no longer necessarily reflect trends in consumption per region.

According to Euromonitor International, global sales of chocolate confectionery should have increased by 2.1% in 2013, to a record 7.3 million tonnes, after gaining 2% in 2012. Sales in China have doubled over the past 10 years, and are projected to rise by 6.9% to a record 193,100 tonnes in 2013 and expand by a further 6.6% in 2014.

In India, according to TechSci Research, per capita consumption of chocolate has grown from 40g in 2008 to 120g in 2013. The Indian chocolate industry is projected to grow at an average annual rate of 23% in volume terms and by 18% in value terms between 2013 and 2018, with dark chocolate increasingly preferred to milk and white chocolate. The introduction of medicinal and organic ingredients in the manufacturing of chocolate is seeing new consumption trends emerge in India.

In other emerging economies such as Brazil, consumption has been growing by 5% per annum recently, far greater than the 2% average annual global growth.

However, despite these increases in demand in emerging economies and the stagnation of per capita consumption in the EU, Western Europe and the US continue to dominate chocolate consumption. While the European cocoa grind began to recover strongly in the second quarter of 2013 (+6.1%), this growth has been unsteady, falling back to 0.4% growth in the first quarter of 2014. In the US in 2013, grindings rose overall by 7.5%, the fastest pace of growth in 3 years.

Prices

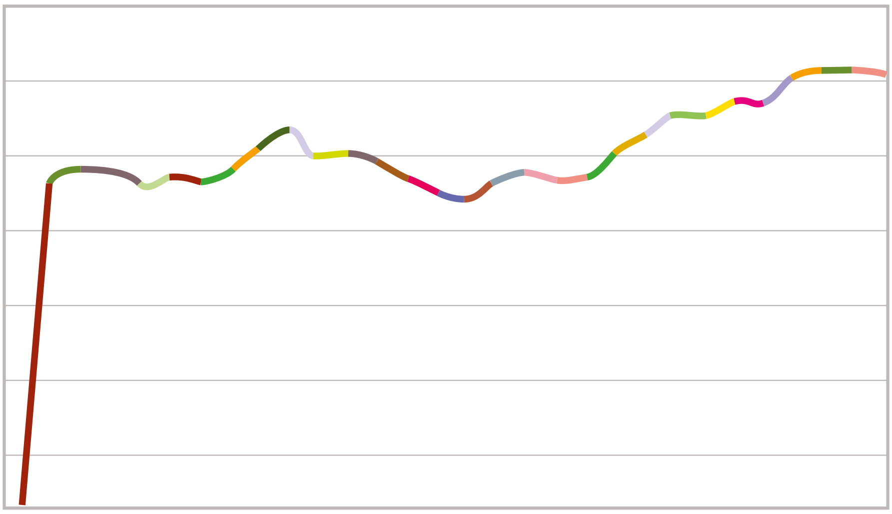
Although average cocoa prices started low in 2013, according to weak grinding and consumption data in both Europe and North America, the rebound of European and US demand over the course of the year led to a strong increase in cocoa butter prices (butter prices are calculated according to a ratio in London future market cocoa bean prices), as chocolate manufacturers replenished their stocks. Cocoa butter prices topped US$7,000 a tonne in the second half of 2013, reaching a ratio of 2.6 times the price of cocoa beans, which was its highest in 5 years. This was strengthened by Asia's growing demand for high quality chocolate and, consequently, for cocoa butter. Hence, there was a growing difference between butter and powder prices, with the latter dropping.

Table 2: Estimated cocoa world market situation 2012–14 (thousand tonnes)

	Oct–Sept 2012/13		Oct–Sept 2013/14	
	Previous estimate	Revised estimate	Previous estimate	Revised estimate
World production	4,075	3,929	4,104	4,162
World grindings	3,948	4,083	4,178	4,195
Surplus/deficit	86	–193	–115	–75
End stocks	1,838	1,640	1,547	1,565
Stock/grinding %	46.6	40.20	37	37.3

Source: ICCO, Quarterly Bulletin of Statistics, 30 May 2014

Figure 1: Cocoa monthly prices January 2012 – May 2014 (US$/t)



Source: ICCO and Commodafrica

Consequently, cocoa prices in 2013 outperformed most other commodities on futures markets amid predictions of poor weather conditions and continued talk of a world cocoa supply deficit in both the short and long term.

"Cocoa prices in 2013 outperformed most other commodities on futures markets and this continued into 2014"

This trend and associated fears persisted into 2014, with 2013/14 projected as a second consecutive deficit crop year. In March 2014, cocoa futures markets hit a 2.5-year high of US$3,039 a tonne, in the face of a looming El Niño weather phenomenon.

Although higher prices in the 12 months to June 2014 have been more the reflection of short-term tight supplies because of weather woes in West Africa (most particularly Côte d'Ivoire and Ghana), corporate actors remain deeply concerned over long-term cocoa supplies, suggesting prices could be supported in the long term.

Government programmes, as well as corporate projects and initiatives in producing countries, are generally taking longer to realise production increases than initially envisaged. The slow progress achieved to date in boosting production was highlighted at the June 2014 World Cocoa Conference in Amsterdam, with emphasis placed not only on the need for greater collective efforts, but also on the need for better tools to monitor results.

"Cocoa producers only get 5% of the retail price of a chocolate bar"

Growers across the world have requested more and new planting materials and inputs to increase yields, as well as demanding better prices for cocoa beans. International Cocoa Organisation (ICCO) representatives have highlighted how cocoa producers only get 5% of the retail price of a chocolate bar (up to 7–10% according to other analysts), as opposed to 45% of the revenues which accrue at the retail level. Chocolate manufacturers maintain that this reflects the limited role which cocoa plays in the overall final cost of the product, as chocolate bars also include milk, nuts and a range of other ingredients. Before the retail stage, packaging, advertising and distribution costs all need to be covered. Chocolate makers and other users of cocoa-derived products argue that the operation of futures markets allows the balance of supply and demand to set cocoa prices in a satisfactory manner.

However, producers are increasingly questioning this, with the haemorrhaging of farmers from cocoa production in West Africa seen as evidence of the lack of sustainability of current price formation mechanisms. The Executive Director of ICCO, Jean-Marc Anga, pointed out at the June 2014 World Cocoa Conference that a low target for increased production of 5.5 million tonnes by 2020 (compared to 4.3 million tonnes in 2012/13) would lead to a real increase in cocoa prices and bring real benefits to cocoa farmers, but that an expansion to between 5.8 million and 6 million tonnes would be likely to lead to a drop in cocoa prices to the disadvantage of cocoa farmers.

This implies that if all current production development plans were realised and production of 8 million tonnes achieved, this would carry severe consequences for cocoa producer prices and the sustainability of cocoa farming in many West African regions.

The ICCO Executive Director therefore urged farmers to use loans available to cocoa producers to improve yields and bean quality and to diversify their on-farm production in order to ensure the long-term commercial viability and hence the sustainability of their cocoa farming activities.

The increased engagement of multinationals along cocoa supply chains

The large multinational cocoa sector companies continue to invest money and human resources in both ACP and non-ACP countries in an effort to secure the long-term supply of cocoa required to meet expanding global demand.

In 2013, under its Cocoa Horizons programme, Barry Callebaut inaugurated an US$800,000 Centre of Excellence for training of cocoa farmers in Côte d'Ivoire. In 2014 a mobile self-contained training facility (the 'Cocoa Horizons Truck') was commissioned to spread knowledge on good agricultural practices, support health care and literacy campaigns, and to combat child labour.

"Cocoa and chocolate companies are increasingly collaborating with each other on initiatives to boost production"

Cocoa and chocolate companies are increasingly collaborating with each other on initiatives to boost production, with a growing alignment of companies behind a shared global strategy for the promotion of sustainable cocoa production. These have included the conclusion of memorandums of understanding with the governments of Côte d'Ivoire and Ghana on collaboration in the development and implementation of public–private sector strategies to boost sustainable cocoa production. This initiative is made up of two related parts:

- a productivity package that consists of training, new planting material and fertiliser; and
- a community development package focused on education, gender parity and child labour.

The objective is to reach over 300,000 farmers in Côte d'Ivoire and Ghana by 2020, doubling their yields. Improved monitoring tools are also to be set in place to verify progress under these programmes.

Food safety and cadmium contamination

"There are still food safety concerns linked to cadmium levels in chocolate – though largely limited to producers farming on volcanic soils"

There are still food safety concerns linked to cadmium levels in chocolate. According to the European Food Safety Authority (EFSA), chocolate and cocoa-based products would be at the origin of 9.18% of the intake of cadmium by teenagers, 9.39% for children and 3.88% for adults. This, however, remains far behind the cadmium content of products such as potatoes (see *Agritrade article* 'New maximum levels set for cadmium in food products', 21 July 2014).

The problem of cadmium contamination is largely limited to producers farming on volcanic soils, primarily affecting Latin American producers such as Ecuador, the Caribbean islands of Jamaica and St Kitts and Nevis, PNG, and, to a certain extent, Cameroon. It is not an issue in the major West African cocoa producing countries, which account for 89% of the cocoa beans and cocoa powder imported into the EU.

On 4 April 2014, the European Commission stiffened the regulation on the tolerable monthly intake of cadmium, taking it substantially below the FAO/WHO Expert Committee on Food Additives' recommended monthly tolerance level. Cocoa producing countries have until 1 January 2019 to comply with the new requirements based on the lower recommended tolerable monthly intake of cadmium level.

In 2013/14 a contrary cocoa-related health trend emerged, when the EFSA gave a favourable scientific opinion on claims from Barry Callebaut over the positive health impact of cocoa. This led to the EC in September 2013 granting Barry Callebaut the right to make health claims in the EU related to the fact that "cocoa flavonols help maintain the elasticity of blood vessels which contribute to normal blood flow". The claim may be used for cocoa beverages (made with cocoa powder) and dark chocolate products providing a daily intake of 200mg of cocoa flavonols. In May 2014 the EFSA extended this to cover cocoa extract products, that is to say products with higher concentrations of flavonols, such as supplements. The application of health claims to cocoa extract products opens up new market opportunities for cocoa in the pharmaceutical and supplements industries.

Developments in the West and Central African cocoa sector 2013–14

Côte d'Ivoire had a rather smooth crop year as far as the new reforms of 2012 go, with some more adjustments made. Volumes and quality are picking up. Production is projected to exceed 1.55 million tonnes in 2013/14 (1.467 million tonnes by 1 June 2014) a 10% increase over 2012/13, following a 2.5% increase in 2012/13 compared to 2011/12 production levels.

The Conseil Café-Cacao (CCC) has increased farm gate prices to make cacao farming attractive, stimulate producers to use more inputs to combat diseases and to halt the smuggling of cocoa from Côte d'Ivoire to Ghana. There is a growing political and institutional commitment to cooperating with Ghana's Cocobod with a view to establishing effective common strategies among these two leading cocoa producers. However, both CCC and Cocobod representatives have stressed that the aim is not to create an OPEC-style producer agreement.

The forward sales system introduced in Côte d'Ivoire as part of the reform process has worked well, with the entire 2013/14 crop (as well as most of 2014/15 crop) sold as early as January 2014. However, some observers and traders regret the absence of transparency in the volumes sold and maintain that CCC sells more cocoa than its recorded production.

CCC has continued to fight against illegal cocoa production taking place in protected forests, with illegal planters being chased out of these areas; but it is a difficult problem to address.

With 60% of the trees too old to produce high yields, research is ongoing to develop new improved tree varieties to boost production, partly in collaboration with major multinationals such as Nestlé. Every year, Côte d'Ivoire is looking to renew 5% of its cocoa trees so that most of the cocoa trees will have been renewed by 2023.

In **Ghana**, the cocoa sector has been through a difficult period. Ghana's falling currency (including a 23% devaluation of the cedi against the US dollar between January and May 2014) has, since October 2013, fuelled cocoa smuggling into neighbouring Côte d'Ivoire, which benefits from the CFA franc being pegged to the euro (with an estimated 40,000 to 100,000 tonnes being smuggled). This has reversed the earlier direction of smuggling activities, which has given rise to a situation where Côte d'Ivoire's official farm gate cocoa price is around 24% higher than Ghana's.

The second factor that has caused much turmoil in Ghana's cocoa sector has been Ghana's plan, announced in August 2013, to halve the use of subsidised pesticide applications next season from six to three, and to phase out input subsidies within 5 years. However, in May 2014, this policy direction was reversed with the initiation of free distribution of fertiliser to cocoa farmers being undertaken to boost crop yields.

In late June 2014, Stephen Opuni, CEO of Cocobod, expressed confidence that the projected cocoa production level of 800,000 tonnes in 2013/14 would be exceeded, with production of over 950,000 tonnes. This was attributed to good rains and the pilot programme of fertiliser application by cocoa farmers.

A US$200 million, 5-year programme to boost yields, improve quality, expand warehouse capacity and distribute 20 million seedlings has been announced.

Nigeria continues to pursue its programme to prop up its cocoa sector. In August 2013 the distribution of eight new varieties of early-maturing, high-yield, disease-resistant beans that should mature within 18 months (compared to 4–5 years with the traditional crops) was initiated. The objective is to double production in 2 years to 500,000 tonnes, as these new beans have a yield of 1.5 tonnes/ha (compared to 0.5 tonnes/ha with the previous varieties).

Since 2012, 1.1 million hybrid pods have been distributed to farmers free of charge. In the past few years, 200,000 ha of cocoa fields have been rehabilitated. According to the Nigerian Ministry of Agriculture, currently 650,000 ha are under cocoa production compared to a potential area of 3 million ha.

Nearly all Nigerian cocoa farmers now benefit from the electronic wallet system that was launched in 2013, which enables farmers to have access to subsidised farm inputs without going through intermediaries.

Cameroon is registering some good results in its cocoa sector but production continues to be low. Considerable efforts are under way to provide more and improved planting material to farmers. Some dryers have been rehabilitated but much work still needs to be done. Market information systems are being developed with the national telecommunication company, Camtel, while warehouses are being created and seedling centres rehabilitated.

However, yields remain low and the cocoa sector is unattractive to young farmers, despite efforts to promote the sector.

> *"A cross-cutting issue in West Africa relates to efforts to eliminate child labour"*

A cross-cutting issue in West Africa relates to efforts to eliminate child labour, a critical component of sustainability certification requirements. A range of initiatives have been taken in Côte d'Ivoire, in part building on experience in neighbouring Ghana. This has included:

- the training of police forces, social workers, town councils and community leaders in combating child labour;
- the creation of a special police unit to deal with child trafficking;
- the introduction of a telephone 'hot line' on which abused children can call for assistance;
- the reintroduction of school uniforms to help fight non-attendance at school and hence child labour;

- the creation of a financing facility to support the creation of income-earning opportunities for women, so as to increase their income and reduce the need for child labour;
- cooperation with Burkina Faso to combat child trafficking.

Developments in the ACP Caribbean cocoa sector in 2013–14

Jamaica's Cocoa Industry Board's first EU project to revitalise the Jamaican cocoa sector was in its final year in 2013. According to Vernon Barrett, Executive Director of the Caribbean Fine Cocoa Forum, the project achieved its primary objective of rehabilitating some 2,000 ha, and training 100 persons in business skills and 150 people in the use of technology. The programme has increased the use of new technologies in the sector, and is reportedly encouraging young people's entry into it. However, Jamaica only produces about 500 tonnes of fine cocoa while having the potential to produce 1,500–2,000 tonnes. Jamaica is one of only eight countries in the world that have the designation of fine/flavour cocoa.

The reform of Jamaica's Cocoa Industry Board is ongoing, involving a process of rationalisation and divestment. There appears to be political consensus on the need to divest unprofitable ventures such as the Cocoa Industry Board.

A 2010 study by the **Trinidad and Tobago** Chamber of Commerce highlighted the islands' comparative advantage in developing niche market cocoa production. Trinidad and Tobago is known for its much sought after fine/flavour cocoa beans, the Trinitario and Criollo cocoa beans. However, while demand for premium chocolate is expanding worldwide, it is accompanied by increased food safety and quality requirements that need to be verifiably certified (see *Agritrade* article 'Origin, authenticity and traceability trends in the cocoa/chocolate sector', 9 March 2014). The Cocoa Research Centre of the University of the West Indies and the University of Trinidad and Tobago are trying to revive the cocoa sector and are working with two companies, Mountain Pride and Cocobel, to achieve certification standards.

> *"The rise of single origin chocolate brands would appear to offer scope for niche marketing of Caribbean cocoa"*

The rise of single origin chocolate brands would appear to offer scope for niche marketing of Caribbean cocoa (see *Agritrade* article 'Scope for single origin cocoa chocolate market highlighted', 16 June 2014), as would the growing demand for organic cocoa. A critical issue here is the need to strengthen producer organisations, so that they might gain the commercial benefit from the cocoa going into these premium-end chocolates. Establishing full traceability, brand names and even geographical indication (GI) protection for specific fine cocoa beans, could all play a role in strengthening the bargaining position of fine cocoa producers.

Developments in the ACP Pacific cocoa sector in 2013–14

The biggest challenge for Pacific cocoa is to enter niche markets such as organic chocolate, which have grown some 20% in the past 5 years, or high content cocoa chocolate, which rose 15% these past 5 years. Today, only 5% of Pacific cocoa sells into premium and niche markets. The objective of the Pacific Agribusiness Research for Development Initiative (PARDI) is to increase this to 10% and get a 10% price increase, as well as establish a national cocoa industry in Vanuatu and the Solomon Islands. Most of the Pacific cocoa is produced organically but without any certification as such.

> *"The biggest challenge for Pacific cocoa is to enter niche markets such as organic chocolate"*

PNG is the biggest ACP cocoa producer in the Pacific region, followed by Vanuatu and the Solomon Islands, which respectively produce 1,000 and 5,000 tonnes, according to PARDI.

The PNG government is working on reviving its cocoa sector, following the launch of a US$30-million World Bank project in February 2014, with the aim of doubling yields and improving bean quality through the provision of new planting material, extension services and easier access to certification schemes. One such scheme, Club 3000 – a group of 629 cocoa producers in Madang Province – achieved Fairtrade certification for their cocoa in May 2014. This cocoa was bound for use in the Cadbury's Dairy Milk line across Australia and New Zealand. Some 120 tonnes of Fairtrade-certified cocoa bean production is scheduled for 2014, generating a Fairtrade premium of US$24,000. Club 3000 has received support from Fairtrade ANZ's Producer Development Fund, as well as Mondelez International and the local company Monpi in attaining Fairtrade certification (see *Agritrade article* 'Flexible standards helps PNG develop Fairtrade-certified cocoa exports', 5 July 2014).

The government is also seeking to address problems of rural road infrastructure in order to improve farmers' access to markets.

Containing the spread of pod borer is a major challenge facing the PNG cocoa sector. Training programmes for farmers in disease management have been rolled out and have yielded positive results (a 98% success rate in containing the disease).

In **Vanuatu**, under the PARDI project, a collaborative initiative is taking place to build the local cocoa sector's capacity to produce high quality beans for niche markets. Under this project, samples of beans have been sent to Australian companies such as Haigh's Chocolates and Bahen & Co., as well as some chocolate makers in the US, in order to identify what needs to be done to enhance quality. This sample review identified the need to improve drying methods as a critical area to be addressed, to avoid smoke damage to the beans. To date Vanuatan cocoa production has largely been used locally in the production of value-added food products such as ice cream and chocolate biscuits.

3. Implications for the ACP

Ensuring that pricing issues are addressed in dialogues with multinationals on the sustainability of cocoa production

The Executive Director of ICCO, highlighting the adverse consequences for producers of high levels of expansion of global cocoa production, suggests a need for ACP governments to include sustainable pricing issues in the public–private sector dialogues on the strategies to be adopted to promote an expansion of sustainable cocoa production, in line with evolving global demand.

> *"ACP governments could usefully include sustainable pricing issues in public–private sector dialogues"*

This should be a central component of public–private sector memorandums of understanding on national cocoa sector development strategies for improving smallholder access to improved inputs to boost yields, but would fail to address the inter-generational renewal of the cocoa farming community, if issues of how to enhance the net returns to cocoa farmers are not addressed. Furthermore, if inter-generational renewal of the cocoa farming community in West Africa is not addressed, then the trend towards increased estate-based cocoa production could well gain momentum.

More effectively serving higher value niche cocoa markets

There is a growing global demand for high quality cocoa for use in premium chocolate brands. This ranges from single origin chocolate to organic chocolate. However, to effectively serve these markets and secure significant price premiums, there is a need to set in place appropriate regulatory and organisational frameworks. At the regulatory level, this requires the development of clear quality standards to promote a consistent level of high quality cocoa production and the establishment of effective low-cost traceability and certification systems.

> *"There is scope for pan-ACP collaboration in promoting high quality cocoa for use in premium chocolate brands"*

There is, therefore, a clear role for ACP governments, working in close collaboration with producer organisations and private sector end user companies. Producer organisations will also need to be strengthened to enhance their capacity to enforce quality standards and improve their bargaining capacities in dealing with multinational chocolate companies.

There is also potentially a role for pan-ACP collaboration in promoting the development of common quality standards, which can provide the basis for joint marketing initiatives and would provide a stronger counterweight to the power of the major cocoa/chocolate sector companies.

Collective action to establish standards and realise the commercial value of high standards for fine cocoa could help a range of ACP cocoa producers to capitalise on growing consumer demand for quality-differentiated chocolate products.

Meeting the demands of production process requirements

In the 4 years to 2014, the volume of UTZ Certified cocoa sold increased by 100 fold, to some 14% of global cocoa production. By 2014 five of the top ten chocolate companies were committed to sourcing UTZ Certified cocoa. This highlights the rise of certification schemes in the cocoa sector, many of which have increasingly strict requirements with regard to the process of producing cocoa, most notably the eradication of child labour. End user demands for child labour-free cocoa are likely to increase given legal cases under way against major trading companies (see *Agritrade* article 'UTZ Certified impact report finds that certification improves yields and farmers' income', 9 March 2014).

Major producing countries have all taken measures to eliminate child labour in cocoa production, but the practice is still reported to be widespread. Given the growing investor interest in estate-based cocoa production (which is easier to regulate in terms of the use of child labour) and growing demand for fully traceable and certified child labour-free cocoa, it would appear to be increasingly important for governments in ACP cocoa producing counties to get to grips with ending the use of child labour in cocoa production.

Cadmium and food safety requirements for cocoa

Moves towards reduced tolerance levels for cadmium in foodstuffs are likely to give rise to increased demands for full traceability of cocoa beans used in products, if testing costs are to be minimised and blanket health recommendations are not to curb market demand.

Establishing full traceability could assist in capitalising on the market benefits of the positive health attributes of cocoa flavonols. Enhancing producer understanding of the need for traceability and strengthening the capacity of producer organisations to trade into emerging market components could represent a useful area for government and aid for trade support.

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About this update

This brief was updated in December 2014 to reflect developments since October 2013. Other publications in this series and additional resources on ACP–EU agriculture and fisheries trade issues can be found online at http://agritrade.cta.int/.

The Technical Centre for Agricultural and Rural Cooperation (CTA) is a joint international institution of the African, Caribbean and Pacific (ACP) Group of States and the European Union (EU). Its mission is to advance food and nutritional security, increase prosperity and encourage sound natural resource management in ACP countries. It provides access to information and knowledge, facilitates policy dialogue and strengthens the capacity of agricultural and rural development institutions and communities.

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