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**Ghana Strategy Support Program**

# **The role of cocoa in Ghana's growth and poverty reduction**

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Clemens Breisinger, Xinshen Diao  
Shashidhara Kolavalli

November 19, 2007  
Accra, Ghana



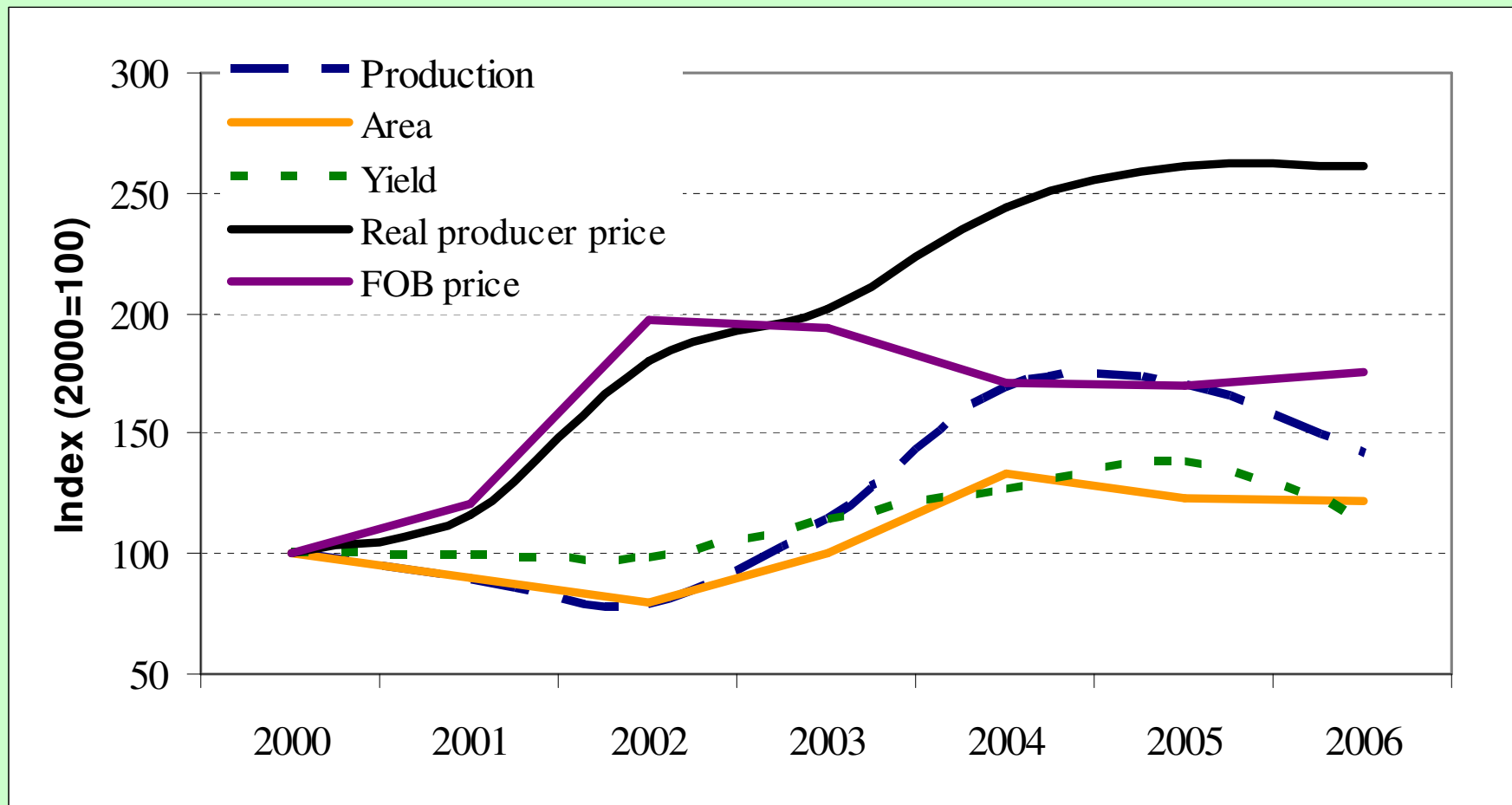
# Outline

- Cocoa in recent economy-wide growth
- Cocoa in poverty reduction
- Cocoa for reaching MIC status
- Future challenges for the cocoa sector

# The role of cocoa in economy-wide growth

- Production increased from 395,000 MT in 2000 to 740,000 MT in 2005 and
- Cocoa producer price increased
- Share of cocoa in GDP rose from 4.9% in 2000-2004 to 8.1% in 2005/2006
- Cocoa accounted for 22.6% of AgGDP (with forestry and fishery) or 28.5 % (without forestry and fishery)
- Cocoa contributed 28% to agric growth (excluding forestry and fishery)
- Cocoa exports constituted 28% of foreign exchange earnings, 57% of overall agricultural exports, and 87% if forestry and fishery are excluded

# Trends of major cocoa indicators





# Economy-wide linkage effects of cocoa

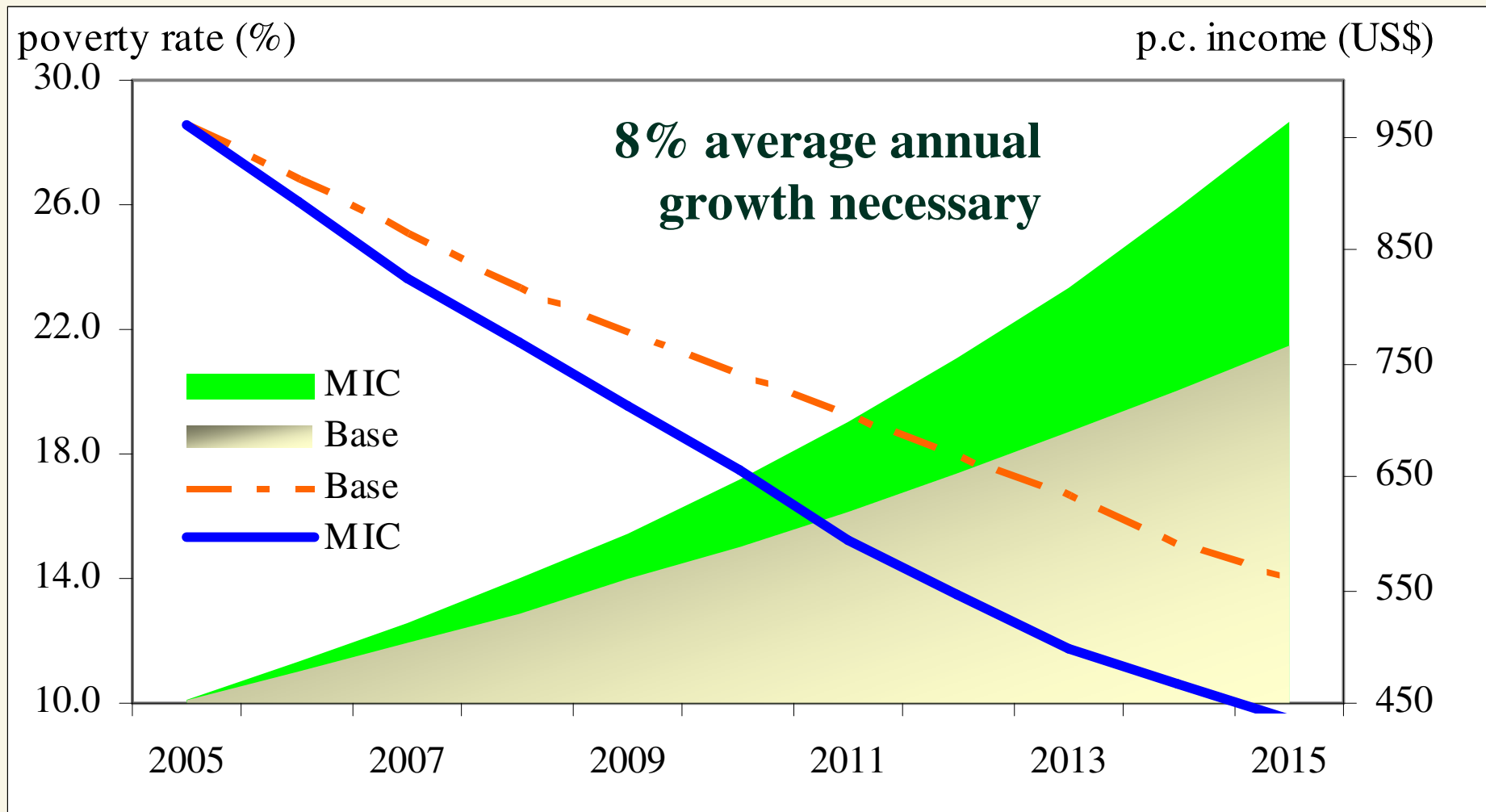
- Strong cross sector linkages through
  - Cocoa processing (milling and butter)
  - Food industry (beverages, bakery, etc)
  - Government revenue to support other sectors
- Processed cocoa exports increased from 83.6 mil. US\$ in 2004 to 152.9 mil. in 2006
- 5% of government revenue coming from cocoa export tax in 2005
- Still, only 8-15% processed domestically
- Mainly low value added

# The role of cocoa in past poverty reduction

	1991/92	1998/99	2005/06
<b>Total population</b>			
Poverty rate	51.7	39.5	28.5
Poverty gap	18.5	13.9	9.6
<b>Cocoa producers</b>			
Poverty rate	60.1	36.7	23.9
Poverty gap	23.3	9.4	6.0

Source: Wodon and Coloumbe, 2007

# Projected future growth and poverty reduction in Ghana – the model results



Source: Breisinger et al. 2007

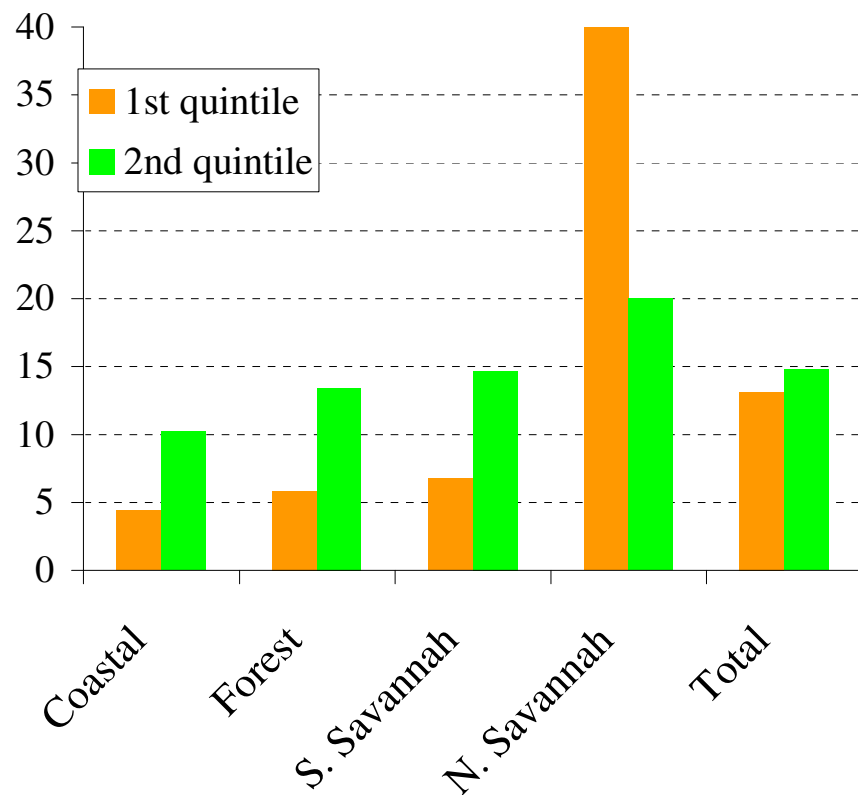
# The role of cocoa in reaching MIC

- Agriculture will have to play a major role in reaching MIC status
- Cocoa continues to grow (at 6.4% annually), but share in agricultural GDP falls slightly (to 15%)
- Cocoa remains the most important export agricultural commodity (60% of agric. exports by 2015)

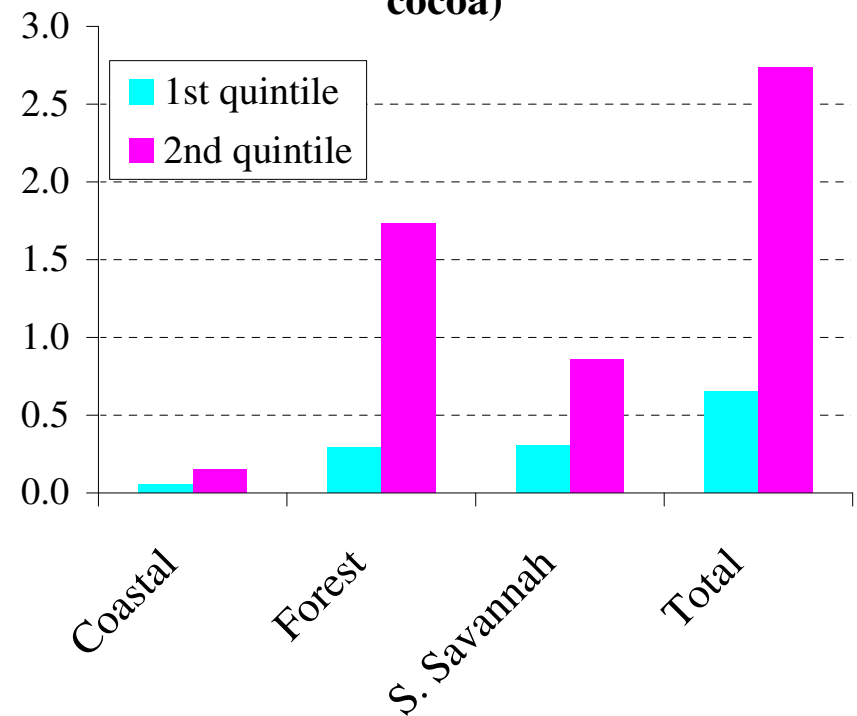


# The role of cocoa in poverty reduction is likely to decrease

**Poor rural households' distribution by pc income quintile**



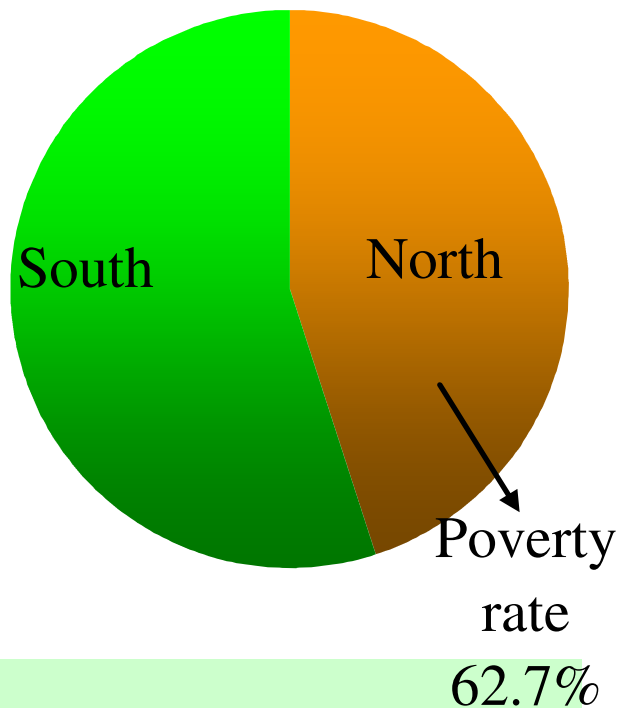
**Poor rural cocoa growing households' distribution by pc income quintile (19% of rural households growing cocoa)**



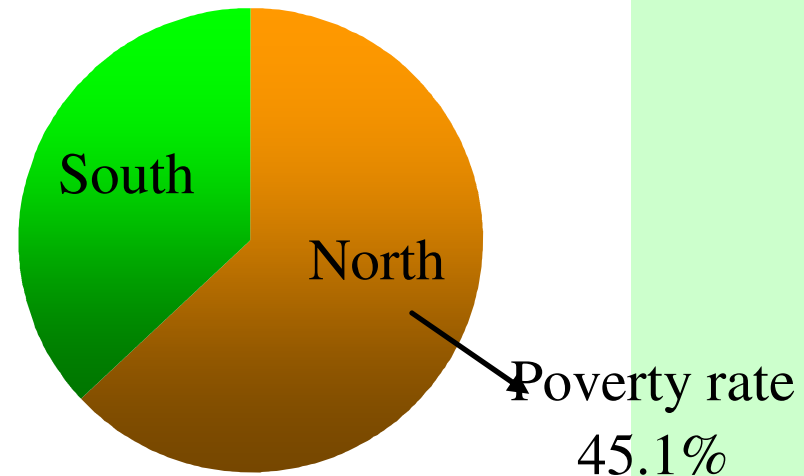
Source: Authors' calculations based on GLSS5

# Poverty will concentrate in the North among non-cocoa farmers

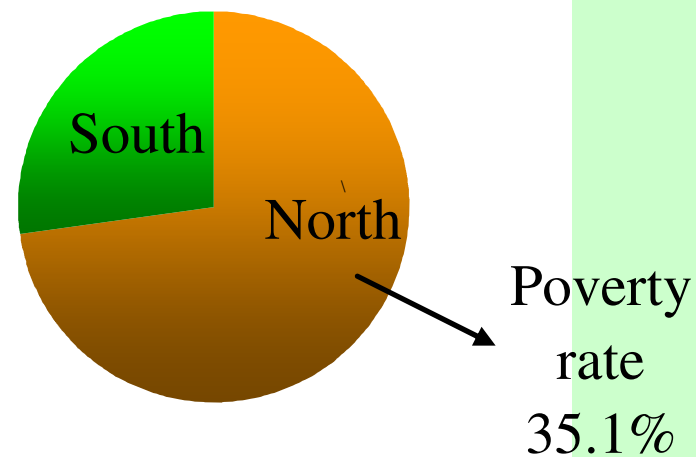
Current poverty rate 28.5%



Base 2015: 14.0%



MIC 2015: 9.5%





# Future challenges for the cocoa sector

- Productivity growth has to become increasingly important
- Supply-side competition is likely to increase (cocoa as a strategic or targeted commodity in other big cocoa export countries, e.g., Indonesia, Cote d'Ivoire, Nigeria)
- Barriers for growth in cocoa processing exports remain (high tariffs in EU and US)
- Increased import competition of food sector (using cocoa as an input) in domestic market



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**Thank you!**

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# Regional concentration of cocoa production

