

Solidaridad



CHANGE
THAT MATTERS



LEARNING FROM OTHER SECTORS: SUSTAINABILITY IN THE PALM OIL AND COCOA SECTORS

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CHOCOA CONFERENCE 2014



SECTOR TRANSFORMATION PROGRAMMES IN THIRTEEN SECTORS WORLDWIDE



WE OPERATE AS A WORLD WIDE NETWORK OF REGIONAL EXPERTISE CENTRES



PRESENTATION

OUTLINE

COCOA & PALM OIL: A SECTOR COMPARISON

THE BUSINESS CASE FOR A WEST AFRICAN FAMILY FARM

TOWARDS INNOVATIVE SOLUTIONS



**THE GLOBAL
COCOA SITUATION**



**THERE ARE MORE
COMPLICATIONS...**

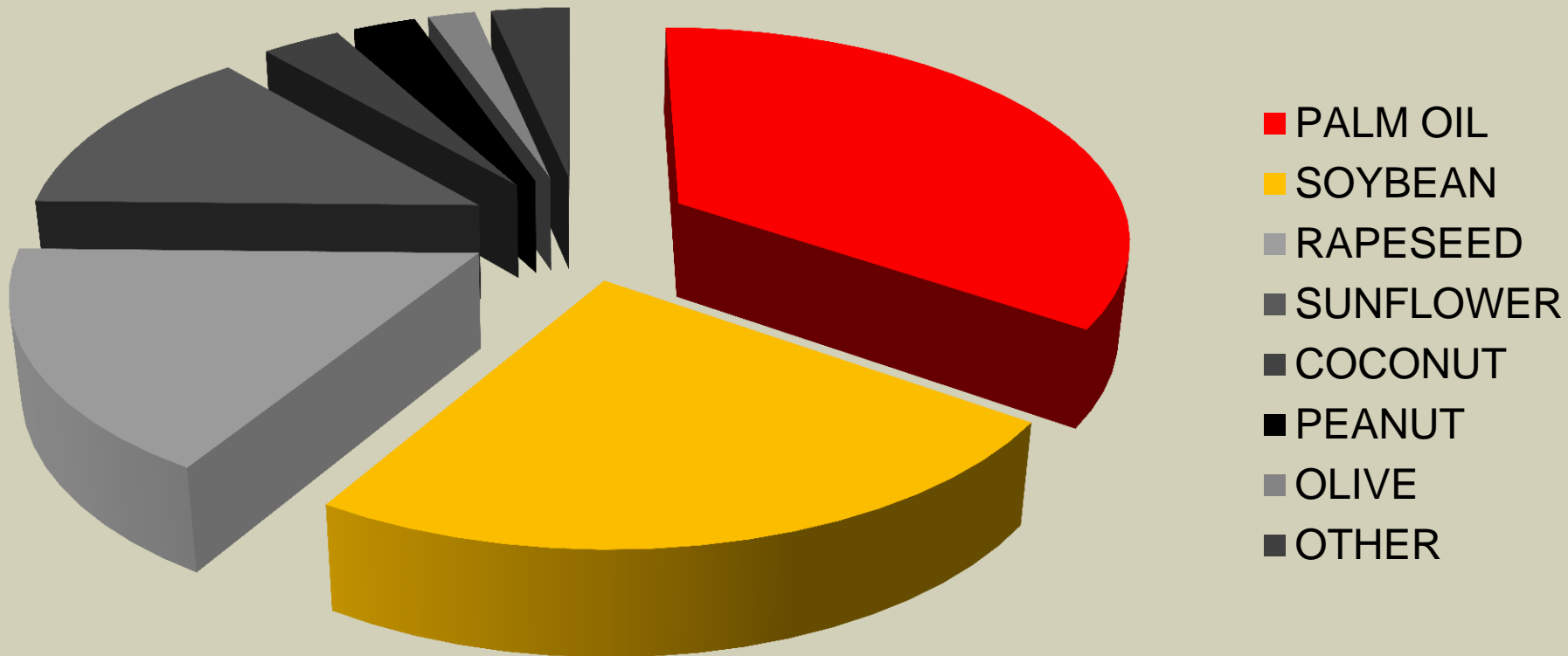
A LOOK AT PALM OIL





GLOBAL PRODUCTION MAJOR OIL CROPS 2012

OUTPUT (M Mt)





SIMILARITIES



- Tree crop in hot and humid climates
- Manual harvesting
- Livelihood for millions of smallholders
- Majority of production from only three countries
- Trade highly concentrated



DIFFERENCES: PALM HAS

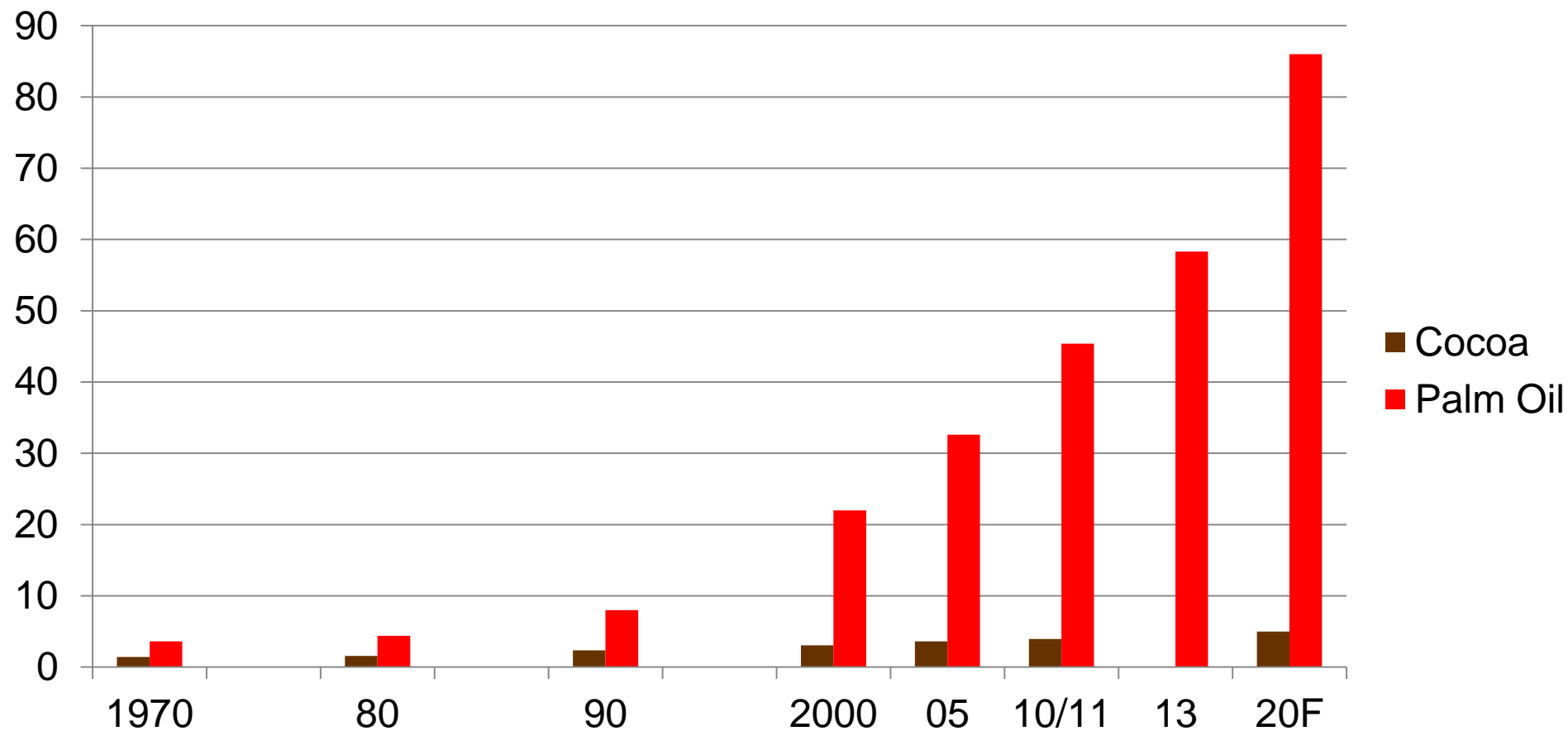


- Most production from large estates;
- Immediate processing by mill;
- Exponential demand growth;
- Price floor determined by mineral oil;
- And is a liquid bulk commodity – difficult to trace.



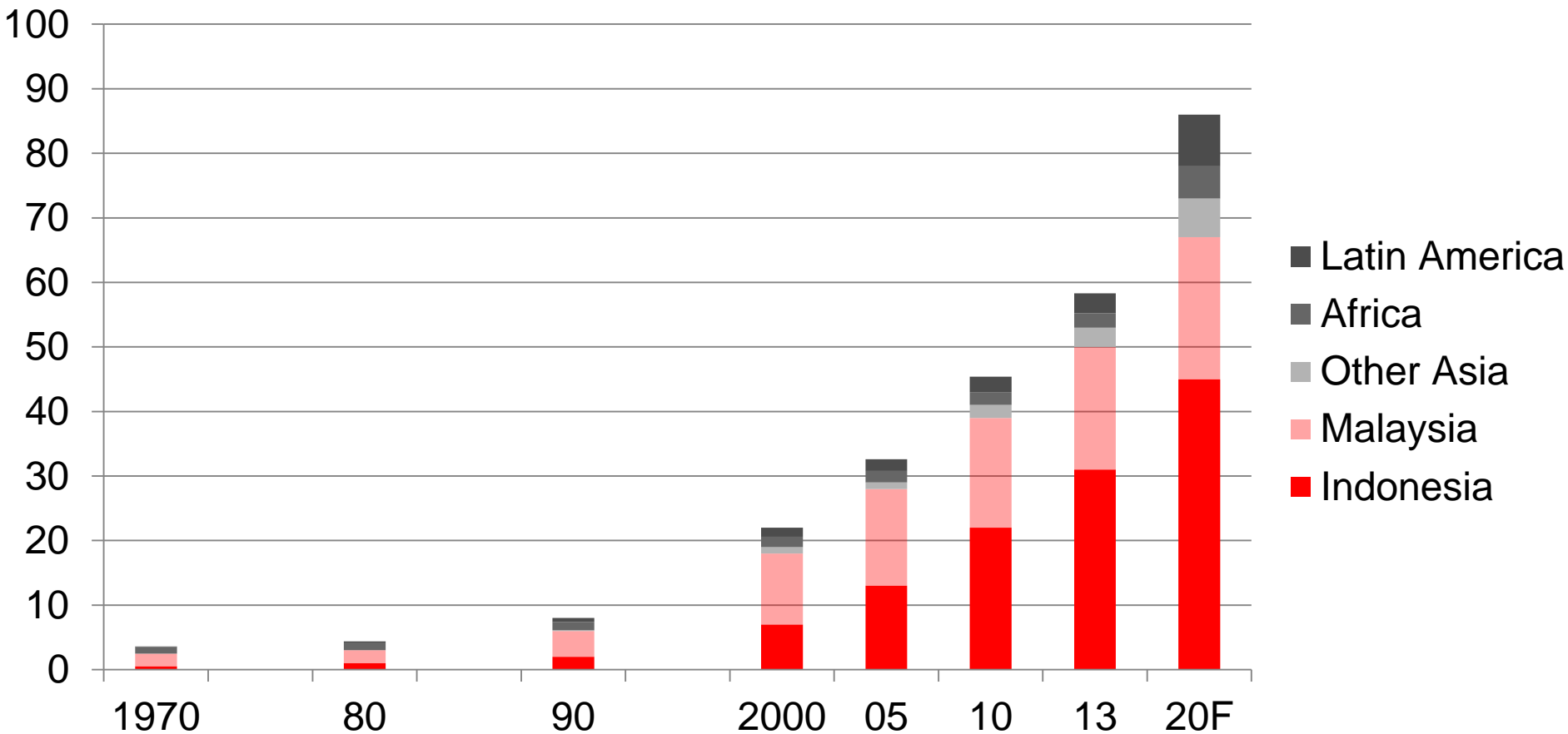
PALM OIL & COCOA PRODUCTION OUTPUT 1970-2013 & OUTLOOK 2020

(MILLION MT/YR)



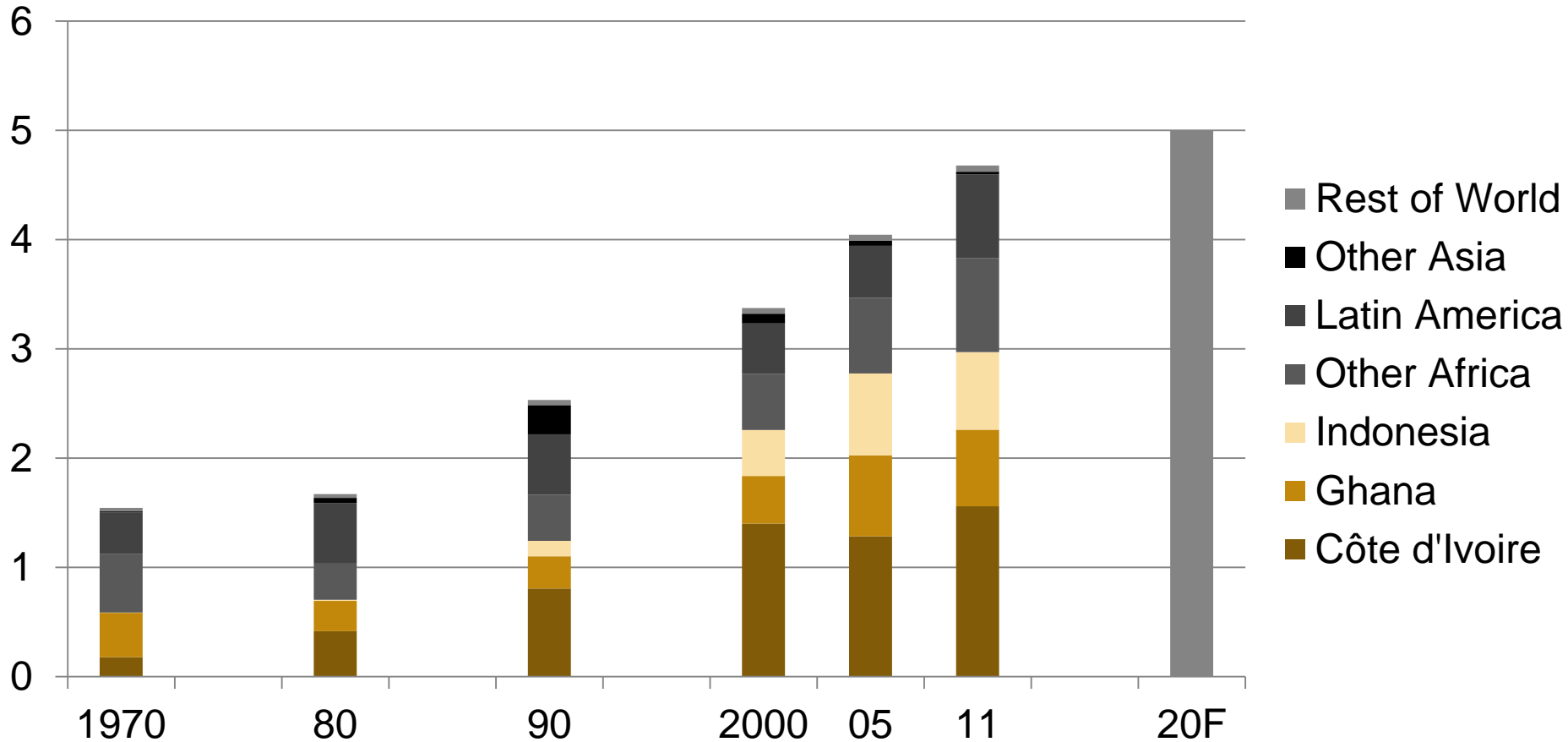
PALM OIL OUTPUT 1970-2013 AND OUTLOOK 2020

(MILLION MT/YR)



COCOA PRODUCTION 1970-2011 & OUTLOOK 2020

(MILLION MT/YR)



THE BUSINESS CASE FOR A WEST AFRICAN FAMILY FARM





4 HA OIL PALM FARM

- **1,600 KG/HA**
- **6,400 KG TOTAL YIELD**
- **\$0.75 / KG**
- **REVENUE \$ 4,800**
- **COST 2 WORKERS, LOAN REPAYMENT, FERTILIZER ~ \$ 3,200**
- **NET INCOME \$ 1,600**
- **POVERTY LINE \$ 5,800**





4 HA COCOA FARM

- **400 KG/HA**
- **1,600 KG TOTAL YIELD**
- **\$1.20 / KG**
- **REVENUE \$ 2,000**
- **COST OF WORKERS AND INPUTS ?**
- **NET INCOME ?**
- **POVERTY LINE \$ 5,800**
-





4 HA OIL PALM FARM

WITH IMPROVED PRACTICES:

- **3,000 KG/HA**
- **12,000 KG TOTAL YIELD**
- **\$0.8 / KG**
- **REVENUE \$ 9,600**
- **COST WORKERS AND INPUTS ~ \$ 3,200**
- **NET INCOME \$ 6,400**
- **POVERTY LINE \$ 5,800**





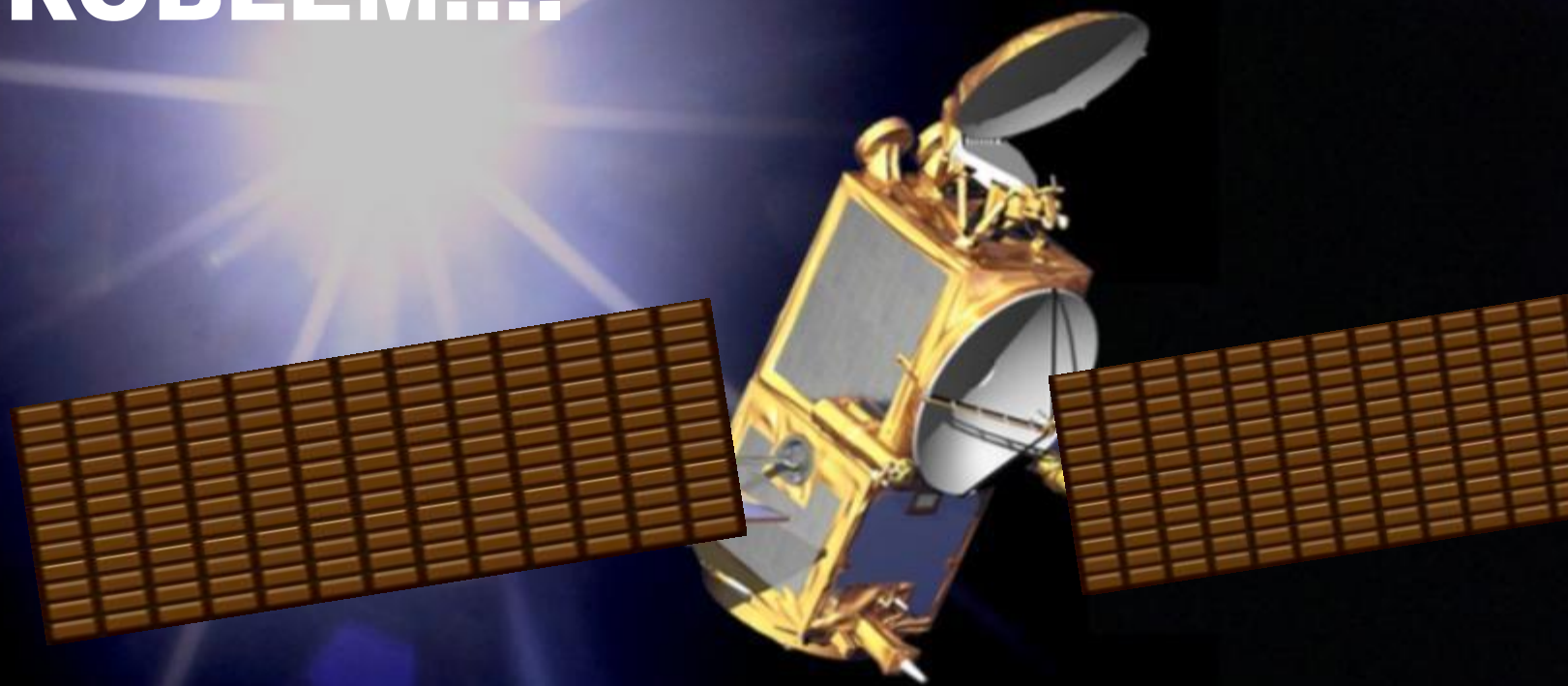
COCOA FARMER

**WITH 4 HA OF LAND AND
IMPROVED PRACTICES:**

- **1000 KG/HA**
 - **2,800 KG TOTAL YIELD**
 - **\$1.50 / KG**
 - **REVENUE \$ 6,000**
 - **COST 2 WORKERS @
\$2/DAY + INPUTS ~ \$
2,400**
 - **NET INCOME \$ 3,600**
- POVERTY LINE \$ 5,800**



**HOUSTON, WE HAVE A
PROBLEM....**





**WHAT IS A VIABLE
FAMILY FARM?
TOWARDS INNOVATIVE
SOLUTIONS**



WHAT IS A VIABLE FAMILY FARM?

- **TECHNOLOGY / VARIETIES**
- **BEST AGRONOMIC PRACTICE**
- **LABOR AVAILABILITY SKILLS VS COST**
- **SCALE**
- **MARKETS AND (FAIR) PRICING / WORKING CAPITAL**



CHECK YOUR ASSUMPTIONS

- **ONE WORKER PER HA. IN COCOA?**
- **400 KG / HA / YEAR MEANS**
- **~ 3 KG COCOA PODS PER WORKER PER DAY**
- **IN PALM OIL ONE WORKER HARVESTS 550 KG OIL FRUIT BUNCHES PER DAY**

WE WORK ON SOLUTIONS



SOME EXAMPLES OF WHAT WORKS





**TOGETHER
WE MUST INCREASE**

SCALE

SPEED

INNOVATION



INTEGRATED APPROACH

**FOCUS: SMART & SUSTAINABLE LAND USE,
FOOD SECURITY, NUTRITION AND FUTURE FARMERS**

IMPROVE THE SUSTAINABLE COCOA BUSINESS CASE

**DEVELOP SELF-SUSTAINING DELIVERY MODELS:
INPUTS, TRAINING AND CREDIT**

JOIN US

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FOR CHANGE
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