Traceability, transparency and sustainability in the cocoa sector in Cameroon

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nitidæ landscapes & value chains

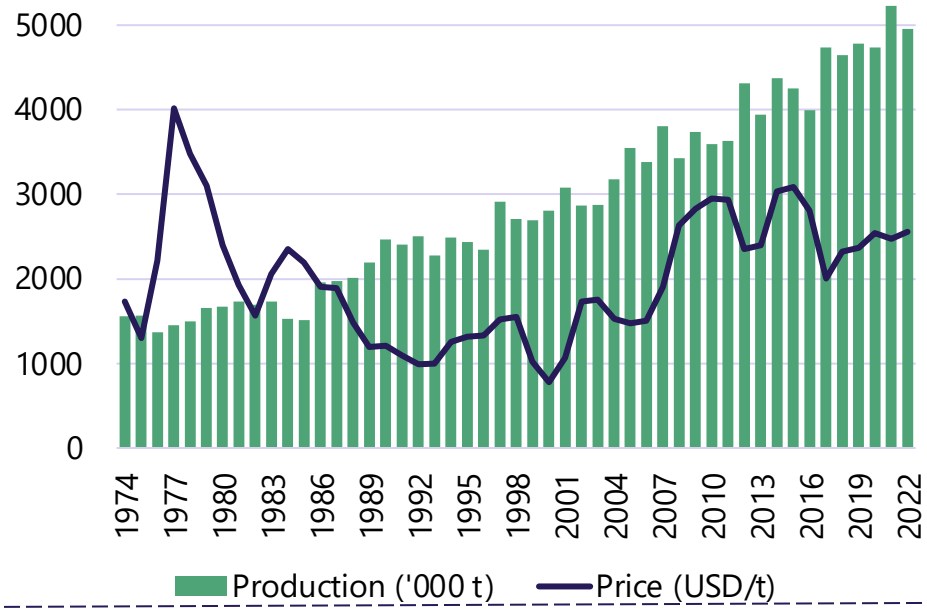
EFI

1. Introduction and context

Growing overlap between the cocoa industry and sustainability issues in Cameroon

Evolution of Cameroonian production and international prices

(in thousands of tons and in $/t - source FAOSTAT, ICCO and FXTop)



292k tons

marketed during the 2020-2021 campaign

4th

cocoa producer in the world

Three risks associated with the sector

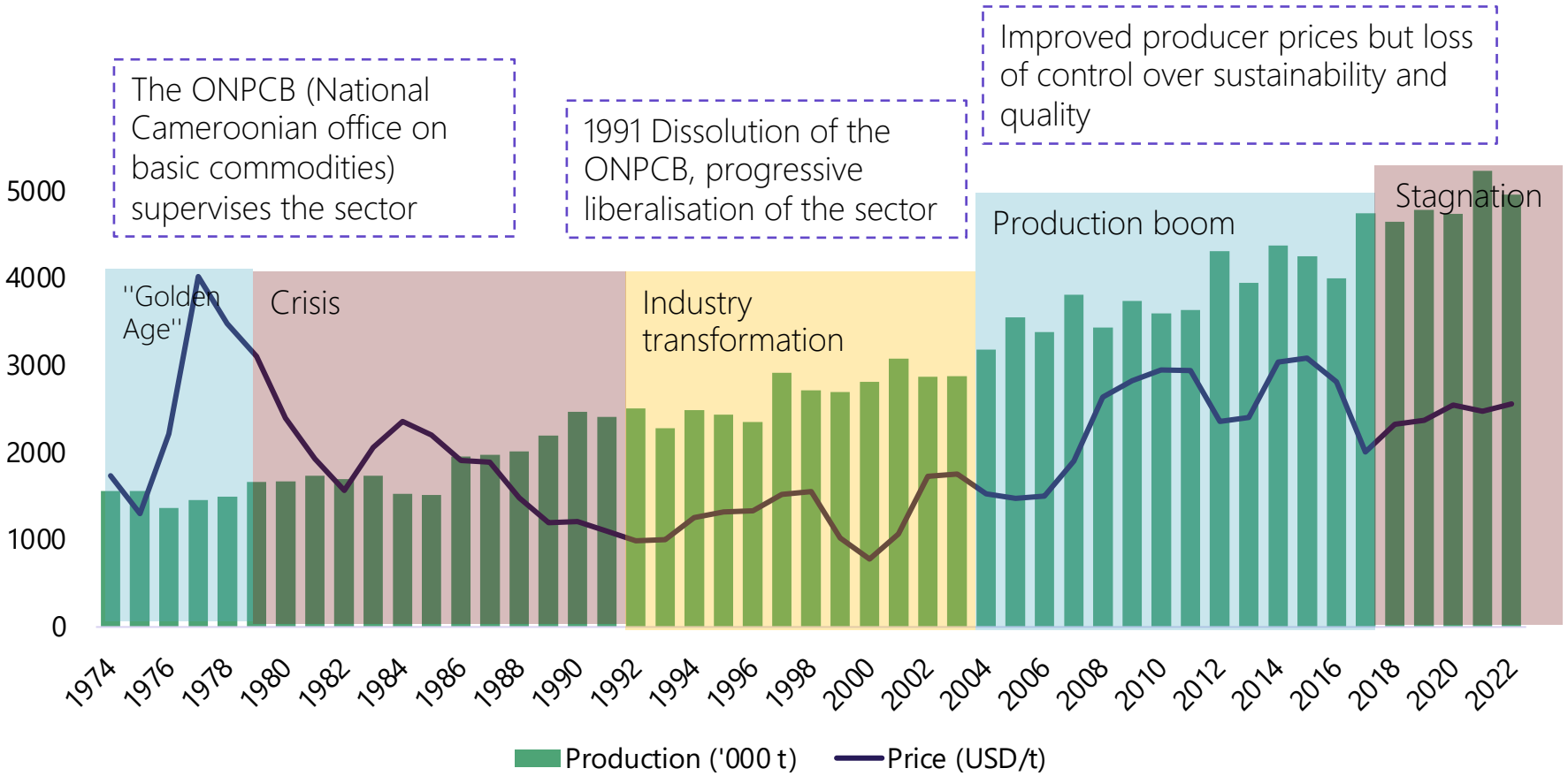
Deforestation: although Cameroon lost 11% of its forest cover between 1990 and 2020, in 2020 forests still cover 40% of the territory

Producer income: in 2007, 69% of cocoa farmers lived below the poverty line

Child labour: about 40% of children aged 6 to 14 are involved

Sources: ONCC, 2022; Folefack, 2007; UCW, 2012.

Supervision/Liberalisation of the sector and evolution of production and price



The Roadmap to Deforestation-Free Cocoa (RDFC)

A voluntary initiative supported by IDH

- RDFC signed in January 2021
- Commitment to "work together technically and financially, and to implement programmes and budgets related to sustainable cocoa production and marketing, forest preservation and rehabilitation, and community inclusion"
- Ambitious goal: 100% traceability by 2025

A space for dialogue for the cocoa industry

- Public-private-civil society partnership
- Signatories: institutions, producer organisations, private sector, civil society, research institutions
- The EU is not a signatory but discussions are ongoing on this subject

Commitments on traceability and monitoring of forests

- Ensure 100% traceability of cocoa supply from farm to warehouse to port by 2025
- Update forest maps of (non) permanent forest estate by end of 2022
- Total elimination of supply from permanent forest estate by end of 2025

Source: IDH, FRCSD, 2021

European Union actions to improve the sustainability of the cocoa sector

The Sustainable Cocoa Initiative (SCI) targets three major issues associated with cocoa sustainability

The EU wants to help producers get a **decent income**

The EU no longer wants to contribute to **deforestation** and wants to increase the consumption of deforestation-free cocoa

The EU no longer wants to consume products linked to **child labour**

Proposals for European legislation

Nov. 17, 2021

Environmental issues
European Commission's Regulation Proposal (ECRP) against imported deforestation

Feb. 23, 2022

Economic and social issues
Proposal for a directive on corporate sustainability due diligence

Communication from the European Commission on decent work in the world, announcing the preparation of a regulation to effectively ban the entry into the EU market of products derived from forced labour

Key elements of the European Commission's Regulation Proposal (ECRP) on deforestation-free products

General objective

Minimise the EU's contribution to global deforestation and forest degradation

Specific objectives

Minimise the risk of products from a supply chain associated with deforestation or forest degradation being placed on the EU market

Increase demand and trade in the EU for legal and "deforestation-free" raw materials and products

Products concerned (beginning of April 2022)

Palm oil, soybeans, beef, cocoa, coffee, wood and products derived from these commodities

Requirements

Mandatory due diligence rules for all operators who place goods and products on the EU market or export them from the EU, with traceability systems in place. Data will be audited to ensure the legality of production areas and that the products are not associated with deforestation.

The European Union still represents the majority of Cameroon's cocoa exports, but its share is steadily decreasing

Cocoa exports from Cameroon to the EU as % of total exported tonnage

(Source: UN Comtrade, destination data, 2022)

99% to the EU in 2000

65% in 2020 **vs. 30%** to Asia

Comparison of UN Comtrade and ONCC data on export destination

The differences can be explained by differences in methodology (port of destination for UN Comtrade, Douala for the ONCC), data entry errors, or by the difference between annual (UN Comtrade) and seasonal (ONCC) data. The yellow boxes below highlight the most significant discrepancies.

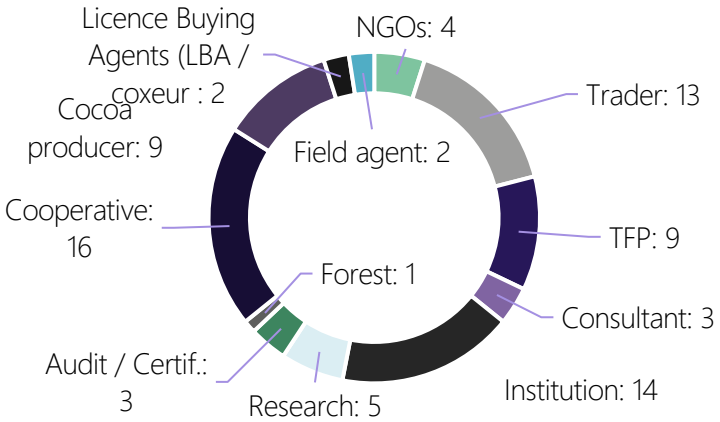
Source	UN Comtrade	ONCC	UN Comtrade	ONCC
Year or harvesting season/country of import	**2020**	**2020-2021**	**2019**	**2019-2020**
The Netherlands	53%	66%	61%	63%
Malaysia	17%	7%	14%	8%
Singapore	8%	?	5%	0%
Germany	8%	?	3%	3%
Indonesia	5%	9%	10%	6%
United States	3%	?	0%	0%
Spain	3%	?	2%	2%
Turkey	3%	?	3%	0%

The cocoa sector is less predominant in Cameroon than in Côte d'Ivoire but remains the country's leading export crop in terms of value

Country			
Production *(in kT during the 2020-2021 campaign, ICCO data)*	290	2 248	1 047
Cultivated area (in Ha – FAO Stat)	694 000	4 774 875	1 450 000
Yield (in kg / Ha – FAO Stat)	417	460	551
Number of farms (estimation Nitidæ – recent research)	500 000	1 000 000	800 000
Value *(in % of 2020 GDP – customs data)*	1%	8%	4%
Farm gate price - max *(in FCFA / kg, 2020-2021 – N'kalô + inquiries)*	1210	1000	1030
Farm gate price - min *(in FCFA / kg, 2020-2021 – N'kalô + inquiries)*	700	750 (even lower in isolated remote locations)	958

A one-month field investigation to interview direct and indirect players in the industry

Interviews with a wide range of stakeholders in four regions of Cameroon



NB: Some actors may occupy several functions (cocoa farmers/*coxeurs*, cocoa farmers/leaders of cooperatives, etc.).

Objectives of the report

1. **Traceability:** to present the general organisation of the sector, review the role of the informal sector, assess the amount of information produced and the key data missing for true traceability
2. **Sustainability:** to study the impact of the sector on deforestation, child labour and producers' income; take stock of public and private sustainability programmes

Field visits and meetings with a wide variety of actors

2. Traceability

2.1. Actors and interactions

Main actors in the national value chain

Actor	Main activities	Definition
Cocoa farmer/producer	Planting, maintenance, harvesting, hulling, fermentation, drying and sale in the field	Farmer producing cocoa on a plot of land that she/he manages (by lease or ownership).
Informal grouping	Collection and aggregation of cocoa farmers' production, group sales	Informal organisation of several cocoa farmers who sell part of their cocoa beans together.
Cooperative enterprise (SCOOP)	Collection and aggregation of cocoa farmers' production, wholesale	Formal organisation (Single OHADA Act) grouping several cocoa farmers who sell part of their cocoa beans together.
Coxeur	Collection and aggregation of cocoa farmers' production, wholesale	Local trader usually working in the informal sector and making purchases directly from cocoa farmers. Some are linked to an LBA (sub-cashiers), others are independent and sell to one or more LBAs.
Licensed Buying Agent (LBA)	Wholesale purchases, transportation from production areas to port or processing plants, wholesale resale	A large trader with an official card from the CICC and an accredited shop to collect and store beans. In French, LBAs are often referred to as 'acheteurs'. Some are independent, others are linked to a single exporter/grinder (mandated agents).
Cocoa cleaner and bagger	Cleaning and reconditioning	Independent companies or subsidiaries of the exporters who carry out the cleaning, sorting and repackaging of the beans before export.
Exporter	Purchase at port stores, export of beans	Exporters are mainly supplied by LBAs but also more rarely by SCOOPs and coxeurs. Some of them are subsidiaries of large multinational bean traders, others are independent.

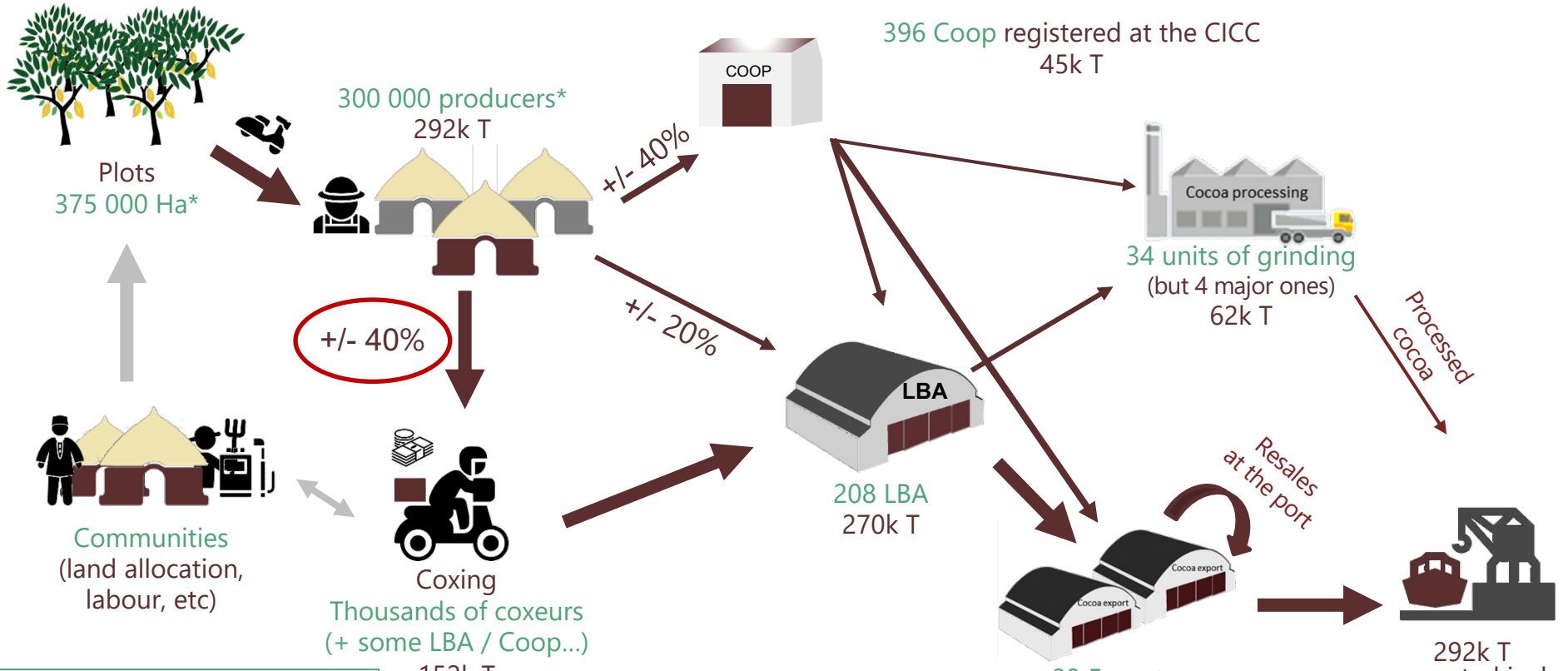
Definition of the main actors in the **international** value chain

Actor	Main activities	Definition
Grinder	Purchase from factory stores, grinding, export of mass, butter and cocoa powder	Grinders carry out the primary processing of cocoa. They export most of their processed products directly.
Importer	Import, grinding and resale of cocoa beans, mass, butter and powder to chocolate makers	Multinationals specialising in the trading of raw materials, including cocoa. They obtain their supplies both from their national export subsidiaries and from independent exporters. This is a highly concentrated sector where 6 players account for about 80% of world trade in beans and primary processing products.
Chocolate confectioner	Manufacture of chocolate and chocolate products (confectionery, cookies, etc.).	Second transformation actors, working the mass, the cocoa butter and/or the cocoa powder. They are marginal in Cameroon.

Notes

- In Cameroon, the term "operator" can refer indiscriminately to various actors in the sector, while the FCRP clearly defines an operator as follows "any natural or legal person who [...] places commodities [...] on the European market." This ambiguity prompts us to avoid the use of this term.
- Some multinational trading companies sometimes integrate many stages of the value chain: support to the producer, support to the cooperatives, direct supply to the cooperatives, domestic marketing operations, export, crushing, import and even distribution in Europe.

Sector's structure: links and volumes of the cocoa value chain



Source: ONCC, campaign report, 2020-2021
Flows estimates and simplifications
Arrow size proportional to the flow
** Bottom of the estimated ranges*

Supply in Cameroon of large multinational cocoa bean traders/grinders

(top 6 in 2019-2020, 2020-2021 data unavailable)

Suppliers	BARRY CALLEBAUT	Cargill	Olam	ECOM THEOBROMA chocolat	S&D SUCDEN	COCOA NECT.
Sic Cacaos	>90%					
Telcar		66%				
Olamcam			86%			
Camaco			14%			
AMS				100%		
Ndongo Essomba		14%				
Achanyi		3%				
COTEC		9%				
SBET		8%				
Producam					95%	31%
Agri-Trade					5%	
Coopprocam						69%
% of cocoa exported (incl. ground beans)	21%	39%	34%	5%	2%	0,1%

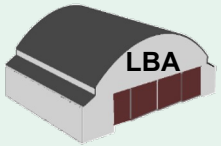
The coxeurs: a key link that blurs the traceability of cocoa

Provide services to different actors

Collection in remote and hard-to-reach areas

Promises to buy at the beginning of the season

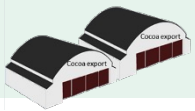
Financial services: input credit, cash, food, etc.



Link with producers in poorly known areas

Diversification of supply regions to "build volume"

Exporter



Increase the volume of supply

But without official status and providing no traceability

No purchase records

Supply LBAs from other regions

No official registration

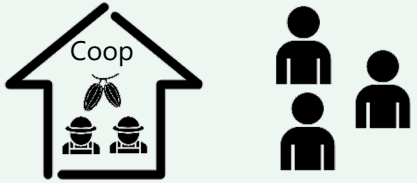
+/- 40% of the production

Which is therefore only traced from the LBA

Two legal trade constraints that are not always complied with

Two legal constraints on trade

Arrêté 36 from Min. Commerce, 2014



Calls for tender / Group sales

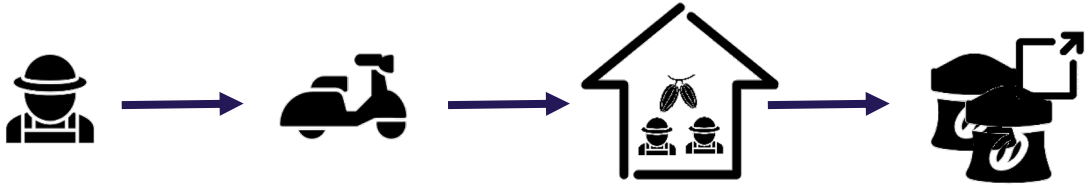
<30%*

and

Contract

>90%

The most common informal trading channel



Producer → The coxeurs → LBA / coop → Exporter

Cocoa often changes department and sometimes region

Note: *Nitidae estimate from interviews. Data vary by region (e.g., group sales are less common in remote areas).

Current public and private traceability

	Public Sector	Private Sector
Plots	No institutionalised georeferencing, no rural cadastre	About **150,000 ha** georeferenced (variable and uncertain quality)
Producers	Last agri census: 2014 No registry or Database	**2020: +/-50,000 producers (17%)** under RA certification + tens of thousands involved in sustainability programmes
Coxeurs	No register (activity very rarely or partially formalised)	No initiative to identify and register them
LBA / cooperatives	**Recorded and monitored volumes weekly/monthly and by season**	Register of purchases and deliveries to exporters and grinders
Exporters/grinders	Detailed customs statistics	Register of suppliers (LBA/Coops) + about **90,000 tons** (31%) traced by RA to the producer (in theory)
Importers	Detailed customs statistics	Direct client traceability (but not necessarily in case of re-export from non-EU free zones)

2.2. Public traceability initiatives

Cocoa institutions: a fragmentation of traceability initiatives

Institutions	ONCC	CICC	FODECC	SODECAO
Budget (Md XAF/yr)	19,5 (incl. 4 on quality and only 0.5 on monitoring and coordination)	12	21,5 +management of external funds	10
Mandate (in theory)	*Regulation of the sector, production of statistics and quality control*	*Regulation of relations between actors, social and commercial projects*	*Funding for the industry's programmes*	*Plant distribution*
Actual services (in practice)	Seize every opportunity (including non-mandated activities)			Limited distribution, little reporting
Traceab. role (theory)	*Specifications for private tracking + aggregation of private data*	*Support for the establishment of private tracaeab.*	*Funding solutions for traceab/certif. initiatives*	*Follow-up of the distribution/creation of new plots*
Traceab. role (in practice)	Very little coordination among initiatives			

The export duty is shared among the different institutions

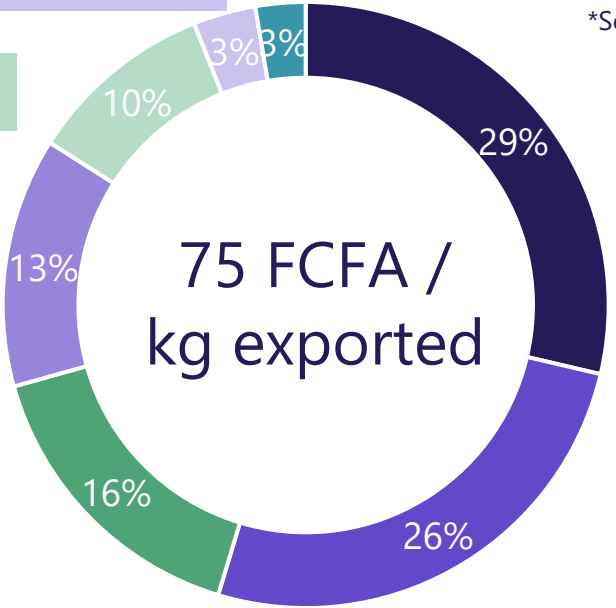
Agricultural chamber of commerce (CAPEF)

SOWEDA*

*South West Development Authority

Treasury

SODECAO

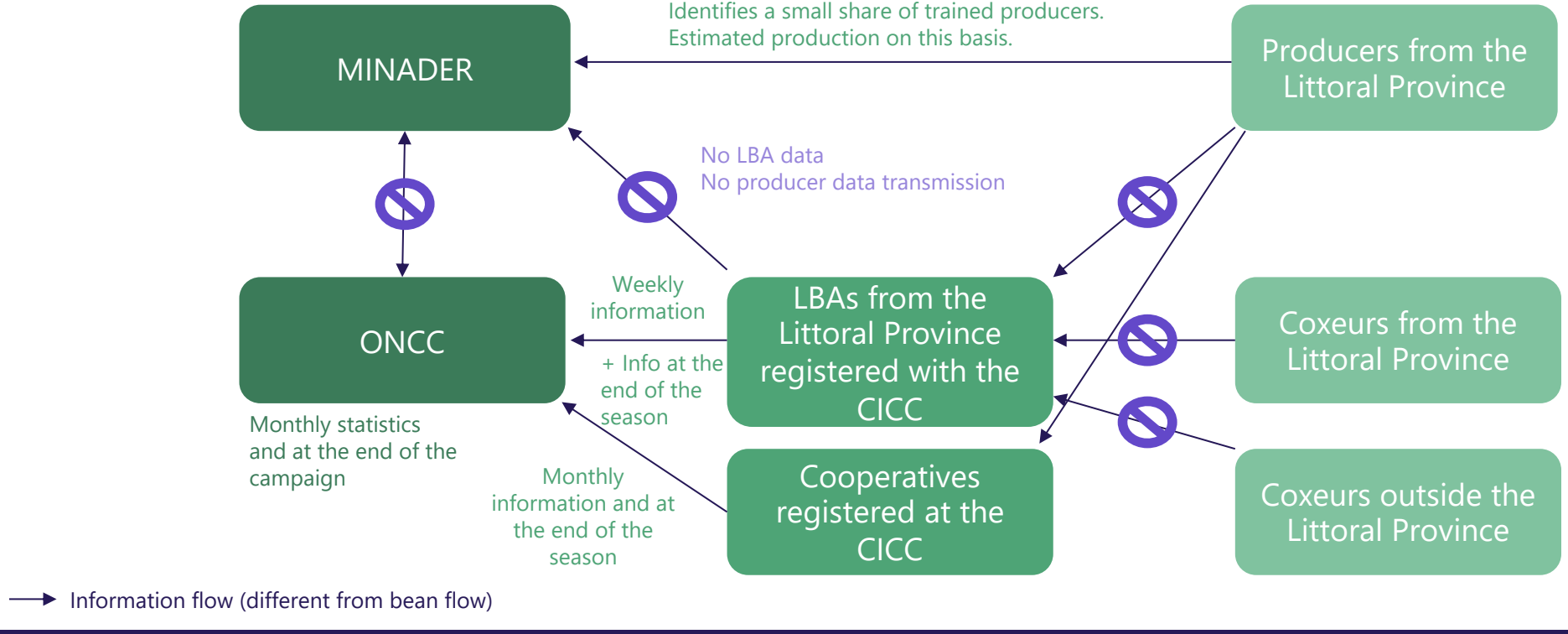


FODECC

CICC

ONCC

Very limited public monitoring upstream of the sector... (example of information flows in the Moungo)



LBAs are key players, but their supply is poorly documented because it is strongly linked to informality and because many LBAs leave the management of their data to their clients (exporters/grinders)

... Stronger downstream with the central role played by the ONCC

Information received

Market data

Export data

Export data

Exporters/grinders

Producers / coxeurs / MINADER

ONCC-NCCB

Price

Analysis and cross-referencing of data

Information produced

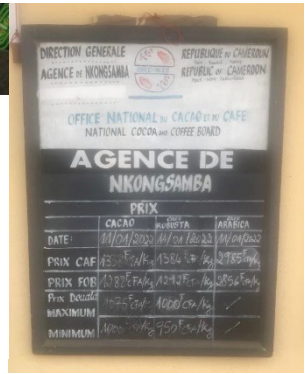
CACAO

CAF: 1312FCFA/kg
FOB: 1222FCFA/kg

Prix d'achat Douala, par les Exportateurs

MINI: 1000FCFA/kg
MAXI: 1075FCFA/kg

3 Mars 2022



Bilan de la campagne 2020-2021

Marketed production, purchases by region, destination, quality, processing, etc.

The information produced by the ONCC, although imperfect, is published in a fairly transparent manner (1/3)

Price tracking available at ONCC agencies and on the internet	But a possible confusion between edge-of-field price, FOB price and LIFFE/NYCE price
The ONCC season reports can be freely downloaded from its website	But : • Raw data is not available • The reports do not all have the same level of details: the 2019-2020 report is 57 pages long, compared to the 2-page summary report for 2020-2021 • Previous seasons' reports are not readily available
The information available is diverse: list of exporters, grinders, importers, logisticians, traded and exported production, etc.	But some key information is missing, including information on production, coxeurs and supply of LBAs

The information produced by the ONCC, although imperfect, is published in a fairly transparent manner (2/3)

ONCC season report	2017-2018 *(synoptic view)*	2018-2019	2019-2020	2020-2021
Traded production	✓	Not available online	✓	✓
Purchases by region	✓		✓	✓
Purchases by exporter	Ø		✓	Incomplete
Exported production	✓		✓	✓
Destinations of the origin Cameroon	✓		✓	Incomplete
Importers (customers by exporter)	✓		✓	Incomplete

The information produced by the ONCC, although imperfect, is published in a fairly transparent manner (3/3)

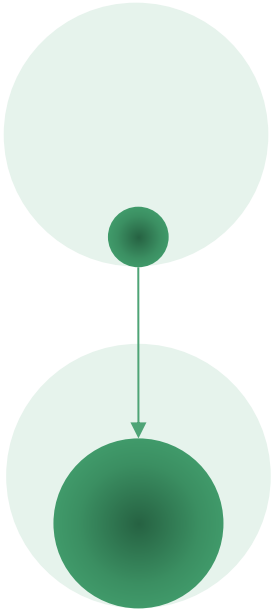
ONCC campaign report	2017-2018 *(synoptic view)*	2018-2019	2019-2020	2020-2021
Quality	✓	Not available online	✓	✓
Price evolution	✓		✓	✓
Transformation	✓		Detailed	Global non-detailed
Bank performance	Ø		✓	Global non-detailed
Number of stores per region	Ø		✓	Ø
Nomber of producers per region	Ø		Ø	Ø
Number of producers per region	Ø		Ø	Ø
LBA supply areas	Ø		Ø	Ø
Number of coxeurs	Ø		Ø	Ø

In recent years, the ONCC has increased its quality control

Production of quality data

- **Quality control** by field agents during group sales
- Quality control during potting
- Production of **quality** statistics
- End of season **quality premiums** for Grade I cocoa (however, the last payments were made late: 2 billion FCFA of quality premium for the 2018 to 2020 seasons)

Which has contributed to a significant increase in the quality of Cameroonian cocoa



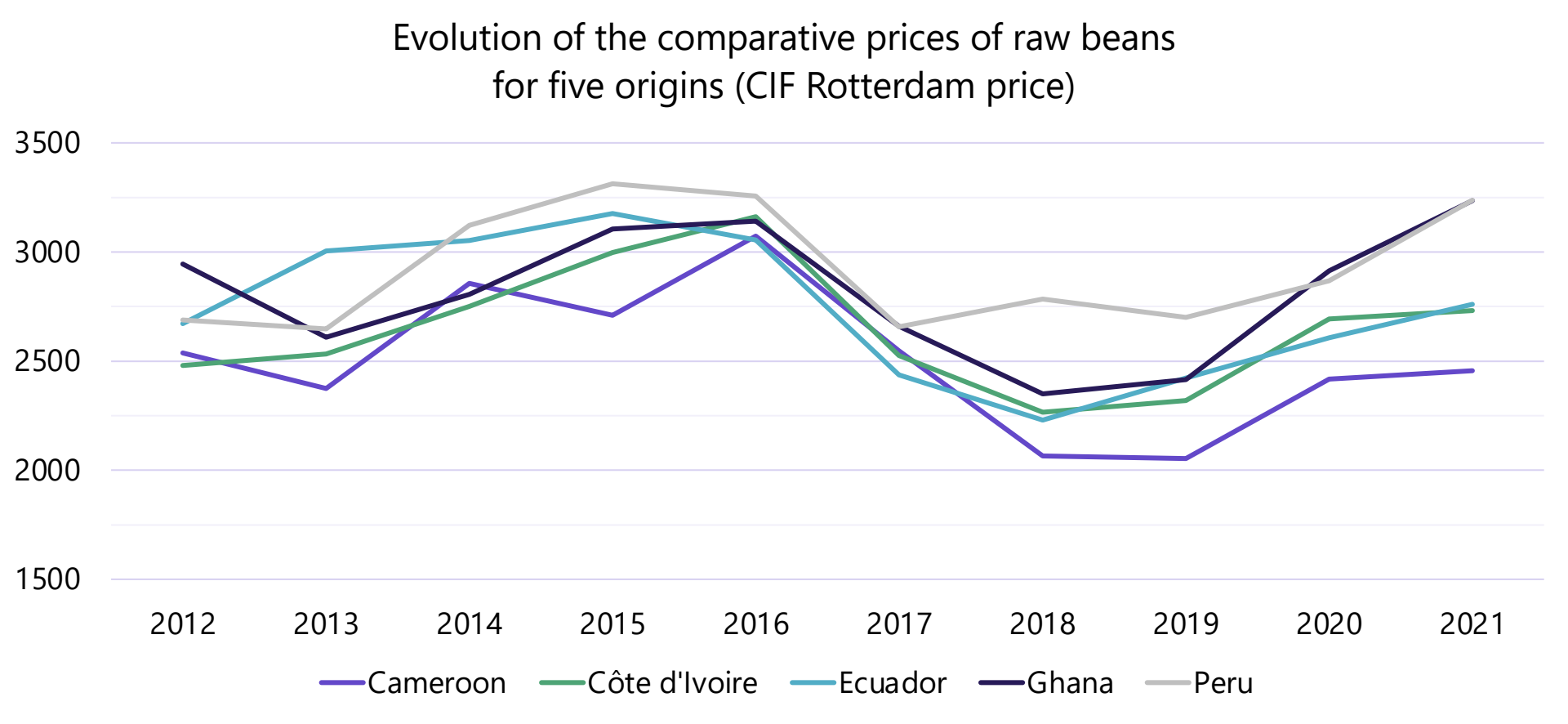
<5%

of Grade I in 2016-2017
200 to 250 pounds drop in value on the London Stock Exchange for Grade II cocoa

40%

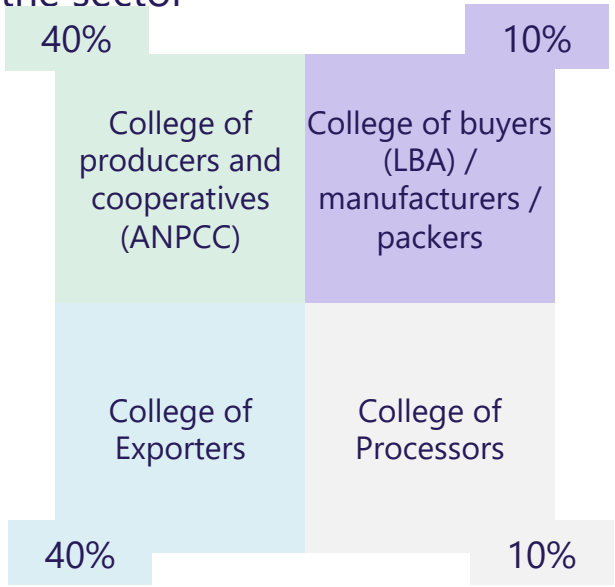
of **Grade I** in 2020-2021

But this has had no noticeable impact on export prices because of the generalised quality increase on the international market



For the moment, the CICC is only marginally involved in traceability...

As an **inter-branch organisation**, the CICC ensures a **dialogue** among the actors of the sector



The 4 colleges of the CICC and their voting rights at the General Assembly

Registration of producers, cooperatives, LBAs, exporters and grinders
Issuance of **official cards**

Exporter card

Producer card

But the CICC's contribution to traceability remains **limited**

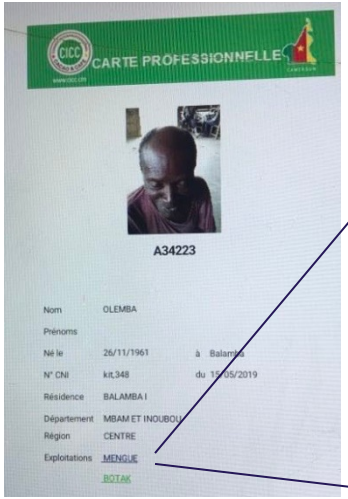
- Only a minority of producers (+/-10%) are registered
- Available upstream and downstream data from the CICC is rarely compared or put into perspective with ONCC data
- Some supply chain actors remain informal and are not registered (*coxeurs*)

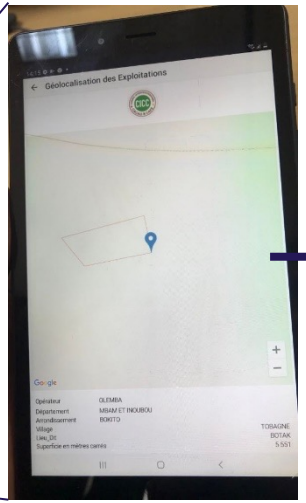
Source: CICC website

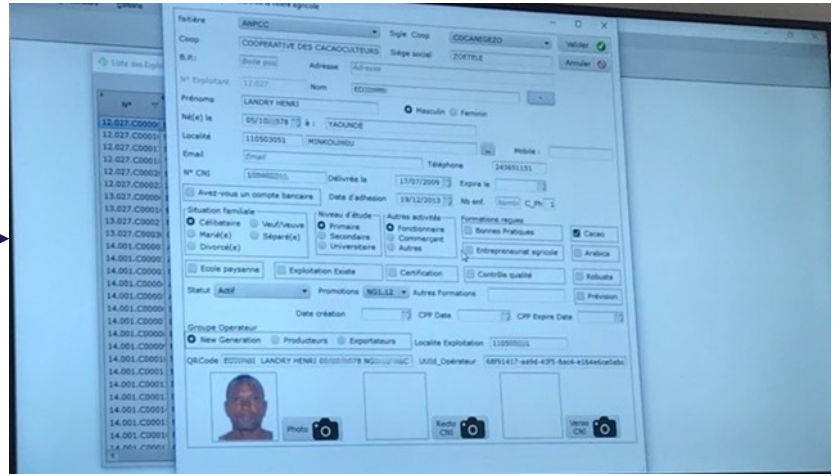
...but it has initiated quality initiatives that can be built upon

Producer registration and plot geo-referencing launched in 2019 by the CICC

Source: Interview with the CICC, Jun. 2022







60 000

Registered producers mainly in the Centre (average of 20 000 / year)

10 000

Producers georeferenced by a sworn land surveyor

Online platform

Database can be completed with the ONCC, exporters and FODECC data if there is agreement to that end

The CICC also provides a framework for the development of centers of excellence
A model close to the requirements of the ECRP, but on a very small scale

Interesting results…

Better prices (+50%) => georeferencing of parcels (prohibition of their extension) + preserved identity (**1 identifier per bag**) + reinforced controls

CACAO-TRACE

CONSEIL INTERPROFESSIONNEL CACAO & CAFÉ CICC

CHOCOLATIERS ENGAGÉS

MUPECI MICRO FINANCE

…But at a limited scale

<1% of the current production promoting niche markets

Niche market scalability?

Opportunities and risks associated with FODECC's "Guichet Producteurs"

A subsidy programme that could support traceability…

- FODECC = 1St cocoa institution (in terms of the budget made available to it)
- Partial and degressive subsidy of inputs via electronic payment on cell phone: 40% subsidy the first year
- In partnership with the company EDENRED specialised in electronic vouchers in rural areas
- Requirements: bank account, <10 Ha, self-referencing
- Experience in the Moungo department under technical assistance (important bank account creation announced in the first quarter of 2022)
- Goal: 10,000 producers in the first year, 100,000 by 2025

… but which also causes concern among the actors

	Risk of bureaucratic burden
	May not be adapted to the requirements of the agricultural calendar
	Financial risk because they must contribute for 60% of the inputs price
	Waiting for proof of effectiveness: "we're waiting to see"
Other institutions	Serious doubts about the effectiveness of self-referencing
	Risk of excluding the most isolated and least equipped producers (including those in forest areas)
	Doubtful level of data sharing

2.3. Private traceability initiatives

Largely guided by the requirements of the Rainforest Alliance, private traceability goes back to the cooperative (with a closed list of producers)

Major Exporters (% of the market)	Group	% of marketed volumes from georeferenced plots	Nb of agents dedicated to traceab.	Method	Other sustainability tools/programmes
Telcar (22%)	Cargill	+/-66%	+/-25	*By making the registration of suppliers (coop / LBA) binding and carrying out controls*	Harvest: manual Farmforce: digitisation
OlamCam (19%)	Olam	+/-27%	+/-22		Forest loss risk index OFIS: producer surveys Axos
Sic Cacaos (17%)	Barry Callebaut	+/-45%	+/-30		Cocoa Horizon (producer surveys)
AMS (5%)	Ecom	+/-90%			ECOM Sustainability
Producam (5%)	Neoindustry	+/-15 ↓	Responsibility of suppliers		

63% of the market

40% on average (behind Ghana and RCI, Cam less of a priority)

Traceability in RA certified cooperatives (1/3)

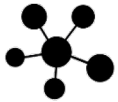
Steps	Explanations	Limits
Cooperative/LBA and Exporter Memorandum of Understanding	A memorandum of understanding is signed at the beginning of the season between the cooperative/LBA and its client (most often an exporter). It specifies the volume, as well as the requirements in terms of quality and durability.	This memorandum of understanding is rarely respected by customers (exporters) who only pay premiums on a portion of the volumes delivered.
Establishment of a list of producers	The cooperative will only be able to sell certified bags of beans from these producers.	Controlling sales by producer is difficult. A producer can, for example, buy up the production of her/his neighbors (especially co-producers).

Traceability in RA certified cooperatives (2/3)

Georeferencing of producers

New plots are georeferenced at the beginning of (or during) the campaign. However, new plots of an already registered producer are very rarely added.

Georeferencing often done via points, more rarely via polygons.
Often only one plot per producer.
Attention: 100% of the beans of a producer are not necessarily sold to the cooperative. And 100% of the beans sold by a cooperative are not necessarily certified => the yield/ha controls are often imprecise.



Documentation produced for each transaction

Mention of weight and quality
Delivery of a slip i) to the planter and ii) to the coop or LBA.
The information is computerised by the agent in charge of the purchase. When computerisation is not possible at the time of purchase, the paper documents are digitised at the headquarters of the export group afterwards.

It is easy to "clean up" the computerised data from field sales to eliminate any transactions that are questionable in terms of origin or volume.

Traceability in RA certified cooperatives (3/3)

Transport document and shipping control at the port of export

A shipping bill is also established. It must accompany the batch until export and be checked by customs upon shipment.

The transport notes are not systematically controlled by customs at the time of shipment.

Audits of certified cooperatives and some of their producers

Each cooperative is audited by independent offices to verify compliance with the Terms of Reference (ToR). A sample of producers is selected for the audit.
Plots established in forests (analysis via Global Forest Watch - GFW)) after 2014 (deadline of the ToR) are excluded

The quality of the audits is limited by the quantity and quality of the data, which is often "cleaned" by the exporters.
Plot audits rarely lead to to exclusions.
GFW data are not suitable for the for the audits to be conducted.

A premium is sent to the producer

Based on documented transactions, the exporter pays premiums to the cooperative and the cooperative pays these premiums to each producer.

The premium is sent at the end of the season. Many producers only receive part of it. Part of it is not paid by the cooperatives/LBA to the members.

3.
Sustainability

Environmental, economic and social

3.1. Deforestation

A perennial increase in production?

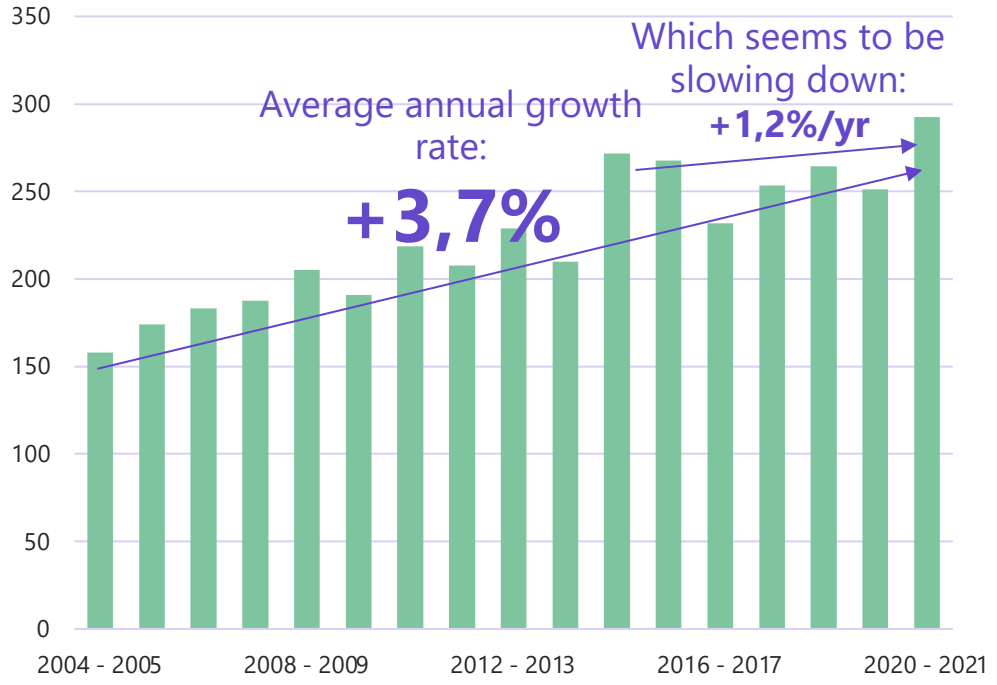
Announcements of future growth

- The national cocoa strategy aims to reach 640,000 tons by 2030
- The establishment of a national traceability system must therefore include new plots each year

To be nuanced

- Cocoa production growth has been low since 2014
- Attractiveness to the population seems average

(higher input costs than in West Africa and and higher demand for food products)

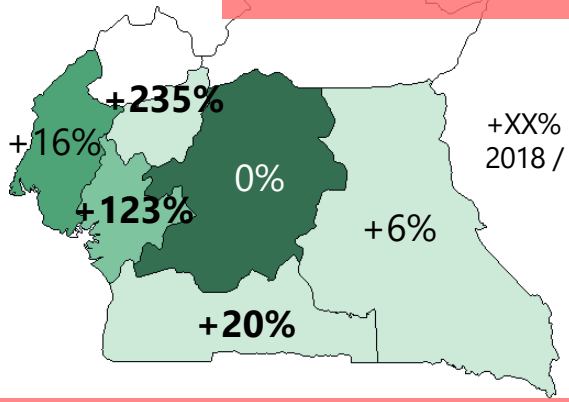


Cocoa production and deforestation/forest degradation

Geographical distribution of national production

- >40%
- 30-40%
- 10-30%
- 3-10%
- <3%

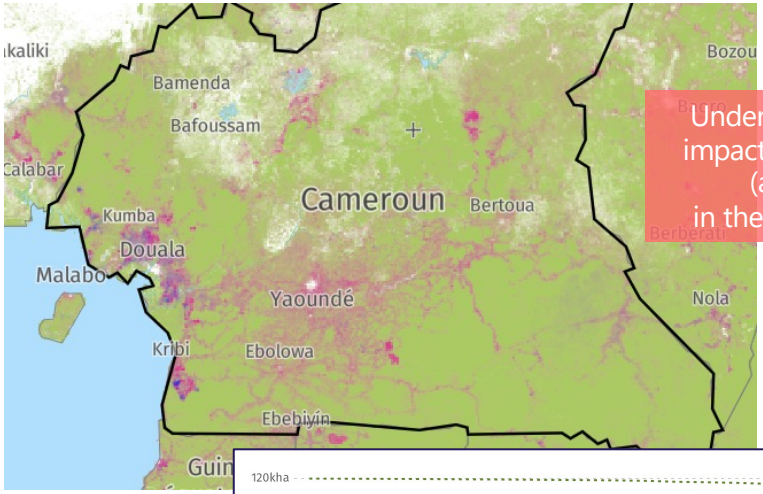
Uncertainties due to inter-regional flows



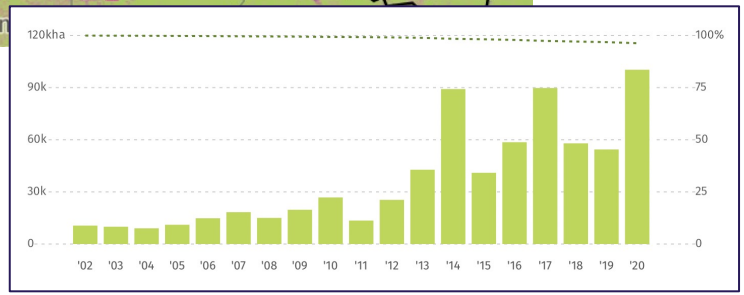
+XX% : Evolution 2018 / 2021

Recently planted cocoa trees (Migrants Sud-Ouest + SODECAO data)

Tree cover loss* 2001-2020
(all causes combined)



Underestimation of the impact of cocoa farming (agroforestry) in the south and east ?



Sources : ONCC, season reports, Global Forest Watch (*tree cover loss is not always a sign of deforestation => Maps and figures must be analysed with great care).

No operational National Forest Monitoring System (NFMS) yet, but several initiatives underway

UOSCF
(Operational Forest Cover Monitoring Unit)

Stakeholders:
MINFOF - MINEPDED - WRI

Production of a report on Major Deforestation Events (EMD) in 2019

Entity with a mandate to provide NFS but demobilised, under-equipped unit, non-functional

EMD = ' Simple'' use of available international data

Strong underestimation of the deforestation rate

No consideration of the national definition of forests

ONACC
(National Climate Change Observatory)

Stakeholders:
ST-REDD+ (MINEPDED) - USFS

2015-2017 update of the ST-REDD+ forest cover loss atlas for 2000-2015

Entity having (momentarily?) taken over the mandate of the UOSCF
(permanent team, well equipped)
Ad-hoc methodology
(Landsat images)
Taking into account the national definition of forests
No uncertainty calculation, no data sharing platform

DDD Project
(Deforestation & Degradation Drivers – Congo Basin)

Stakeholders:
CAFI – FAO - UOSCF

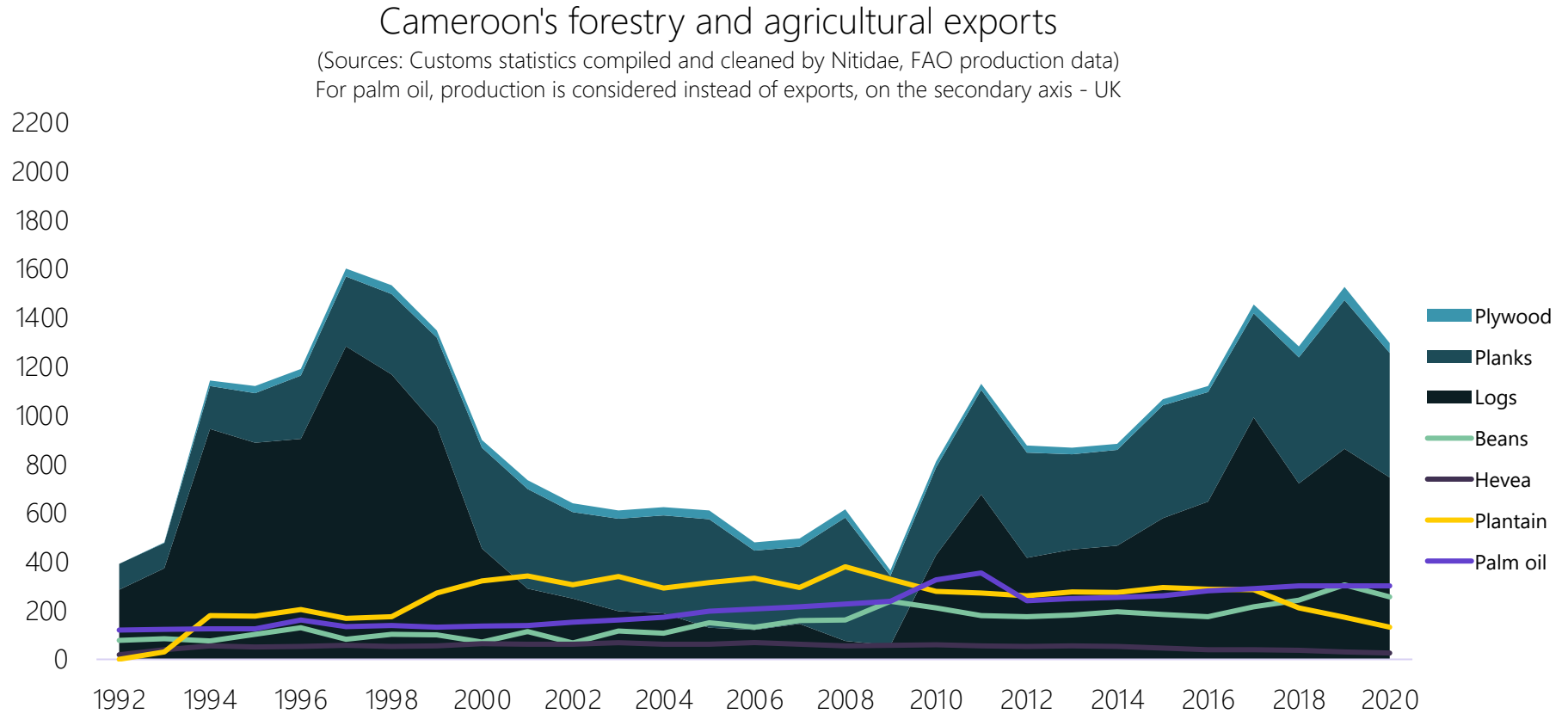
Land-use change 2015-2020 and identification of deforestation/degradation drivers

Multi-country (Congo Basin) and collaborative project
(2 UOSCF HR are associated)

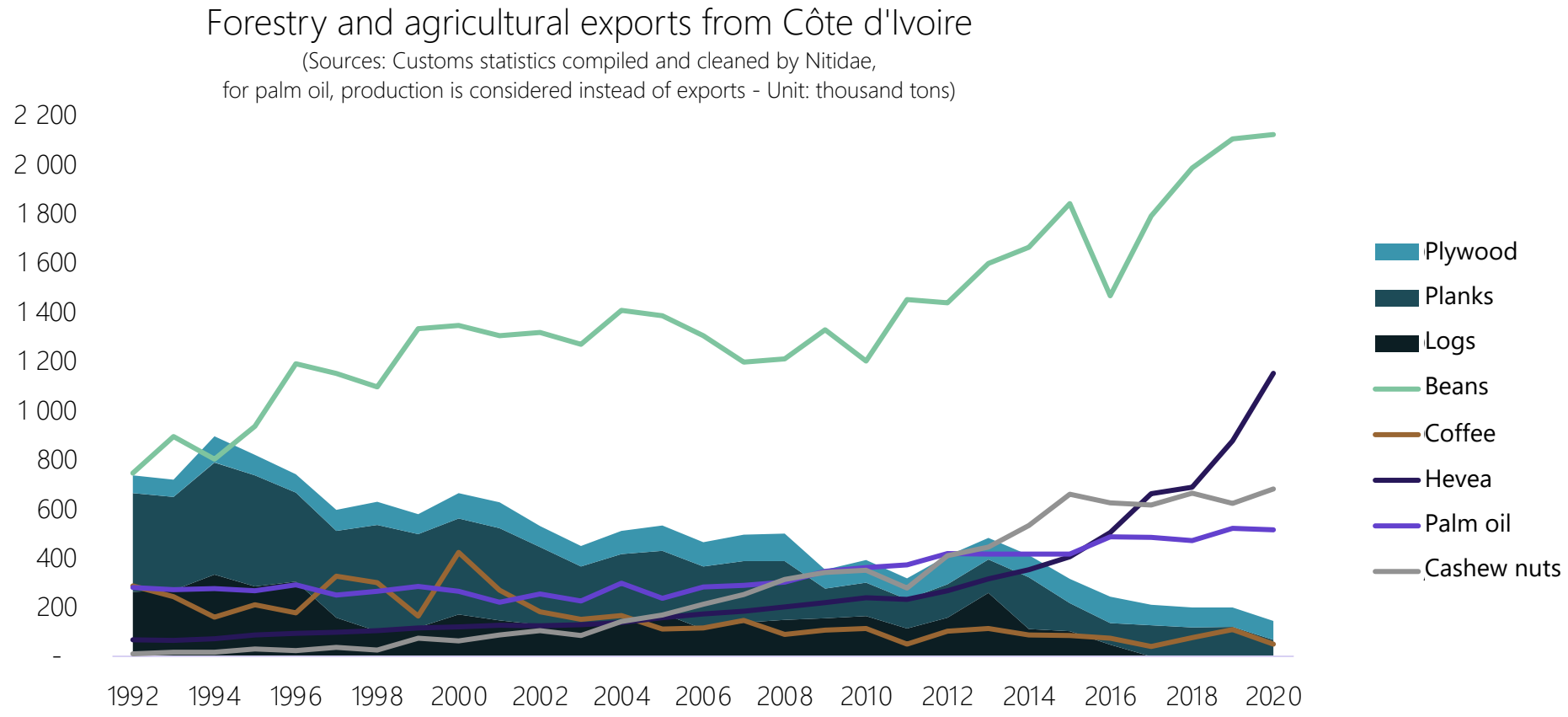
Strong FAO expertise
(use of the SEPAL platform and its multiple advantages)

Uncertainty on the sustainability of monitoring

Other agricultural sectors could be stronger drivers of deforestation in Cameroon



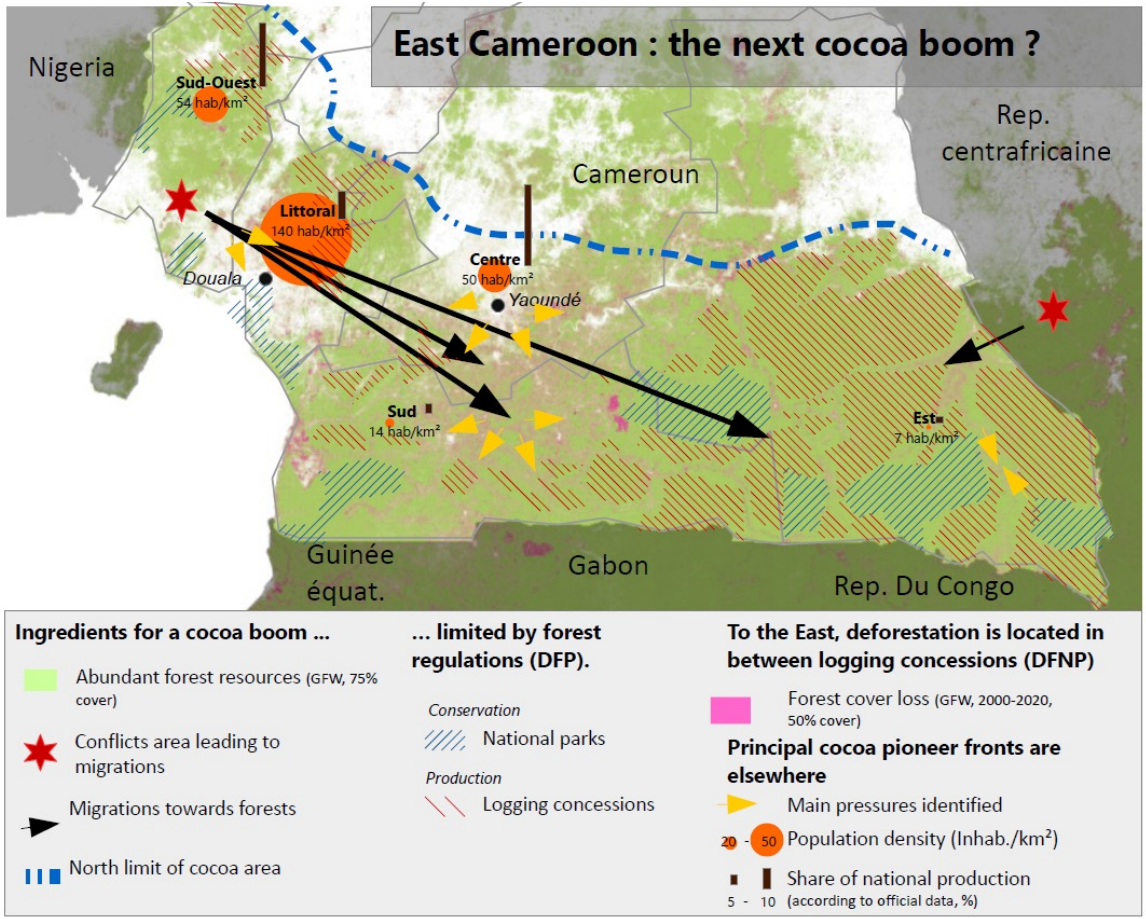
The Cameroonian situation is obviously different from the Ivorian situation, but until when?



Are the deforestation factors of the Ivory Coast present in Cameroon?

Available forest spaces…	Yes	Well-preserved forest areas (42% of Cameroon's surface), sources of fertility
+		
Appropriable land areas	East and South	East: very low population density (17 inhabitants / km2 in 2010) … but areas largely under forest concessions (Permanent Forestry Domain). South: 15 inhabitants / km2 and appropriable land
+		
And an available workforce	In progress?	Migration from the southwest and northwest and strong internal population growth, Central Africa migration (a priori marginal) But a labour force occupied with other activities
+		
Macroeconomic incentive to plant cocoa	Still weak	• Crop perceived as less profitable than palm (or some food crops) • But: Changes in logging => open field for clearing? • Political will to increase low impact production
+		
A favourable international environment	Uncertain	• Cocoa price volatility remains high + Côte d'Ivoire and Ghana continue to increase their oversupply + inflation 2021/2022 does not concern cocoa • But: continued growth in international demand

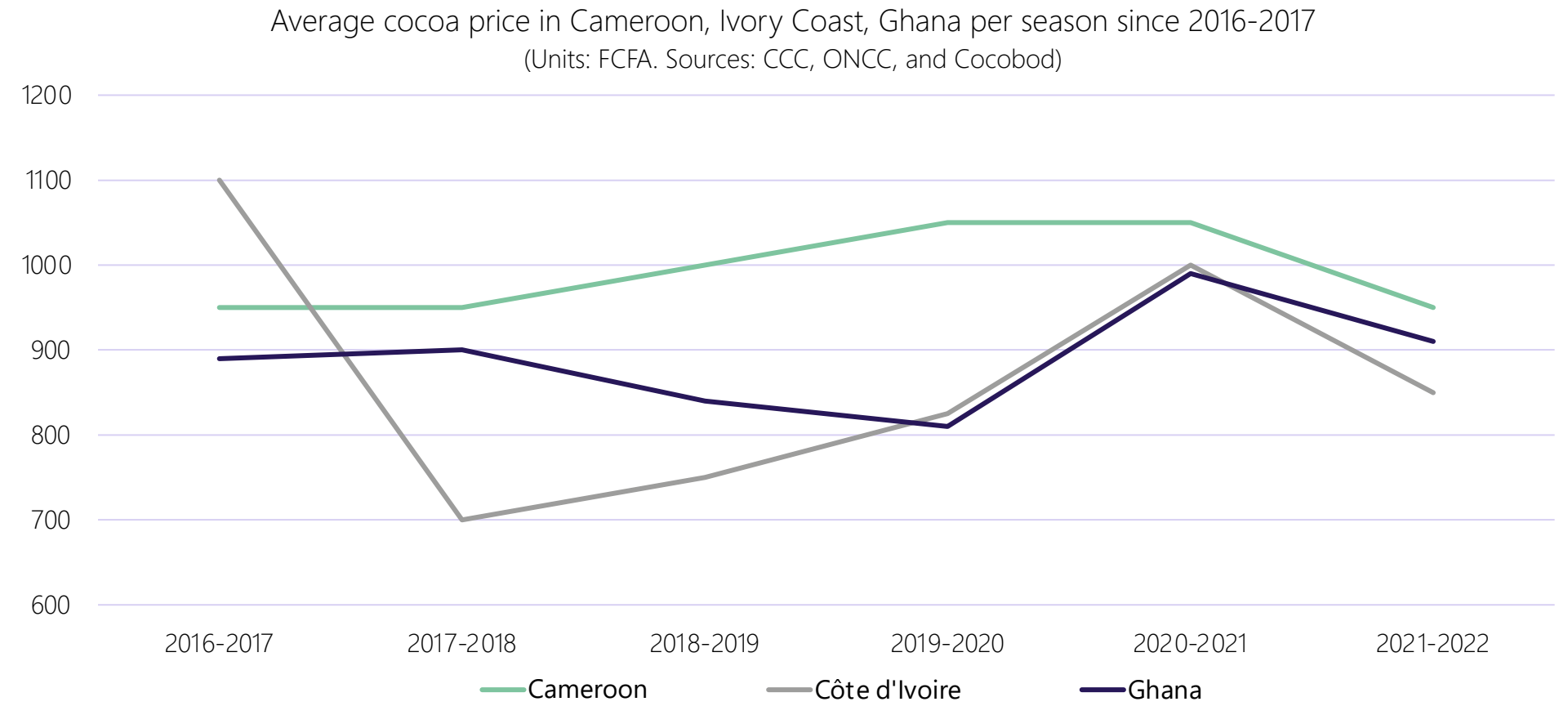
Map summarising the elements favouring or limiting a possible cocoa boom



Source: Nitidae, 2022

3.2. Producer revenue

No guaranteed producer price but an average farm gate price higher than in West Africa

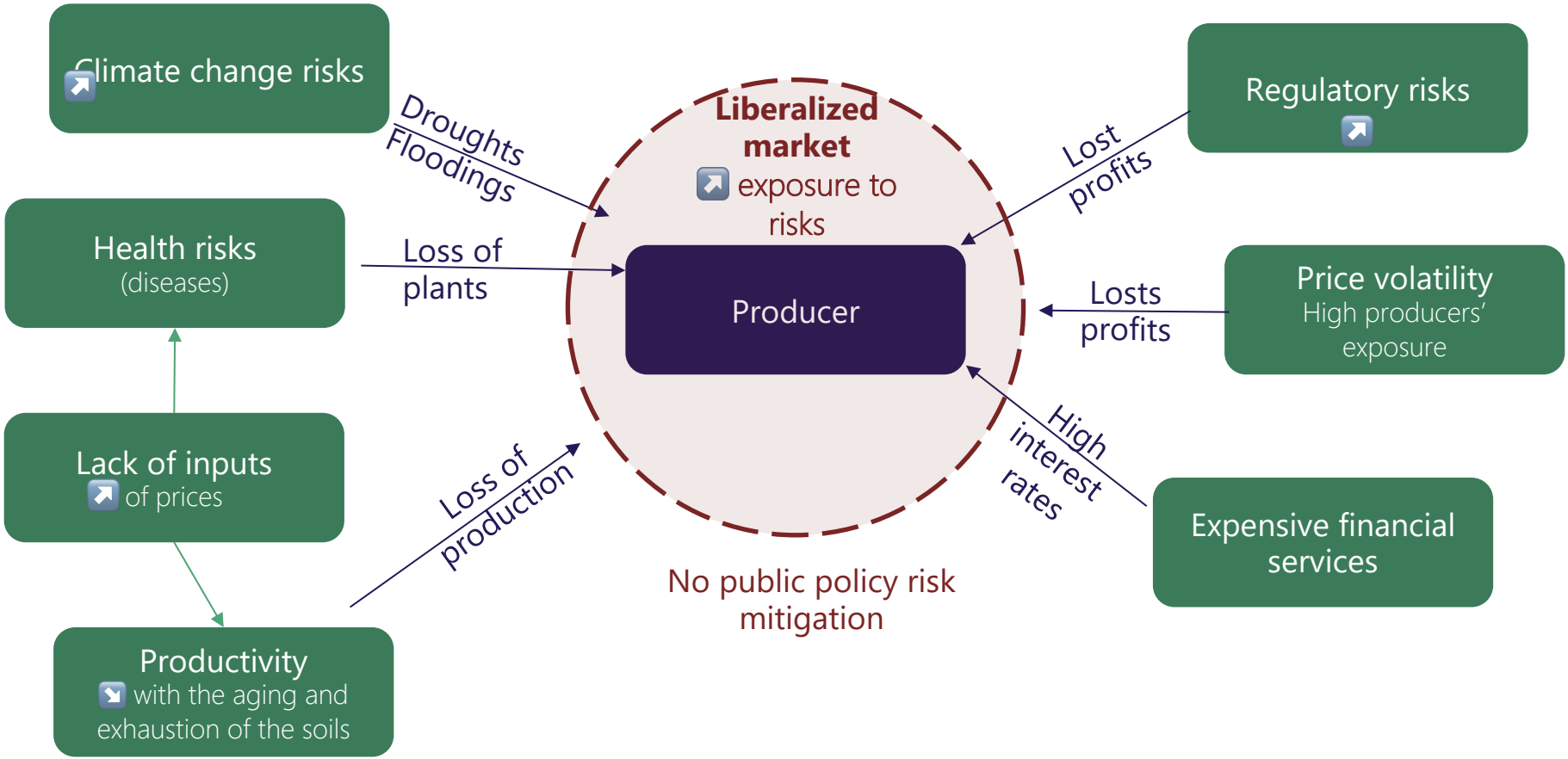


Cameroonian farms appear on average less profitable but more resilient than Ivorian farms

Country	Production costs	Yields	Selling price	Revenues
	FCFA/kg	Kg/ha	FCFA/kg	FCFA/ha
Young plantation with high price				
	400	900	1000	540 000
	400	600	1100	420 000
Old plantation with high price				
	550	600	1000	270 000
	400	400	1100	280 000
Old plantation with low price				
	550	600	750	120 000
	400	400	750	140 000

For these "typical" cocoa farms, the profitability of Cameroonian farms is less affected by price declines than Ivorian farms.

Increased risk factors in the liberalised Cameroonian market



Risks that affect small producers more intensely

Types of cocoa farmers according to Lescuyer, 2020

Characteristics	Small producers			4-Medium size producers	5-Large producers	TOTAL	Official data (MINADER, ONCC)
	under shade		full sun				
	1-Without support	2-With support	3-With support				
Average surface	1,5	2,5	3,0	12,0	25,0		
Dry cocoa beans yield (kg/ha/yr)	280	600	500	700	150		
Number of housholds	200 000	45 000	45 000	3 000	300	293 300	300-500 000
Total production surface (ha)	300 000	112 500	135 000	36 000	7 500	591 000	600 000
Total cocoa beans production	84 000 000	67 500 000	67 500 000	25 200 000	1 125 000	245 325 000	241 029 519

A significant proportion of unsupported households

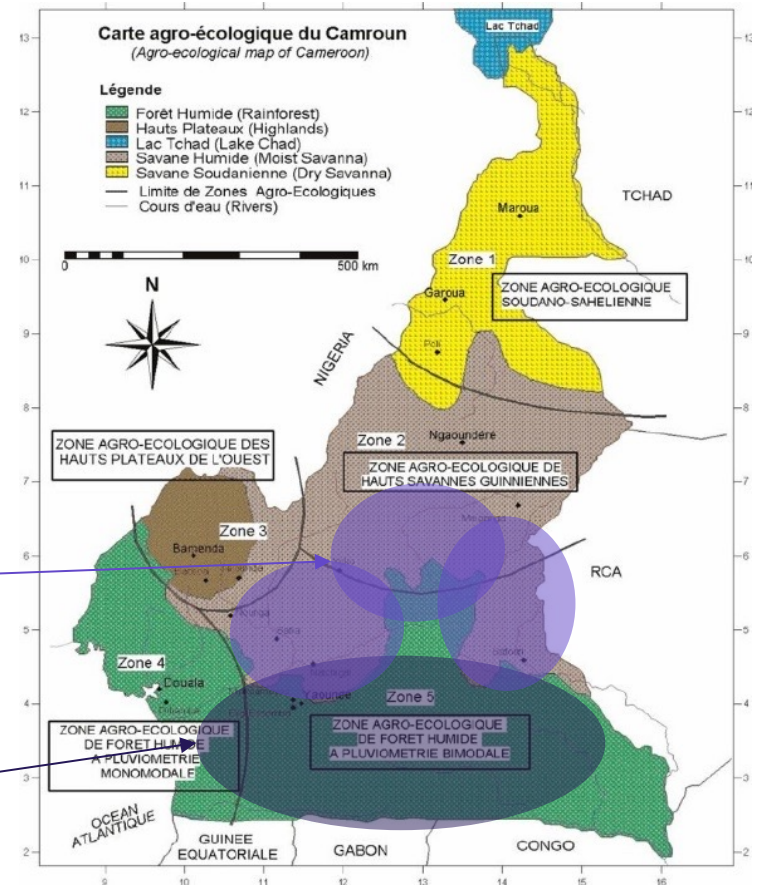
A share of households highly exposed to environmental risks

Risks that affect more strongly isolated regions and forest-savanna transition zones

Data from 2010 by geographic area (Source: Folefack, 2010)	Country	South-West	Centre	South
Average revenue per person (FCFA/an)	145 933	228 263	87 257	53 504
% of cocoa producers under poverty threshold	69%	49%	83%	91%

The forest-savanna transition zone is particularly affected by climate change

Eastern (and to a lesser extent southern) forest dwellers have poorer infrastructure and therefore limited access to marketing



3.3. Child labour

A standard definition of child labour

International Labour Organization

The term "child labour" is often defined as work that deprives children of their childhood, potential, and dignity, and damages their physical and mental development.

It is work that:

- is mentally, physically, socially, or morally dangerous and harmful to children
- interferes with their schooling by depriving them of the opportunity to attend school; requires them to leave school early; or requires them to try to combine school attendance with excessively long and heavy work

Source: ILO, 2022.

Child labour undeniably exists in the cocoa sector, but less than in other agricultural sectors

Child labour in Cameroun is significant but not very well known

40% of children from 6 to 14 yrs old worked in 2012 (1,7 millions). A rate similar to Côte d'Ivoire and Burkina Faso.

58% of teenagers from 15 to 17 yrs old worked in 2012 (about 700 000).

Child labour is related to the living conditions and the economic model of small producers

37% of Cameroon inhabitants lived in 2014 with less than 931 FCFA per day and per person (= poverty threshold of 2 USD/j/p with the change rate of 2014). Small producers lack the means to buy more efficient equipment and to pay the workforce.

D'autres filières agricoles sont beaucoup plus impactantes sur le travail des enfants

Cocoa

2% of children (6-14 ans)

8% of adults (15-64 ans)

Cereals

53%

44%

Plantains and tubers

25%

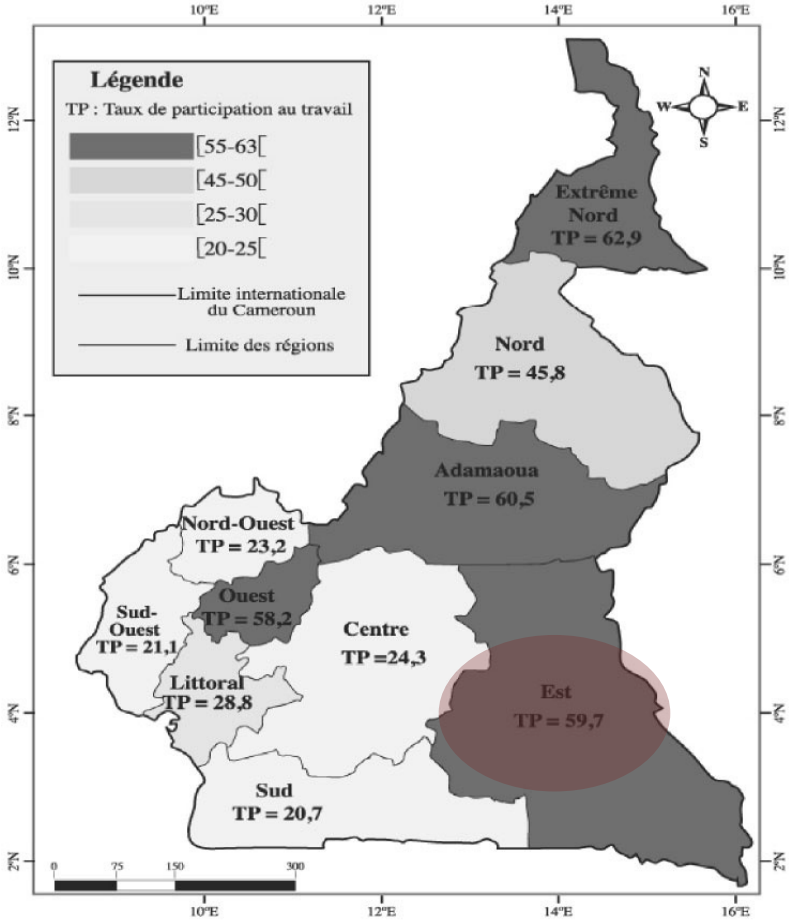
25%

This data is from a household survey and should be treated with caution.

In Cameroon, a sectoral approach may not be the more relevant

Source: Study of Understanding children work (UCW), 2012; ILO, 2008. « Enquête camerounaise sur les ménages », INS, 2018.

Child labour is unevenly distributed across Cameroon's regions



Source: Ewondo Mbebi, 2018 (données de 2007).

Private and public sectors target child labour, but no significant initiatives have been launched

Private sector: few concrete programmes beyond theoretical commitments and controls

- Sustainability programmes cover the issue, but it is not a priority.
- Monitoring processes are tricky, often considered easy to evade and costly to deploy (ICI's Monitoring and Remediation (M&R) approach criticised in West Africa).

⇒ Action is less strong in Cameroon than in West Africa.

Public sector: no or few public programmes targeting child labour in the cocoa sector

- The issue and its solutions are not widely discussed by stakeholders and no specific programmes were brought to our attention during the study.
- No mention in the RDFC's community engagement and social inclusion component.

Linked to the fact that the cocoa sector is not the most impactful on child labour in Cameroon

3.4. Sustainability programmes

Cameroonian agroforestry, a pecularity to be better promoted

Agroforestry is already well rooted

A more or less complex agroforestry **spontaneously developed** by producers

Area estimation
cocoa growing under shade

...but its development is eneven and tends to decline

The situation is **contrasted** regarding the age of production and the know-how of the producers:

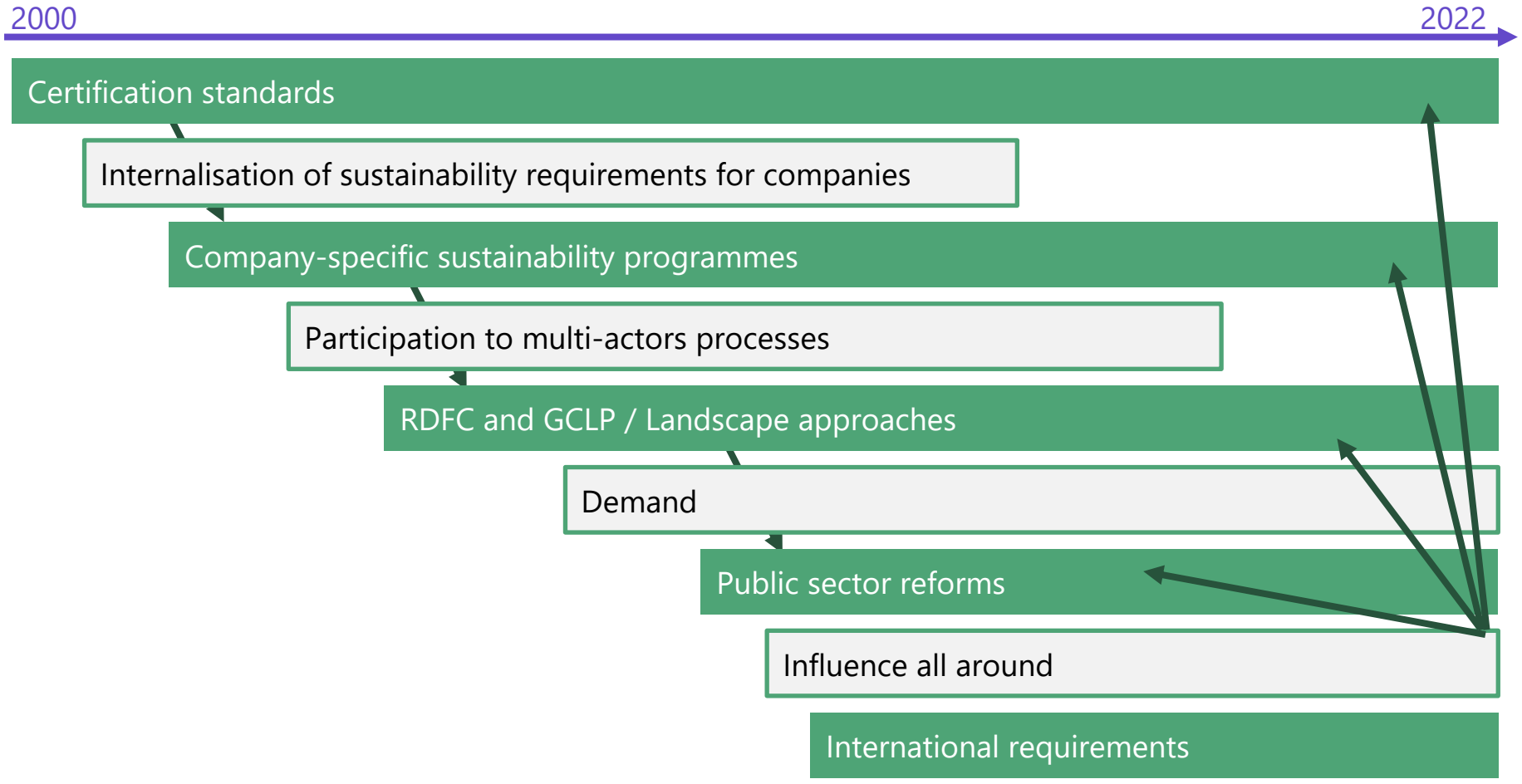
- Simplified systems in development on pioneer fronts (cf. Talba)
- (Quite) complex systems around Obala
- Old complex systems (multi-strata) in isolated forest sites (cf. Mintom, Yokadouma

Few initiatives to value or develop it

- Compared to West Africa, private/public actors carry out **few** agroforestry activities
- A Cargill-IDH-WWF partnership aims to support producers in adopting more **sustainable practices** across the Mbangassina territory
- The **CICC provides training** on selective slaughter and wants to create a school on cocoa farming which could develop these practices (in conjunction with the Club of Committed Chocolate Makers)

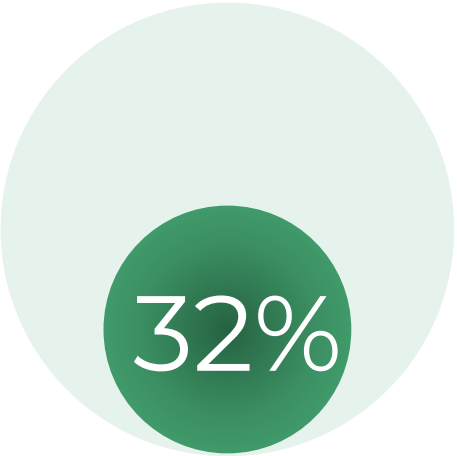
Sources: Carrière and al., 2019. Jagoret and al., 2016. Lescuyer and al., 2019. Pédelahore and al., 2014.

Sustainability paradigm shifts since 2000s



The Rainforest Alliance certification is close to the requirements of the ECRP, but the level of control seems to be low

Estimated share of RA certified production in Cameroon



The majority of traders use it as the basis of their sustainability programmes

Olam

Cargill

PRODUCAM S.A
Société de Commercialisation des Produits du Cameroun

RA-inspired programme for:

BARRY CALLEBAUT

Requirements (to be confirmed for the EU)		
Cut-off date	End of 2020	Beginning of 2014
Deforestation definition	Legal (Cameroon) and physical (FAO)	Legel (Cameroon) and physical (FAO)
Deforestation controls	*To be defined*	Risk eval. through GFW
Audits	*Mandatory (details to be defined)*	Reputed to be not very thorough

The growing development of private sustainability programmes without common standards: case of the first three traders

Programme	Company	Sustainability approach	Advancement in Cameroon (2020-2021)
Cocoa Horizons (2015)	Barry Callebaut *20%*	Improve the livelihoods of cocoa farmers and their communities through the promotion of sustainable and entrepreneurial agriculture, improved productivity and community development, which protects nature and children	RA-inspired. **45%** of supply 5209 producers trained to improve their productivity
Cocoa Compass (2019)	Olam *18%*	Objective of 100% traceability (on direct supply). Child labour checks Monitoring deforestation with the Forest Loss Risk Index (FLRI)	Related to RA **27%** of supply
The Cargill Cocoa Promise (2012)	Cargill *15%*	Commitment to farmers and their communities to enable them to achieve better incomes and living standards while growing cocoa sustainably.	Related to RA **85%** of supply

The growing development of private sustainability programmes without common standards: the case of 4th and 5th traders

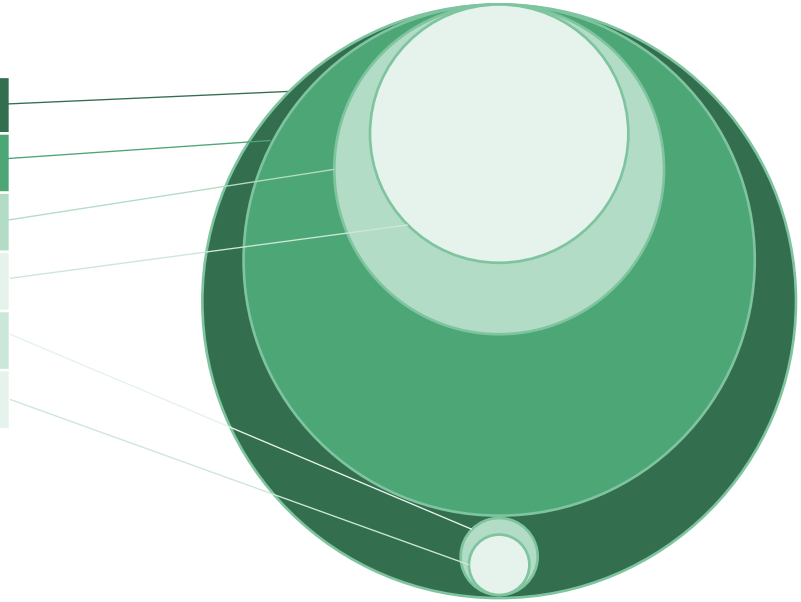
Programme	Company	Sustainability approach	Advancement in Cameroon (2020-2021)
Integrated programme	ECOM - Theobroma 12%	There is no specific sustainability programme, but there is a sustainability department.	Customer of Centers of Excellence Cocoa
Beyond Beans (2020)	ETG (Cocoanect) ~2%	Beyonds Beans puts forwards the following points: - Dedicated partnership - Skilled Farmers - Resilient communities - Healthy environment Beyond Beans develops projects adapted to each community (such as access to microfinance, the preservation of rivers, the empowerment of women).	No information

A significant proportion of Cameroonian cocoa production was Rainforest Alliance certified in 2020-2021

Source: ONCC, RA, data crossing, 2019 to 2021

Cameroon	Tons
Production	292 000
Marketed by exporters from top 6*	≈ 216 000
Certified by the top 6	≈ 91 000
Sold as certified by top 6	≈ 55 000
Certified by other players	≈ 5 000
Sold as certified by other players	≈ 3 000

* In Cameroon: Telcar, OlamCam, Sic Cacaos, AMS, COTEC, Producam.

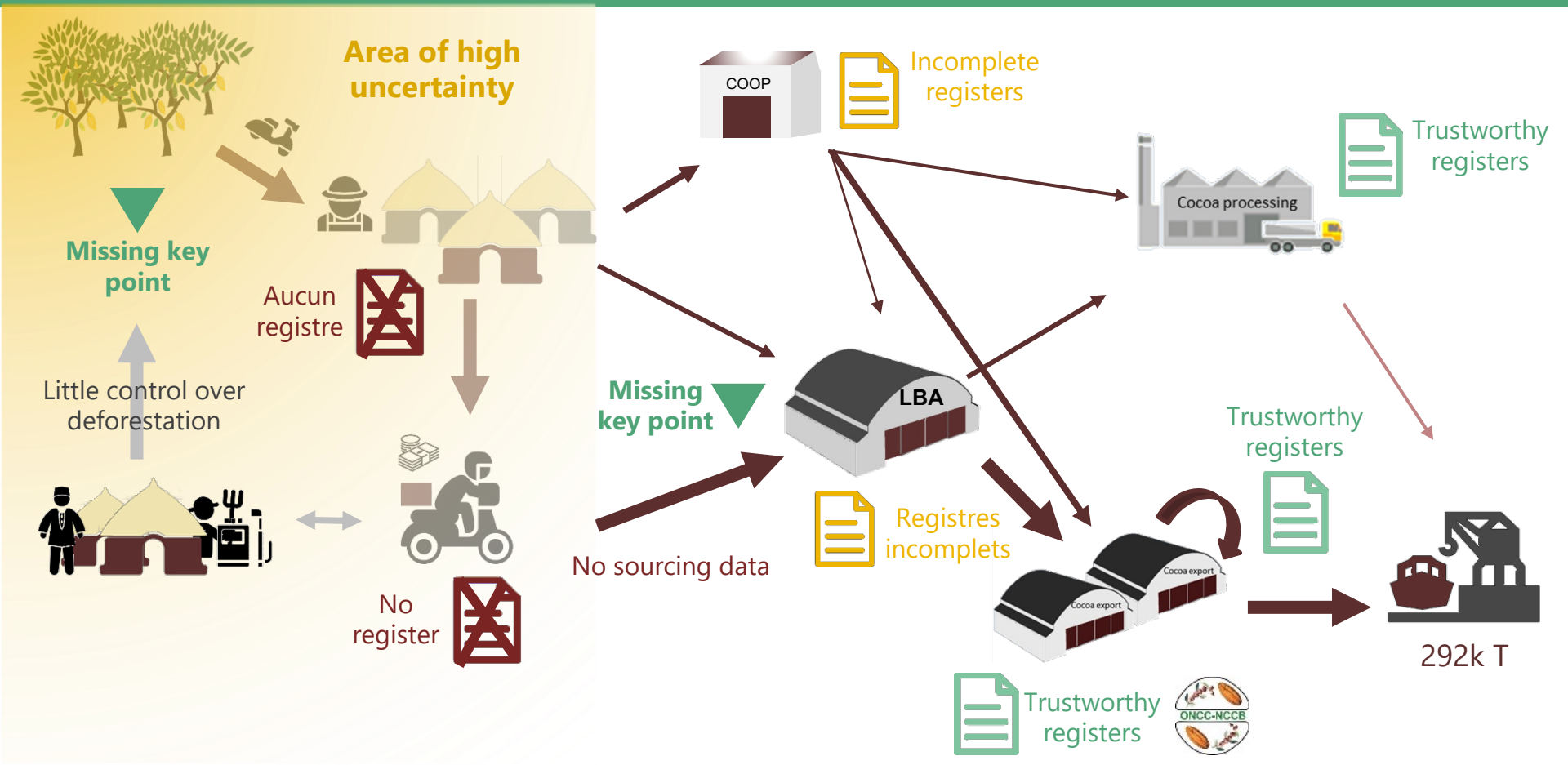


But in the absence of sufficiently reliable national and international audits, the real sustainability of cocoa remains uncertain

4. Conclusion and food for thought

4.1 Conclusion

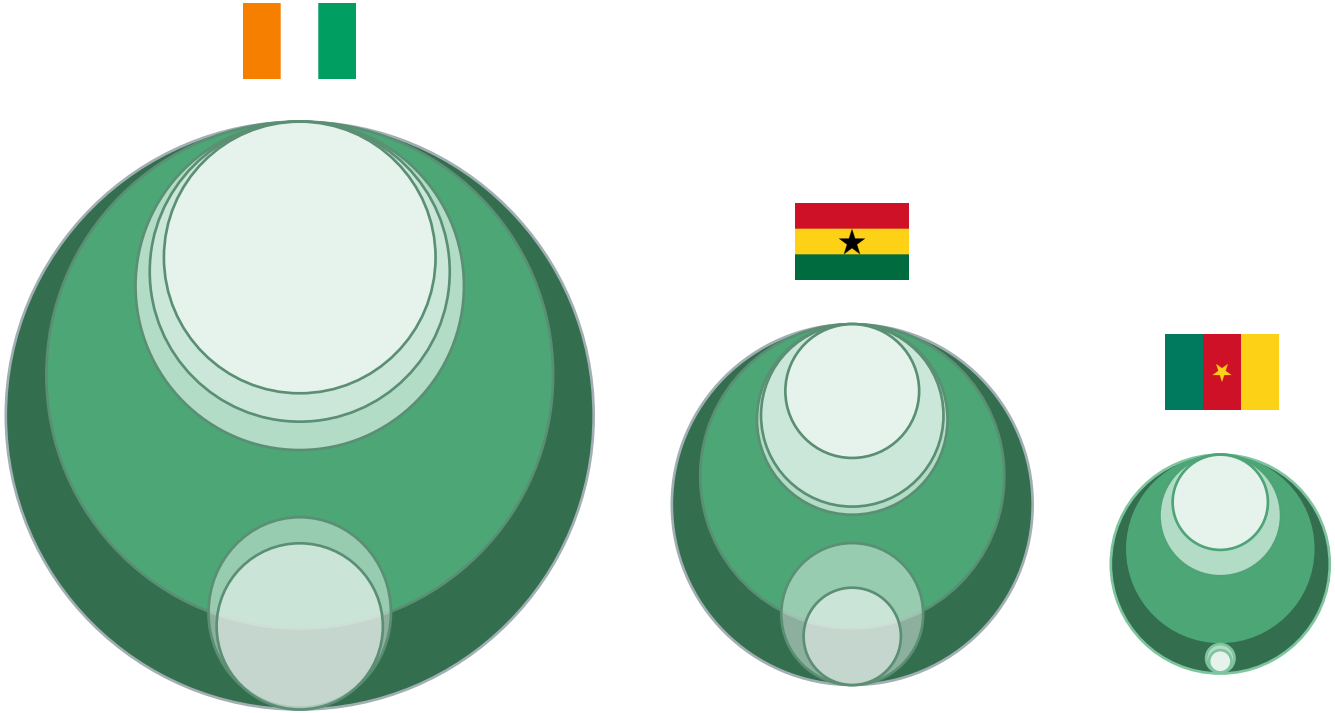
Traceability: everything remains to be done to go beyond Cooperatives / LBA



Traceability / sustainability : Cameroon is rather behind other producing countries

Estimated production	292k T in 2021-2022	4th in the world
Average prices	700-1210 FCFA / kg in 2020-2021	Higher
Transparency	Public campaign reports	Better
Public traceability	Less controlled	
Proportion from coxing	+/- 40%	High
Share of organised cooperatives	+/- 40%	Average but rising
Certification	33%	Stronger on RA Much weaker on FLO and Organic
Sustainability programmes	+/- 100k	Lower

Traceability / sustainability: Cameroon is rather behind compared to other producing countries (focus on certification)



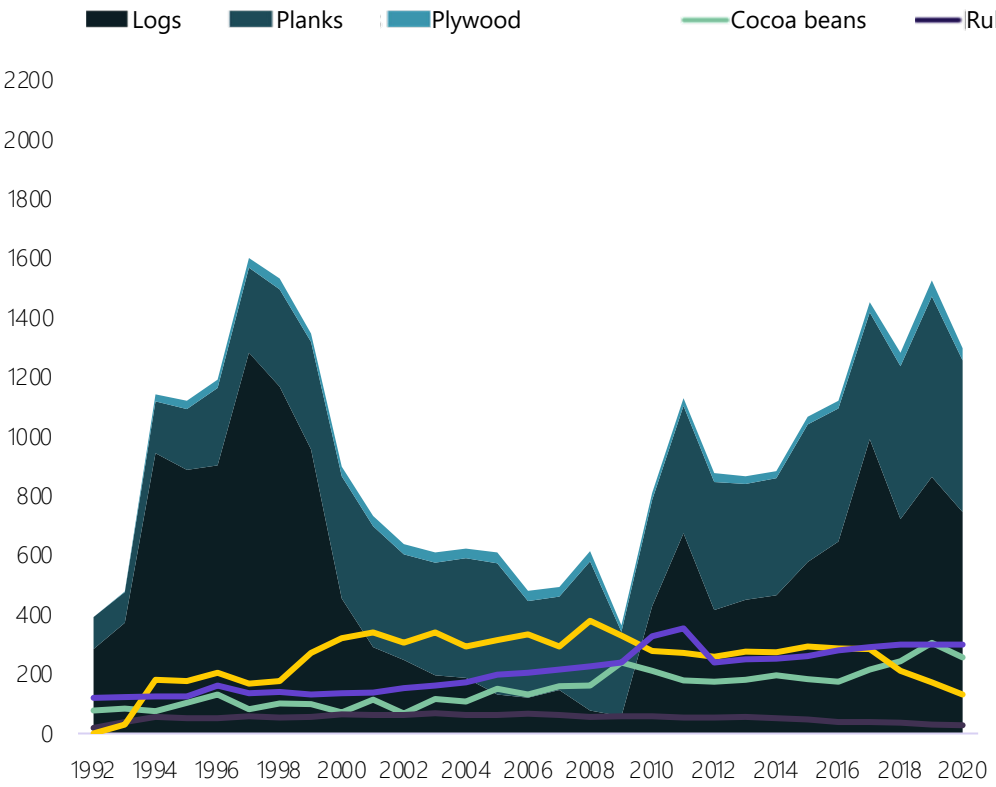
Legend

Production
Marketed by top 6 exporters
Certified by the top 6
Sold as certified by the top 6
Certified by the other actors
Sold as certified by other actors

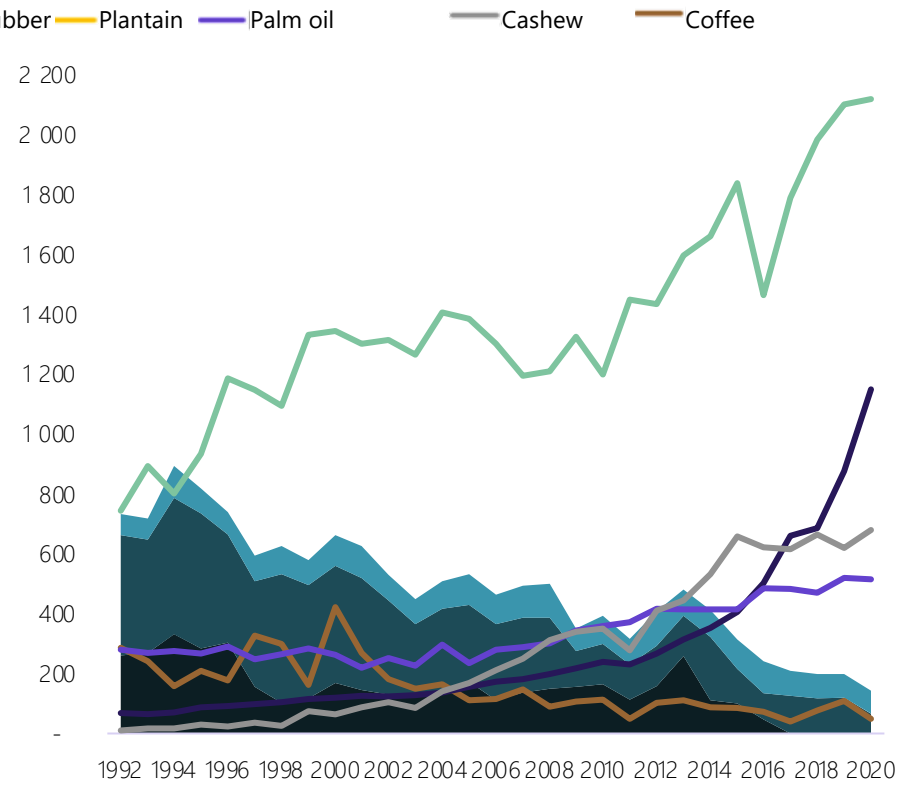
The share of cocoa marketed and certified by the top 6 is proportionally much higher in Cameroon than in West Africa

Sustainability: cocoa is a much less powerful deforestation factor than in Côte d'Ivoire

Forestry and agricultural exports from Cameroon



Forestry and agricultural exports from Côte d'Ivoire



4.2 Food for thought

Traceability: Cameroon can rely on the complementarity of its key organisations

Food for thoughts on the sharing and complementarity of responsibilities

MINADER and MINTRADE

- Strategic orientations, coordination of the action of the various actors, notably within the framework of the "PAD-Cacao" for MINADER

NCCO

- Develops the specifications (national minima) for private traceability
- Periodically collects traceability information (obligation to transmit)
- Controls and sanctions operators who do not respect national traceability minima and do not share their information at the planned periodicity
- Publish analyses, strategic notes and other public policy documents based on the data collected and processed (including a baseline of producers' living conditions)
- Directs State support to producers on the basis of these analyses

CICC

- Organises the formalisation of coxeurs (via LBAs and exporters) with the MINCOMMERCE
- Provides a customisable digital traceability system to operators who cannot afford independent development (small exporters, LBA, large coxeurs and coop): documentation, transaction recording tool, cocoa bag tracking procedures
- Supports actors (especially small exporters/LBA/coops with less means) to meet future European Union requirements

FODECC

- Subsidises downstream players for the deployment of their traceability systems (premium per registered producer)
- Targets its funding to registered producers
- Supports the creation of new plots only under compliance conditions (sustainability criteria to be negotiated)

SODECAO

- Mainly supports the renewal of plots at the end of the cycle and less the creation of new plots

… but will also have to involve all private actors

Food for thoughts for the sharing and complementarity of responsibilites

Responsibilities / Obligations	Link in the chain	Information to be transmitted to the ONCC and the CICC (under a common structure)
• Obtain **parcel + journey traceability** for 100% of the volumes purchased • Share certain **digital data** from their traceability systems with ONCC • Carry out audits of their traceability system	Tens of **exporters**	**Purchases:** Volumes/list of producers/suppliers/date **Sales:** export stats/lot structure/contracts **Producer records**
• Use their customers' **traceability applications** or have their own traceability solution to meet their customers' specifications	Tens of **LBA**	**Purchases**: Volumes/producers list/supplier/date **Sales**: volume/client/date **Producers records**
• **Formalise** their activity, join the CICC • Use the traceability **applications** of exporters, LBAs or the default application provided by the CICC	Thousands of **coxeurs** Hundreds of **cooperatives**	**Purchases**: Volumes/producer/date **Sales**: volume/client/date **Producers records**
• Accept the **georeferencing** of their plot • Give their **unique producer ID** to all their customers (including coxeurs) • **Declare any project to** extend or create a new plot with the local office of the ONCC	≈ 500 000 **producers** on 800 000 hectares	**Volume**, Dates of sellings Producer ID **Georeferencing** of plots **Creation/extension** of plots (every X years)

Traceability: to be operational, the system should prioritise key information

Key geographic information (RDFC, ECRP)

Georeferenced plot *(7-10000 FCFA per plot according to the CICC)* X Deforestation map X Map of the (non) permanent forest domain

Key commercial information

Volume

Secondary information

Humidity rate | Cocoa quality | Certification | Price and socio-eco data

The costs of a traceability system increase proportionally to the amount of information collected.
Focus on the essentials at the beginning and then expand according to the needs and the means available.

Traceability: data to be provided for sustainable traceability of the sector

Static data (annual update)	• Identifiers (for each category of actors, provide for deaths and transfer of ownership to producers) • Geolocations linked to identifiers (plots, offices or stores) • Extension projects / creation of plots for producers
Semi-dynamic data (monthly update)	• Detailed origin of supplies: aggregation of volumes supplied by plot / producer / intermediary
Dynamic data (weekly update)	• Purchasing volumes by supplier

Traceability: services necessary for an efficient system

In **dark blue** already achieved programme, in **clear blue** programmes in progress

Actor	CICC	FODECC	ONCC	Other
Unique producer ID				
Centralised producers database				
Formalisation and recording of the coxeurs	+/- 40% of the volumes but no program initiated regarding them (see next slide)			
Formalisation and recording of Coop/LBA				
Receipts and records of business transactions				Coop/LBA
Georeferencing				Exporters and RA
Quality independent audit				Auditing firms
Capabilities to verify data				MINADER

Traceability: formalise the coxeurs via two parallel actions

1. Registering coxeurs

- **Create a low-cost coxeur license (≈10,000 FCFA/year)** and registration with CICC and ONCC with the same information > 100 M FCFA of potential revenue
- **Risk**: an overly expensive license risks keeping coxeurs in the informal sector
- **Inclusion of coxeurs' representatives** in the CICC buyers' college (LBA)
- **Integration of coxeurs** in the payment and product traceability scheme

2. Raising the registration requirements for LBAs

To require from the LBAs the list of the coxeurs who provide them with mention of their location (store, store or domicile), identification in the commercial register, contact information (phone, e-mail) and area of intervention

Multiple interests for coxers

The formalisation of their activity would allow them :

- Access to financial institutions
- To enhance their essential role as aggregators and service providers to producers
- To be officially represented within the sector

A **new mediation service** (in case of dispute with producers or LBAs) could also be offered to them. This service could be provided by the CICC as part of its inter-stakeholder regulation missions.

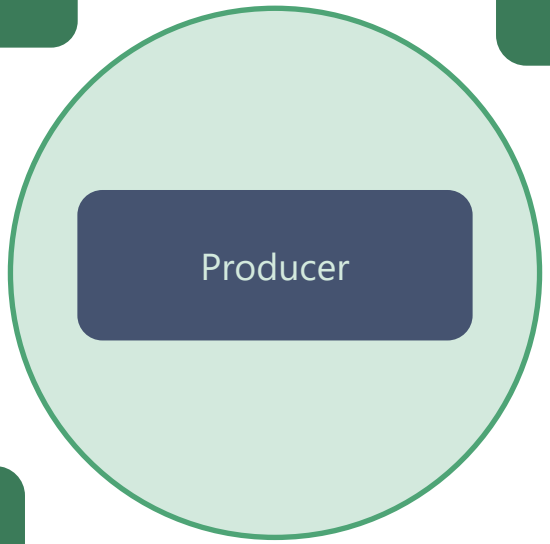
Sustainability: improving the living conditions of producers should be based on a comprehensive risk mitigation approach

Research for climate change resilient cocoa
IRAD

Subsidy
input subsidy
FODECC

Grant for the renewal of aging orchards (rather than the creation of new parcels)
FODECC / SODECAO

Strengthening the technical support of producers
SODECAO, MINADER and CICC



Improving the bargaining power of producers
ONCC and CICC

Stabilisation/Price Drop Protection Mechanism
(LID)

Improvement of the quality and therefore of the unit price
ONCC and CICC

Certifications allowing an increase of the selling price
ONCC and CICC

The Living Income Differential (LID) is one instrument among others to improve the living conditions of Cameroonian cocoa farmers

Sustainability: complementary transversal actions to mitigate the risks associated with the sector

Regional planning & decentralisation

Linking cocoa sector initiatives to regional planning and decentralisation policies

By relying mainly on spatial planning documents whose elaboration has recently started at 2 levels:

- Regions: Regional Plans for Land Use Planning and Sustainable Development (SRADDT)
- Commune : Local Land Use and Sustainable Development Plans (PLADDT)

The objective of the PLADDT being to "to organise the distribution of land at the local level" for a period of 25 years, it is certainly the most appropriate spatial planning tool to address the sustainability issues mentioned above.

Cross-sectoral reflection

Also look at the sectors that contribute the most to deforestation and that are not (or less and less) linked to the European market

Wood: logging is not a direct factor of deforestation, but the opening of (uncontrolled) trails facilitates the installation of farmers and the creation of new plots. The rise of loggers who are not concerned with the sustainability of their activity can constitute an important indirect factor of deforestation.

Palm oil: Since Cameroon's production is destined for the national or subregional market, the EU will not have the commercial leverage that it intends to activate through the current ECRP.
The expansion of palm plantations should therefore certainly be given special attention.

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