



PRESS STATEMENT

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Accra

THE GHANA CIVIL-SOCIETY COCOA PLATFORM (GCCP) EXPECTATION OF FARM GATE PRICE FOR 2023/2024 COCOA SEASON

Cocoa farmers across Ghana are always filled with expectations in September as we prepare for the opening of the cocoa season with the announcement of new farm-gate price. However, the expectations for the 2023/2024 season is at fever-pitch high due to some interesting developments on the international cocoa market. As we hold our breath for the announcement scheduled for Saturday 9th September 2023, which is ironically coming one month earlier compared with recent years, the Ghana Civil-society Cocoa Platform (GCCP) wants to use this opportunity to reflect on the immediate past cocoa season which was unprecedented for several reasons and also make our expectations known on the new farm-gate price.

The 2022/2023 cocoa season was unprecedented in several respect;

- we had unprecedented reports of cocoa smuggling across the borders of Ghana, especially in the Western and Eastern borders. This led to COCOBOD issuing threats to suspend their flagship fertilizer and farm inputs support programme to farmers. There were several arrests of vehicles carrying loads of cocoa in both the Western and Eastern borders of Ghana during these period. Cocoa farmers however insisted that they were not involved in the smuggling but rather it was between people who were high on the "food-chain"; such as Purchasing Clerks and District Offices of some LBCs as well as some COCOBOD staff.
- we also had an unprecedented review of approaches used in COCOBOD's flagship "cocoa rehabilitation programme" where majority of the issues that bedeviled the programme were addressed. We commend the work being done by Afarinick Company Limited in supplying much needed plantain suckers to farmers.
- we saw unprecedented incidences of rainfall this season in what experts call the El Nino effect. This led to widespread incidences of black pod disease and fungus attack in some farms. Some farmers who did not have the technical know-how lost half of their crops.
- we continue to see unprecedented efforts by the COCOBOD in developing a cocoa management system (CMS) which among other things is poised to deliver a robust cocoa traceability system. We commend the COCOBOD for such massive steps to modernize the management of cocoa supply chain in Ghana.

We also want to recognize the tremendous efforts made by our development partners towards the long-term sustainability of the cocoa industry. The passage of the European Union Deforestation Regulation (EUDR) which enjoins commodity producing countries to eliminate deforestation in the supply chain is welcomed. But we strongly believe they could have gone about it in a manner that would have entrenched trust and believe in the process by engaging extensively with producer countries. We believe it is not too late for the European Union to work with producer countries, especially in developing economies to find an effective way to implement the EUDR, especially in safeguarding the interest of small-holder farmers.

We cannot also ignore the challenges that emerged in the year under review, it was the second cocoa season after COVID-19 and the world is beginning to return to some normalcy. We also continue to see the effect of Russia's invasion of Ukraine on inputs such as fertilizer and pesticides. But more importantly, on the domestic scene the Ghana cedi has been on a free-fall against major trading currencies which has led to unprecedented inflation levels and high cost of goods and services. We also take notice of the issue of unavailability of funds to purchase cocoa which saw farmers not being paid on the spot when they deliver their beans at the cocoa shed. Some had to wait for months before they were paid what was rightfully due them. We are hopeful that this coming season will see improvements and farmers will not have to wait for months before being paid what is rightfully due them.

We also want to take advantage of this opportunity to reflect on the emerging threats posed by mining (both illegal and in some situations legal) to the long term survivability of the cocoa industry. The problem is very simple, cocoa farmers and landowners are giving away their lands to miners for one reason – money. They do not feel that their efforts and toils are properly and fairly being compensated hence the alternative (even if not the best of decisions) is to cash in and move out of the cocoa space. The solution is to make the cocoa industry competitive by increasing the farm gate price to levels that are commensurate of the work farmers put into producing cocoa beans.

As earlier stated, there were unprecedented cocoa smuggling across the Western and Eastern borders of the country. Upon careful reflections and some background study, we realized that just as the international cocoa market price started appreciating our neighbours that use the liberalized cocoa marketing approach increased their farm-gate prices. In fact, at some point this year a bag of cocoa was selling in Togo at GHS1,500 equivalent (twice what Ghanaians were being paid) which fueled the nefarious activities of cocoa smuggling – as some farmers were offered over 30-40% beyond the prevailing market price in Ghana to sell their cocoa to these smugglers.

We know the Cote d'Ivoire Ghana Cocoa Initiative (CIGCI) under the leadership of His Excellency Alex Assanvo are working with tirelessly to bring parity in cocoa pricing across the sub-region. We entreat the governments of Ghana and Cote d'Ivoire to come to the table and find a working solution to prevent this annual occurrence. Maybe the solution lies in the proposed African Cocoa Exchange – who knows?

As we always do, we have also looked at the numbers and based on our very modest and somewhat conservative estimates have arrived at a minimum of 55-65% increment in the farm gate price of cocoa for this season. We arrived at this modest expectation taking note of the prevailing international market dynamics which has led to over 35% increment in the ICCO world cocoa market price as well as the challenges post by the unstable Ghanaian cedi, the high inflation, the high cost of labour and most importantly the need for farmers to be paid adequate and commensurate prices for their efforts.

Based on the working assumption of the Producer Price Review Committee (PPRC), which aims at ensuring that farm gate price is pegged at a minimum of 70% of the net Free on Board (FoB) price of cocoa beans, GCCP is of the firm opinion that farmers in Ghana should be receiving a minimum of GHS22,080 per tonne, which is equivalent to GHS1,380 per bag (62.5kg) of cocoa beans. This figure was arrived at using the lowest projected values available including an LID of \$400 per tonne as agreed. The current International Cocoa Organization (ICCO) world cocoa market price (which averages New York and London futures) stands at \$3,647 per tonne of cocoa beans. We also acknowledge that there has been a drastic drop in the origin differential/country premium from over \$400 to a current \$25.

In effect, we expect the net country cocoa selling price (producer price) to be not less than \$3,146. Based on the 2022/2023 parameters for calculating the net FoB for cocoa beans, we expect the net FoB for 2023/2024 cocoa season to be not less than 80% of the prevailing producer price, which should be around \$2,518. By applying the PPRC working assumption of minimum 70% of net FoB going to farmers as producer price, that translates into \$1,762 per tonne for the farmer. This figure is less the \$400 LID that was instituted and charged by COCOBOD on all futures for 2022/2023 cocoa season. Assuming COCOBOD gives all the \$400 LID to the farmer, that brings the farm gate price to \$2,162 per tonne (\$135 per bag) for the 2023/2024 cocoa season. Using the year on year Bank of Ghana (BoG) exchange rate of \$1:GHS10.2, cocoa farmers are expected to receive not less than GHS22,080 per tonne of cocoa beans which should translate into minimum of GHS1,380 per bag of cocoa beans. Once again, these estimations are based on the minimum projected figures and the assumption that farmers will receive minimum 100% of LID.

These are very conservative estimates and we expect the COCOBOD to be able to meet them with ease. We celebrate government's commitment to cocoa farmers through the numerous interventions being implemented to ensure their well-being and are anxiously awaiting the announcement by COCOBOD on the farm gate price for cocoa in the 2023/2024 cocoa season.

About the Ghana Civil-Society Cocoa Platform (GCCP):

The Ghana Civil-society Cocoa Platform (GCCP) is an independent campaign and advocacy platform for civil society actors in the cocoa sector – comprising of Civil Society Organizations, Non-governmental Organizations, Community-based Organizations, Farmer-based Organizations, Farmer Associations, Media and interested individuals. The main aim of the platform is to advocate and influence cocoa sector policies and programmes. GCCP is currently being hosted by SEND Ghana, with membership across the country, especially in cocoa growing areas.

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