



The Cocoa Industry in CARIFORUM

Background Brief for the
3rd CARIFORUM-EU Business Forum

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EXECUTIVE SUMMARY

The market for fine or flavour cocoa is distinct from the world bulk cocoa market. It is small (only 5% of total world production), highly specialized and possesses its own supply and demand characteristics. The fine or flavour cocoa market is a US \$4 billion a year industry. Latin America and the Caribbean are the world's largest producers of fine or flavour cocoa. In 2013, eight CARIFORUM countries exported cocoa and cocoa products to thirteen European countries which included several non-traditional markets such as Estonia, Croatia, Malta and Poland. These exports were namely cocoa beans, but also included cocoa powder, chocolate and other cocoa products.

While global production trends show little prospect for a substantial increase in the supply of fine or flavour cocoa from producing countries over the short and medium term, there has been steady growth in demand. Most notably, there is increasing interest in dark and specialty chocolate. Additionally, in recent years, there has been a growing trend to produce and market 'origin specific' dark chocolates. This exploits the wide variety of flavours covered by the term 'fine or flavour' cocoa and adds a new dimension to the premium chocolate market. Furthermore, the emerging medicinal and nutraceutical value of cocoa has created new opportunities in the fine or flavour sector.

This increasing demand, coupled with the low supply has produced a shortage of fine or flavour cocoa and has contributed to an upward movement of prices paid per tonne. This offers the CARIFORUM region a strong competitive advantage and creates a tremendous opportunity. As a result, there has been much renewed interest in cocoa production in CARIFORUM. The region has also seen a significant increase in chocolate makers and chocolatiers recently.

The CARIFORUM cocoa sector however, is not without its challenges: serious labour shortages and an ageing population of cocoa farmers; low yields; diseases and pests; and strict food standards in the EU are but some of the issues it is presently facing. There is also low investment in the sector and most governments pay little attention to infrastructure such as access roads, drainage and technical assistance to farmers.

The good news is that there are some solid successes to build on. The soon to be established International Fine Cocoa Innovation Centre in Trinidad will provide support services holistically across the cocoa sector. The efforts of the Cocoa Research Centre with respect to geographic indications and traceability initiatives will add more value to the region's cocoa offerings. The many international award winning cocoa varieties and chocolates produced in CARIFORUM or using the region's cocoa, serve to strengthen the region's competitive positioning. One of the opportunities noted in the paper is the increased emphasis on strategic alliances in the fine or flavour cocoa sector. The 3rd CARIFORUM-EU Business Forum provides a platform on which to build and strengthen relationships in cocoa, resulting in mutually beneficial outcomes.



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1. The World Cocoa Market: A Snapshot

Cocoa is an important agricultural product in the global economy. World production for the 2013/2014 season was forecast to top over 4.3 million tonnes with the export of beans and semi-processed products valued at over US \$5 billion.ⁱ The demand for cocoa has risen three times faster than population growth over the last 15 years and industry forecasts predict a 20% growth over the next decade.ⁱⁱ The global chocolate industry is valued at an estimated US \$110 billion dollarsⁱⁱⁱ.

Cocoa is a highly traded commodity, which, for the most part, travels along a lengthy and complex global value chain. It is a critical export for producing countries, playing an important role in economic and rural development and is a highly valuable commodity for consuming countries.

Production

It is estimated that Africa accounted for 73% of the world cocoa output during the 2013/2014 season, the Americas, 15% and Asia and Oceania, 12%. Côte d'Ivoire, the world's top cocoa producing country, produces more than 40% of the world's cocoa alone; while the top 7 cocoa producing countries (in descending order: Côte d'Ivoire, Ghana, Indonesia, Nigeria, Brazil, Cameroon, Ecuador) produce more than 90% of the world's cocoa. Cocoa is a global commodity, purchased and sold internationally on the world market. The market price is determined by complex set of factors such as supply and demand, political conflict, speculation, among others. The income of cocoa farmers is largely tied to commodity price fluctuations, based on variables beyond their control. For indicative purposes, the average price of bulk cocoa in February 2015 was US\$ 2,946.82 per tonne.

Consumption

Processor grindings serve as the key metric for market analysis of bulk cocoa beans and is the last phase in which demand and supply can be equitably compared. The Netherlands is the largest processor of cocoa beans, undertaking approximately 13% of world grindings, followed closely by Côte d'Ivoire, then the United States of America, Germany, Indonesia, Malaysia, Brazil and Ghana. These 8 countries process 70% of all cocoa beans. OLAM, Cargill, and Barry Callebaut are the three dominant global grinders. The global cocoa processing market is valued at US \$16 billion.

Germany and the United States are the largest importers of cocoa butter. The United States – by a significant margin – is the largest importer of cocoa powder (and accordingly, the largest producer of cocoa complementary products). Germany, France and the Netherlands are the

ⁱ International Cocoa Organization, [The Cocoa Market Situation](#), July 2014.

ⁱⁱ Humber, Yuiry, Stringer, David, Bloomberg Business. [Olam Buys Archer-Daniels-Midland Cocoa Unit for \\$1.3 Billion](#). December, 2014.

ⁱⁱⁱ Technical Centre for Agricultural and Rural Cooperation (ACP—EU), *AgriTrade Executive Brief: Cocoa Sector*, October 2012.

largest importers of cocoa paste. Switzerland is the top consumer per capita of chocolate, followed by Germany, Austria, Ireland and the United Kingdom.

In 2011, China was the 9th largest importer of cocoa paste and cocoa powder, up from 12th and 15th position respectively in 2008. It is predicted that China will become the 2nd largest market after the USA by 2017. At present, China consumes, significantly less per capita than the global average – 0.04 kg in bean equivalent, as compared to the global average of 0.62 kg. India is also a very strong and growing market, slated to become the second largest market for cocoa ingredients in the Asia Pacific region after China. While Western Europe and North America have very high per capita consumption levels of chocolate, it is expected that consumption will plateau and decline in the future. The good news for the region is that these mature user markets are turning to higher quality, more premium products. According to *Euromonitor*, this trend will continue over the next five years. Per capita consumption is on the rise in Eastern European and Russia as well; however, the current preference is for well-known, western confectionary brands.

2. The Distinct Role of the Caribbean in the Cocoa Market

The cocoa industry in CARIFORUM currently comprises eleven cocoa producing countries: Belize, Dominica, Dominican Republic, Grenada, Guyana, Haiti, Jamaica, Saint Lucia, Saint Vincent and the Grenadines, Suriname and Trinidad and Tobago. In some of these countries production is negligible and data are not recorded in global statistics. Despite the relatively low levels of cocoa bean production across most of the Caribbean the region plays a very special and important role in the global cocoa economy. To better appreciate this role, it is necessary to understand the different types of cocoa beans.

There is an important distinction in the world cocoa market between ‘bulk’ or ‘ordinary’ beans and ‘fine’ or ‘flavour’ beans (hereinafter referred to as “flavour” cocoa). Though there are exceptions to this rule, flavour cocoa beans are produced from Criollo or Trinitario^{IV} cocoa trees, while bulk cocoa beans are obtained from Forastero trees - within these 3 types there are, however, many varieties. Presently, Latin America and the Caribbean produce 80% of the world’s flavour cocoa.

Fine or Flavour Cocoa

Flavour cocoa is recognized for its unique flavour and colour. It accounts for only 5% of the world’s cocoa production and is grown in a very small number of countries. Annex ‘C’ of the International Cocoa Agreement lists the countries recognized as exclusive or partial exporters of flavour cocoa. In 2011, it contained 17 countries, including 6 CARIFORUM countries – 5 of which are listed as exclusive producers of flavour cocoa (Dominica, Grenada, Jamaica, Saint Lucia and Trinidad and Tobago). Forty percent of the cocoa beans sold by the Dominican

^{IV} The Trinitario cocoa variety was developed in Trinidad as a natural hybrid.

Republic is flavour cocoa which accounts for significantly more than the combined output of the other 5 Caribbean producers. Ecuador is the world's largest exporter of flavour cocoa, accounting for 65% of world output.

While global production trends show little prospect for a substantial increase in the supply of flavour cocoa from producing countries over the short and medium term, there has been steady growth in demand. Most notably, there is increasing interest in dark and specialty chocolate. Additionally, in recent years, there has been a growing trend to produce and market 'origin specific' dark chocolates. This exploits the wide variety of flavours covered by the term 'fine or flavour' cocoa and adds a new dimension to the premium chocolate market. Furthermore, the emerging medicinal and nutraceutical value of cocoa has created new opportunities in the flavour sector.

Flavour cocoa is used primarily to make dark chocolate and is often linked with 'single origin' cocoa (cocoa from the same country, region or even estate) and 'bean to bar' production. Dark chocolate uses significantly more cocoa than milk chocolate (typically between 60% and 80% of the chocolate), less sugar and no milk – leaving the cocoa, as close as possible, in its unadulterated state. As such, the taste and the quality of the beans become important. Like coffee or wine, the taste of cocoa is unique to a region and can vary from season to season. Farming practices, processing, shipping and storage will also affect the taste. More than 500 flavour compounds have been identified from cocoa products^V. Even within a single country, the taste profile can vary. For example, beans from Trinidad and Tobago have won awards at the International Cocoa Awards at the Salon du Chocolat in the categories of fruity, florally, spicy, sweet and nutty. Beans from Jamaica and the Dominican Republic have also won awards.

Cocoa Processing and Chocolate Production in CARIFORUM

For the large part, farmers across the region sell 'wet' beans to cocoa co-operatives, associations, or export agencies. These organizations are typically responsible for the fermenting and drying of the cocoa beans. Once fermented and dried, the cocoa beans can then be sold. Alternatively, cocoa can be further processed. Cocoa processing involves the transformation of the bean into cocoa nibs, liquor, cake, butter, powder and couverture, while chocolate manufacturing is the blending of cocoa liquor, butter and other ingredients, such as sugar and milk, to make chocolate. In CARIFORUM the following cocoa products are manufactured and exported: cocoa beans; cocoa nibs; cocoa powder; cocoa liquor; cocoa butter; couverture; cosmetics. There are cocoa processors in the Dominican Republic, Trinidad, Grenada and Jamaica. M.K. Laboratories in the Dominican Republic is producing a line of high-end, chocolate hair care products which they are presently exporting to Puerto Rico and the United States.

Chocolate production in CARIFORUM is rising, driven by market trends, as well as an increase in regional technical support for chocolate makers. The Centre for Development of Enterprise

^V Reed, Stacy, [Sensory Analysis of Chocolate Liquor](#), Wilbur/Cargill Inc., 2010.

(CDE) undertook a regional project entitled, *Investing in Caribbean Fine Cocoa and Its Value Chain* which included a component, [Support to Small-Scale Cocoa Manufacturers and Chocolate Makers Operating in the Caribbean Area](#). The Cocoa Research Centre also conducts a chocolate manufacturing training programme. Seventy seven people have been trained to date and the course has already been sold out for 2015.

Chocolate is produced by artisans or small manufacturers namely for domestic consumption, including domestic tourism consumption. Larger-scale producers of chocolate bars include companies in Barbados (Agapey), Belize (Moho), Dominican Republic (Rizek Cacao, Cortés Hermanos), Grenada (Grenada Chocolate Factory, Diamond Chocolate Factory) and Trinidad (Cocoa Research Centre, House of Arendel). Two new factories will be opening in Trinidad in 2015: the IFCIC Chocolate Factory and the Trinidad and Tobago Fine Cocoa Factory.

Exports of Cocoa and Cocoa Products to the EU

Presently, Belize, Dominica, Dominican Republic, Grenada, Haiti, Jamaica, Saint Lucia and Trinidad and Tobago export cocoa and cocoa products to the EU. In 2013, the EU markets for these producers included: Belgium, Croatia, Estonia, France, Germany, Ireland, Italy, Malta, Netherlands, Poland, Spain, Sweden and the UK – an impressive 13 markets including several non-traditional ones. During interviews with stakeholders, no market access challenges with respect to exporting to the EU were noted.

Table 1: CARIFORUM Exports of Cocoa and Cocoa Products to EU - 2013 (1,000 kg)

	Belgium	Croatia	Estonia	France	Germany	Ireland	Italy	Malta	Netherlands	Poland	Spain	Sweden	UK
Belize									96				
Dominica		5							20				
Dominican Republic	8582		3	723	4416		4092		11795	504	5436	1	125
Grenada				250	12		2		46				11
Haiti	8			13	1		166		286		373		
Jamaica				100									
Saint Lucia				24	5								
Trinidad and Tobago	85				34	44		9	186				

Source: European Commission Export Helpdesk Statistics

3. International Market Trends and Opportunities

Overview of Consumer Trends

The flavour cocoa market decreased dramatically at the beginning of this century - from approximately 50% of total cocoa production, to the current level of 5%^{VI}. This was due to global expansion strictly focused on bulk cocoa, the relative delicate nature of Trinitario cocoa and consumer trends. The market conditions have since shifted: driven by 'new' consumer trends such as quality, health, uniqueness and social responsibility; there is increasing focus on dark and specialty chocolate and consequently on the development of the flavour cocoa industry. **Demand for flavour cocoa has been growing rapidly over the past five years as dark chocolate becomes increasingly popular, particularly in the more mature markets of Western Europe, North America and Japan.** Most major chocolate manufacturers also now offer premium chocolate products in their range.

Accordingly, there has been a resurgence of interest in cocoa production in the Caribbean. The focus is on securing cocoa price premiums associated with quality and differentiation and in developing value-added products. Despite the increase in global demand, cocoa production in the region has not increased much. With the exception of the Dominican Republic and Grenada, cocoa production across the region has held steady or declined over the past 5 years.

The flavour cocoa market is distinct from the international market for bulk cocoa. It is relatively small, highly-specialized and has its own supply and demand characteristics. The fine/flavour value chain is short and transparent, unlike the lengthy and complex value chain of bulk chocolate. The farmers sell their cocoa either directly to specialist agents of specific chocolate companies or, as is generally the case in the region, via a cocoa industry board or cooperative. Many examples of strategic alliances between cocoa bean producers and chocolate manufacturers can be found in the region. In some cases, the cocoa producers will also manufacture chocolate. Grenada Chocolate is an example where a collective group (Grenada Chocolate Factory and the Organic Cocoa Farmers' Co-operative) undertakes the entire production and manufacturing process and sells chocolate directly to consumers and distributors. This is referred to as 'bean to bar' chocolate manufacturing.

While demand trends and price fluctuations on the world bulk cocoa market affect the flavour market, the price of such cocoa is ultimately determined by a supply-demand balance based on origin, type, quality, quantity, flavour requirements, as well as reputation and reliability. Though the price is highly variable, flavour cocoa commands a significant premium over bulk cocoa – up to 3 to 4 times the price of bulk cocoa in some instances. The 'trade off' is that purchasers of fine flavor cocoa are much more demanding. Their concerns include: food safety, batch mixing (of different qualities and origins), uncertainties about the veracity of origin and the levels of quality control throughout the farming chain (e.g. harvesting, fermentation, drying,

^{VI} Instituto Nacional de Investigaciones Agropecuarias, *Project to determine the physical, chemical and organoleptic parameters to differentiate between fine and bulk cocoa*, CFC/ICCO/INIAP, 2007.

grinding and shipping). The cocoa that secures the highest prices on the market often originates from larger plantations where the physical and genetic integrity of the cocoa can be maintained. Concerns regarding quality and consistency are exacerbated in much of the Caribbean, where fine flavor cocoa is often collected and purchased through farmers' cooperatives, cocoa boards or export agencies from a number of smallholders. There are presently efforts being made in the region to mitigate some of these concerns through geographic indicators and traceability initiatives.

Another interesting aspect of the flavour cocoa market is its link to sustainability. **The closer relationship between farmers and cocoa buyers in the flavour market can lead to a direct and mutual interest in sustainability;** whereas sustainability on the wider market is often not a consideration of bulk cocoa buyers and usually involves a certification process (UTZ certified, Fair Trade, EKO organic and Rainforest Alliance, as examples). An example of a sustainability initiative in the region is the joint venture partnership between L.A. Burdick and the Grenada Cocoa Association in the recent construction of the [Diamond Chocolate Factory](#).

Fair-Trade and Organic Cocoa

Fair-trade supports sustainable cocoa production through the payment of a fair-trade minimum price, as well as an additional premium to invest in business or community projects in some instances. The fair-trade premium for bulk cocoa is US\$ 150.00 per tonne above the normal price. Fair-trade cocoa presently accounts for only 0.5% of the cocoa market but due to consumer demands and growing corporate social responsibility, fair-trade cocoa levels are increasing. Mars, Hershey, Ferrero and Natra are amongst the many chocolate producers who have committed to 100% sustainable cocoa by 2020 using Utz, Rainforest Alliance and Fairtrade certifications. Fair-trade (FLO) certified cocoa producer associations are located in Belize, Bolivia, Costa Rica, Dominican Republic, Ecuador, Haiti, Nicaragua, Panama, Peru, Cameroon, Ghana and Côte d'Ivoire. **In the case of the Dominican Republic, almost half of the cocoa produced under the CONACADO umbrella (which includes 182 small-scale producer associations with a total membership of 10,000 cocoa farmers) is sold on the fair-trade market.**

According to *Confectionary News*^{VII}, the organic cocoa market accounts for 1.5% of the world's cocoa market and demand for organic chocolate is growing very rapidly. *Euromonitor* notes that organic chocolate sales have increased from US \$171 million in 2002 to US \$734 million in 2012^{VIII}. The price for organic cocoa is not fixed (like it is for fair-trade cocoa) and can reach up to 25% above market price. 50% of organic cocoa is also sold as fair-trade, which enhances the premium. The Dominican Republic is the top producer of organic cocoa in the world. Small quantities of certified organic chocolate are being produced across CARIFORUM, including: Belize, Grenada, Saint Lucia and Tobago.

^{VII} [Organic chocolate threat: Farmers lack sufficient incentives to grow organic cocoa](#). *Confectionary News*, November 2013.

^{VIII} [Organic cocoa prices not sufficient incentive to stimulate production](#)." *Agritrade*, January 2014.

In Grenada, the organic cocoa produced on some 13 certified farms is sold to the Grenada Chocolate Company. The Chocolate Company produces chocolate bars (and other cocoa products) in collaboration with these farmers, maximizing on their profits and mitigating the effects of low-yield losses. The Toledo Cocoa Grower's Association in Belize is organic certified by the Soil Association, as well as the Canadian Organic Regime (COR) and is additionally fair-trade certified by the Fairtrade Labelling Organization (FLO). TCGA supplies Green & Black's, one of the largest organic chocolate companies in the US, with all of its organic cocoa. In the Dominican Republic, Nazario Rizek has obtained an impressive number of certifications including a series of organic certifications: EEC (EU), NOP (USA), JAS (Japan) and BIO Suisse, as well as Rainforest Alliance, UTZ, Kosher, Fair-Trade and Fair for Life.

In practice, the economic incentives related to sustainable cocoa initiatives do not necessarily translate to a correlated increase in purchase prices. This is particularly the case in the Dominican Republic, whose market differs somewhat from the rest of the region mainly because of the comparative quantity of cocoa produced.

Labelling and Packaging Trends

With regards to packaging, a recent study confirmed that, "attractive design was of paramount significance in first purchase of chocolate bars". According to the study, emphasis was placed on both 'information' and the 'visual aesthetics' elements of the packaging^{ix}. Cargill's research on the 10 trends in chocolate in 2015, noted that consumers are moving from 'clean' labels to 'clear' labels. Claims such as 'natural' or 'no additives' are no longer enough for consumers. Instead, they are looking for more information on what is in their products, where it is from, as well as any associated sustainability initiatives. According to *Design and Paper*, trends in design include illustration, geometric patterns, brown recycled paper (to emphasize the 'organic' or 'fair-trade' elements) and transparent packaging.

Opportunities for CARIFORUM

Premium & Unique - Consumers are seeking quality. They want unique, authentic products. They are seeking experiences and stories in order to feel a connection to a product. While consumers have cut back on large, expensive purchases, like vacations, they are willing to indulge in affordable luxuries, such as premium chocolate. Also, nowadays consumers have access to information and expect it. They want to know exactly what is in the products that they consume and where these ingredients come from.

Health Benefits - Consumers want healthy and organic options. The health benefits of dark chocolate are increasingly being recognized. Dark chocolate is known to lower blood pressure and cholesterol and has 8 times the number of antioxidants found in strawberries. The high

^{ix} Shekhar, S & Raveendran, P. Chocolate packaging cues and first moment of truth: An exploratory study on young consumers' mind. *Management Science Letters*, 2013.

content of antioxidants found in cocoa also surpassed those found in wine and tea. According to ICCO, there is also emerging evidence which suggests that cocoa and chocolate may be able to contribute to reducing the risk of certain types of cancer. The European Food Safety Authority approved the first health claim for cocoa flavanols (antioxidants) in 2012, following an application from Barry Callebaut. In line with the health trend, consumers are also seeking sugar free and vitamin-enriched chocolates. There will also be an emphasis on healthy, unsaturated fats.

Social Movements - Consumers are aware of the terrible labour conditions frequently found in developing countries in cocoa production. Some European consumers, in particular, insist that their goods are produced in an ethical manner and are willing to pay a higher price for this assurance. There is an expectation that cocoa companies have sustainability programmes in place which seek to address social, economic and environmental concerns.

Cooking & Baking Resurgence - Cooking and baking are trending upwards. There is a new interest in learning how to cook beyond basic cuisine. Consumers now have access to small scale chocolate manufacturing equipment, previously unavailable to them. Given the increased interest in cooking, as well as growing artisan chocolatier movement, there is scope to provide small quantities of fine flavour beans directly to the consumer.

Growing chocolatier movement - The number of 'bean to bar' operations in the US has grown at a rate of 63% per year since 2004. Many of these chocolatiers and chocolate makers purchase beans directly from farmers.

Value Added - With the increasing number of trained chocolate makers and production facilities in the CARIFORUM region, there is scope for the production of cocoa products right across the value chain including chocolate, couverture and cocoa liquor used by chocolate makers. This provides more profit to regional companies and lowers the production costs of international chocolate makers.

Differentiation - There are presently regional projects in place that will support the development of geographic indications (GIs) and traceability for cocoa. As an example, potential GIs in Trinidad, may include: Gran Couva, La Pastora, Rancho Quemado, San Souci, Speyside. Cocoa from a specific region will fetch higher prices than cocoa from a specific origin (i.e. Trinidad).

Customization - Rizek Cacao, in the Dominican Republic, is presently applying a customization strategy, producing 'tailor-made' cocoa and cocoa liquor, as well as offering 'estate certified' beans to international buyers.

Leverage Certifications - Internationally recognized certifications will serve to differentiate and build competitive advantage. The value of certifications may vary, however it is important to leverage the certificates that offer the highest return. Double certification (i.e. organic / Fair-

trade) is a growing trend. Rizek Cacao is presently attracting a strong response to their Kosher and Rainforest Alliance certifications, for example.

Strategic Alliances - The increased interest in origin initiatives, cocoa production and chocolate production lends to an enhanced focus on personal relationships between the farmers or co-operatives and the chocolate makers. These relationships should be sought and built. Examples in the region include: L.A. Burdick and the Grenada Cocoa Association; Tobago Cocoa Estate and Francois Pralus; as well as Trinidad and Tobago Fine Cocoa Company and Artisans du Chocolat. Relationships enhance sustainability.

Agro-Tourism - Consumers, including tourists, are seeking authentic experiences and are willing and eager to engage in agro-tourism activities. There are several examples of cocoa agro-tourism in the region. Belmont Estate, as one example, presently incorporates a Creole restaurant, heritage museum, farm and exotic animals, plant nursery, chocolate shop, goat dairy, craft co-operative and gardens on their property.

Investment Opportunities

Predicted shortfalls coupled with the large returns expected for new cocoa varieties that can significantly increase yields and reduce the propensity of disease will attract investment. Investors in the CARIFORUM region will be particularly interested in flavour cocoa which is sold at high premiums and offers unique varieties alongside high quality. Trinidad and Tobago is actively pursuing investment in cocoa pitching the numerous incentives available, including: high yield, pest and disease resistant planting material at a low price; training for small-production cocoa farmers in more effective planting and harvesting techniques; an open market; rebates for establishing or rehabilitating plantations; subsidies for the purchase of harvesting and transport vehicles; and subsidies for establishing post-harvesting facilities.

Comparative Advantage of CARIFORUM

CARIFORUM comprises 6 of the recognized 17 fine or flavour cocoa producing countries in the world. Increasingly, cocoa farms in the region are becoming organic and fair-trade certified. The region is also home to the largest variety of cocoa in the world via the Cocoa Research Centre at the University of the West Indies in Trinidad, enabling the production of unique flavours of cocoa. There is also an increased focus on cocoa quality and value-added production. The region has won many international awards for its cocoa and chocolate. These factors assist in positioning the beans in the region above the rest.

5. Challenges Facing the Cocoa Sector in the Region

Notwithstanding the opportunities in the global market, the challenges in the region, as one might expect, are numerous. The issue of inadequate labour is the top challenge identified. The key areas needing attention are as follows:

- (i) Ageing farmer population – the average age of the cocoa farmer in CARIFORUM is higher than the global average (late 50s). Seventy five percent of the cocoa farmers in Trinidad and Tobago are over 50 years old;
- (ii) Lack of interest by youths – the above is compounded by the fact that generally speaking, young people are not interested in farming;
- (iii) Competition – cocoa faces strong competition from other crops for its limited labour force as it is not necessarily a lucrative crop;
- (iv) Labour costs – labour costs in much of the region are high, this is compounded by the limited mechanization used in regional cocoa farming;
- (v) Abandoned estates – labour challenges result in an increase of abandoned estates.

Other significant challenges noted relate to the productivity of farms. They include:

- Limited knowledge of modern farming techniques;
- Diseases and pests;
- Declining soil fertility;
- Aging cocoa fields;
- Dwindling cocoa acreage;
- Climate change - rising temperatures, drought.

Another set of challenges have to do with the ‘business of cocoa’, including:

- Lack of data by farmers related to output;
- Limited business mindset;
- Disconnect between farmer and chocolate industry;
- Limited value-added production;
- Limited relationships developed with international companies at farmer level;
- Low investments in cocoa;
- Challenges with access to financing for farmers;
- Limited market awareness related to fine or flavour cocoa.

Other challenges noted:

- Erosion of competitive advantage as more countries turn to flavour and organic cocoa;
- Access to roads from cocoa farms is often inadequate;
- Heavy metal contamination.

Challenges for chocolate producers include:

- Limited cocoa supply;

- Heat and humidity and the high cost of mitigating this challenge by using air conditioning 24 hours a day;
- Limited mechanization.

6. Concluding Observations

This section flags some issues for discussion and will be completed following the 3rd CARIFORUM-EU Business Forum in order to benefit from the discussions at the event. Since the cocoa industry is a globally integrated one with established and sophisticated markets and value chains, there is not much in the European policy environment that can be changed to help the Caribbean increase exports of cocoa or cocoa products. Indeed, many of the issues facing the industry in CARIFORUM are of a domestic or regional nature.

Production challenges aside, enhanced trade with the EU should be possible with more aggressive farmer-to-consumer strategies including: market research, marketing and strategic alliance building. A regional campaign which seeks to differentiate and highlight the fine or flavour cocoa market would be useful as well.

The following are some key issues to be considered at the Business Forum regarding the cocoa sector in CARIFORUM:

1. In light of a declining labour force, how can the Caribbean promote mechanization and the use of technology in order to increase productivity and attract a younger workforce?
2. What should be done to attract youths to cocoa farming? Incomes paid to farm workers will have to be attractive enough to compete with other sectors or there will have to be other incentives.
3. Should cocoa producing countries in all CARIFORUM countries incorporate cocoa agro-tourism in their tourism products? This could provide additional revenue to cocoa farmers and incorporate more labour in the sector. It could also add to the authentic experience that many European tourists seek.
4. Is it feasible for some Governments in CARIFORUM to introduce temporary labour mobility schemes for foreign agricultural workers in order to ensure the sustainability of the cocoa sector? In countries such as Trinidad and Tobago, it is practically impossible to attract local labour to cocoa farming. So, creative solutions will have to be found to import labour on a temporary basis.
5. How can farmers best be supported to increase productivity and quality?
6. What can be done to ensure higher and more predictable quantities of cocoa?

7. What innovations can the region explore to maintain its competitive advantage in flavour cocoa and to increase profits?
8. Can flavour cocoa producers in the region leverage intellectual property rights through geographical indications?
9. What is the best way to support entrepreneurship in the cocoa industry?
10. How can investment in cocoa be supported at national and regional levels?
11. What scope is there for a regional cocoa strategy?
12. How can strategic alliances be supported between producers, processors and exporters?
More partnerships between European chocolate producers and flavour cocoa growers in the region can lead to increased investment in the sector.
13. How can the region best leverage the expertise of the Cocoa Research Centre and other organizations?
14. How can the region establish a stronger international presence in cocoa and what is the best way to raise awareness of the fine flavour market segment?
15. How can Governments better support the sector? Investment in rural infrastructure, particularly access roads and drainage as well as better agricultural extension services are important in order to increase the production of flavour cocoa.

The high-quality Trinitario beans and the complex and unique Caribbean cocoa flavours make each one of the region's cocoa producing markets an important one as chocolate makers seek to create new and distinct flavours and high quality products. This, in tandem with a high international demand and purchase price, as well as an emphasis on sustainability makes the cocoa industry in the region deserving of the support and attention it is presently receiving – and more. Various technical assistance projects have been funded by the EU for the cocoa sector over the years. It is expected that this need will continue.

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