

Shaping an Environment for International Business

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At its inception, the World Cocoa Foundation consisted of a handful of American and European branded Chocolate companies and large cocoa processors. Today, the foundation enjoys a membership of 60 companies and associations throughout the world. The members of the WCF represent over 65% of the world's chocolate production, 60 % of the global cocoa processing industry, and more than half of the cocoa trading industry.

The key challenge that the foundation and its members face is that of sustainability. The majority of cocoa is grown on small holder farms. These farms are owned and worked by families whose total income relies on the success of their crops. Often, these farmers have had little or no training on crop husbandry, have limited access to the world market place, and traditionally are reluctant to interact with fellow farmers. As a result, farmers are at risk of losing large portions of their crop to disease and pests with minimal understanding as to the causes or cures. Local purchasing systems leave the individual farmer at a disadvantage because of low volume, access to multiple buyers is often non-existent, and a general lack of understanding of the world marketplace. This combination of low yield and diminished values threatens the long-term sustainability of the crop as well as the farmer's livelihood.

The WCF has addressed this major issue with a seemingly simple approach. Education. With the tremendous assistance of the US Government, NGO's, host governments, and research organizations, the WCF has established the farmer field schools in the major cocoa growing regions of the world.

The basic model of the farmer field school focuses on educating the farmers on practices that will improve crop yield, improve their understanding of the commercial marketplace, and aid in establishing a system of farming that can provide long term security for the farming family. The program is also tailored to the needs of the specific region. Even though cocoa trees and pods are plagued by a wide variety of pests and diseases, they are also unique to their area of the world. In order for any program of this type to have the true impact desired, the regional variations must be taken into account.

The focus in West Africa has been on rejuvenating older tree stock, instructing farmers on methods of crop diversification, and expansion of access to schools. The results of the STCP pilot program were increases in yield by as much as 40%, a 15% increase in regions that incorporated bio diversity programs, and a general 23% increase of income over non-program farmers. 13,000 farmers participated in the pilot program. The STCP program has recently been extended, with USAID, USDA, and the host governments, as strong partners, through 2011. The program's target is to reach 150,000 farmers over that time. In addition, Winrock, IFESH, Socodevi, and Conservation International have

worked tirelessly with the WCF in expanding educational opportunities for the children of West Africa by providing teacher training, structures, and providing micro credit programs to regions seriously lacking an education infrastructure.

In Asia, the impact of the SUCCESS Program, with partners, USAID, USDA, ACDI/VOCA, Askindo, CocoaPhil, and the host governments has been tremendous. A total of 169,350 farmers have graduated from the FFS program. The largest focus, in Indonesia, was on the control of the cocoa pod borer. The demise of the cocoa growing industry in Asia twice in the past 100 years has been attributed to this insect pest. Farmers were taught how to identify this pest and pruning methods were demonstrated that could be used to make tree fully accessible allowing farmers to remove infected pods. The result was a significant reduction of pesticide use and an increase in yield due to reduced CPB activity. The increase in yield has resulted in better quality cocoa and an increase in overall revenue.

In Latin America, over 21,000 farmers have graduated from FFS in Ecuador, Peru, and Columbia. These schools have been provided through four separate programs, PRONORTE, Success Alliance, ARD, and ACCESO. Focus has been on the revitalization of the older farms in Ecuador and the expansion of new plantings in Columbia and Peru. Farmers have seen their yields increase by three fold. Technology transfer on tree grafting has shown promise for increase yields and disease resistance. Farmers are also instructed in the benefits of crop diversity. Addition of plantain, corn, and teak not only provide a more natural ecosystem for the area but allows a multi tiered income for the family. To cover this in more detail, I visited a farm that incorporated these three crops along with cocoa. The corn provided early income during the time the tree crops were maturing. Years 2-4, the plantain provide a source on income. At year 5 the cocoa begins to yield and the teak provides a high income opportunity during years 15-20. Again, the support and assistance of partners like ACDI/VOCA, Catie, IICA, OAS, USDA, and USAID have been instrumental to the benefit of these farmers.

One example of the impact of these programs in a farmer's life is Dora. Dora grew up on a cocoa farm that was managed by her mother in the Amazon region of Ecuador. She was provided the opportunity to attend a farmer field school operated by the PRONORTE program in that region. Dora excelled in the application of technologies taught in the school and was chosen to be a farmer trainer because of her ability. Through her relationship with the other farmers, she learned that the farmers were having difficulty selling their cocoa. In response, Dora established herself as a local buyer and secured ties with cocoa exporters in Guayaquil. Finally, Dora was able to negotiate with a Canadian firm, money to start a cocoa tree nursery. Today, this nursery produces one million cocoa seedlings a year. Perhaps the most amazing aspect about Dora is that she has accomplished all of this by the age of 22.

All of these programs are obviously providing great benefits to the farming community. How does the US industry member operate in these regions to further strengthen the work done while providing a commercial benefit to their company?

Blommer Chocolate decided to create systems in two of their primary origin suppliers that would provide a commercial partner for the field school graduates, as well as, training and tools to improve crop yields and farmer's livelihood.

One of these systems has been established in Ecuador. Through the efforts of the PRONORTE program, new planting of cocoa was established in the Amazon region of the country. As these trees matured and harvesting began, reports came back from the farmers indicating that their cocoa was being severely discounted because of the damage that was caused by the wet and humid conditions of the region. Farmers were not able to adequately dry their cocoa due to the frequent rains in the region. The wet conditions cause high percentages of mold. Mold is considered one of the major defects in cocoa and in higher levels will prevent the cocoa from being used.

During this time, BK Matlick, one of the driving forces for the WCF farmer field schools, approached Blommer about a low cost drying system. The solar dryer is a greenhouse type of structure that can be built with local products on a farm for less than \$100 per unit. Seeing this as an opportunity to solve the quality issues for the Amazon farmer, Blommer contacted Conservacion & Desarrollo who had worked closely with USAID in the PRONORTE project. Blommer and C&D agreed work together in supplying the expertise, material, and manpower, to provide 500 of the solar dryers to farmers in the Amazon over a two-year period. The success of the dryers has been tremendous. The dryers allow the farmer to properly prepare their cocoa, as well as, other crops that need drying. An additional benefit has been better time management on the farm. Farmers were required to quickly return and cover the drying crop at the onset of rain. Then later return to uncover the cocoa after the rain had passed. The solar dryer protects the product from the rain therefore freeing the farmer from this time consuming pattern. Finally, the farmers using the dryers have reported a two-fold increase in prices paid for their cocoa.

Blommer approached problems in Indonesia in a slightly different manner. Successful farmer field school graduates were forming farmer organizations in an effort to better leverage their sales. Unfortunately, the local buyers were not providing any price benefit for the higher quality cocoa being produced by the organizations. Blommer, along with one of our primary suppliers, developed a plan to establish direct links with the farmer groups.

The first stage was to establish buying stations up country and advertise that we would provide pricing that was reflective of the quality provided. The first stations were in place in June 2005. At that time the program included 120 farmer groups and approximately 3000 farmers. After 18 months, the program now includes over 15,000 farmers in more than 600 organizations. Over \$90,000 has been invested in additional

farmer training, and premiums of \$340,000 have been paid directly to the farmers for good quality cocoa.

The Indonesian model is an ideal example of creating a sustainable environment for the farmer community. The farmer receives a monetary benefit for the quality produced. Additional training is provided which allows the farmer to continue crop improvement. Farmers are provided real and accurate global market levels, which allow for greater price transparency, and the U.S. manufacturer receives a better quality product from a growing network of suppliers. Finally, the consumer receives products manufactured from higher quality materials, and since the streamlining of the supply chain offsets the premiums paid to the farmer, the consumer does not pay a higher price. Therefore, the farmer, manufacturer, and the end consumer realize the benefits of the program, which is a truly sustainable model.