

LEARNING BRIEF: MARKET ANALYSIS FOR COCOA INCOME DIVERSIFICATION UNDER THE CADBURY FARMER RESILIENCE FUND

The Cadbury Farmer Resilience Fund aims to protect cocoa production and farmer livelihoods during the COVID-19 pandemic, as well as supporting climate smart income diversification, through initiatives such as a grant facility, training and pilots, and community climate adaptation action plans.

Emerging from an existing partnership between Mondelez International and Fairtrade under the Climate Change and Organisation Strengthening Programme, the Fund is managed by Fairtrade and works with nine cocoa farming unions representing 22,500 farmers. The Fund builds on years of work that Fairtrade certification, Mondelez International and formerly Cadbury have carried out with generations of cocoa farmers, working alongside the Government of Ghana. This legacy is also continued through the Fund's prioritisation of collaboration and joint working on sustainability issues, while ensuring that farmer voice remains at the centre of all design activities.

In August 2020, the Fund was established as part of the Vulnerable Supply Chains Facility (VSCF), a rapid COVID-19 response facility set up by the UK Foreign, Commonwealth and Development Office (FCDO), and managed by Mott MacDonald Ltd.

- **The pandemic has had a serious impact on Ghana's cocoa sector**, with border closures and restrictions affecting exports, and knock-on effects along the value chain. The Cadbury Farmer Resilience Fund recently launched a one-year flexible grant facility to provide start-up capital for climate-smart new business models, and ensure farmers from nine cocoa unions were able to maintain their cocoa harvest through the 2020–21 season. The main effects of the COVID-19 pandemic reported by the unions were: the impact of movement restrictions on trade (purchasing inputs and selling produce), as well as household level impacts on food security due to increased prices.
- **A markets and livelihoods analysis was conducted to inform the development of the Fund's grant strategy, at the same time as allowing the unions to start sharing their income diversification ideas.** This explored the impacts of climate change on some of Ghana's key food crops and identified value chains with strong links to rural poverty reduction. To get a picture of needs and priorities, including an assessment of climate vulnerability, in-depth discussion with the unions was needed. These consultations ensured farmers were at the heart of the project design process, creating ownership, and enabling union leaders to design their grant projects in line with the interests of their members. The key findings of this analysis are presented below.

- **Priorities for unions and members:**

During analysis, the unions exclusively looked to alternative crops and small businesses for income diversification and food security; no direct cocoa initiatives were being considered. However, there was nothing to suggest waning interest in cocoa. In fact, several positive synergies with cocoa production were identified e.g. income generated through new activities could be invested back into cocoa production, and cocoa by-products could be used in new activities (e.g. cocoa husks in soap making). In addition, bee-keeping, which was prioritised by one of the unions as a means for addition income, promotes natural pollination in cocoa and thus increased productivity.

- **There was a high degree of similarity in popular farm and farm-related activities across the nine unions, broadly splitting into 1) food crops for diversification of income, and 2) value addition/commercialisation opportunities.** The most popular crops were maize, cassava and vegetables, and the most popular activities were bee keeping, soap making and bakeries. There was also an interest in processing businesses, such as cassava processing into gari and cocoa pod harvesting into soap.

1. Crop diversification: There was strong consistency amongst crops selected by unions – this was not considered problematic; in many ways it was reassuring that i) the unions were choosing crops suited to local agro-climatic conditions (the notable differences in proposed crops came from unions in areas with distinct climatic conditions), and ii) that there was consensus on what constitutes a good food security/income diversification crop.

2. Value addition: The popularity of soap making and bakeries was explained by Mondelez International's Cocoa Life Program having previously provided training in these activities. It was useful to learn that such projects would be building on the foundation of these initiatives and that there was some evidence of business feasibility. Where projects had not thrived, unions were encouraged to address the reasons for this, demonstrating the route to a viable project. This included issues such as cost of inputs, distance to market and possible market saturation.

- **Some of the ideas being explored by the unions worked for food security, others for income generation, some were a mix.** The crops most favoured by the poorest farmers were maize, plantain, cocoyam, and cassava – key subsistence crops important to household food security. Cassava was identified as a good crop for climate resilience because of its versatility as a subsistence crop with the added benefit of value addition through processing (into gari) which can supplement incomes and is an activity accessible to women.

- **Seeing the whole value chain is essential for impacts and for delivery.** Following a grant application process designed to build on the findings of this analysis, it was observed in the proposals received that there is potential for significant upstream and downstream impacts through some of the projects. Proposals identified a range of value chain actors that may benefit in their role as e.g. an SME supplier, buyer, or service provider. For example, one of the most ambitious projects is an aquaculture enterprise to be developed by Bia West, the largest of the nine unions with over 7,500 members. Establishing three commercial tilapia farms, the union will require a significant volume of inputs (e.g. feed) to support each production cycle, with knock-on impacts for suppliers.



- **Grants have been awarded to nine unions and projects are currently underway.** Each union is undertaking several activities, between them covering a range of crop diversification and value addition activities identified as high potential through the markets and livelihoods analysis. Projects will run until June 2021, with the unions receiving support from the core project team in areas such as planning, strategic direction, budgeting and MEL.

CASE STUDY

Amansie West, located in the Ashanti region of Ghana, was one of the nine unions awarded a grant. It is made up of 51 societies, with a total membership of around 3,150.

Food security has become a priority for the union since a slowdown in cocoa business activity and reduced food availability caused by the COVID-19 pandemic. Amansie West's grant project therefore has a strong crop diversification component. The union will produce rice, yam, maize and cassava to augment the food available to its members, with provision of inputs and subsidised labour to support production. Project sustainability will be bolstered through wider distribution of cassava and yam planting materials to union members after the first production cycle. Amansie West is also engaging in poultry production as a new income diversification opportunity, with chicken and eggs available at subsidised prices to union members and their families, contributing to food and nutrition security.



Yam sets collected by Amansie West

Osei Owusu, Union Treasurer, is managing the grant funding with other members of the union leadership. In order to ensure sustainability in the yam production, Mr Owusu says the union will take five percent of all the produce harvested to be distributed to other farmers who are not able to plant this season. He says:

“We have begun the distribution of the yam sets to 50 communities made up of 3,200 farmers in the Amansie West District. We will also help women in learning alternative livelihoods to enable them have other source of income this difficult time of the COVID-19 pandemic. We pray COVID-19 will go soon and promise to make good use of the grant.”