The role of cocoa in Ghana’s growth and poverty reduction

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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

- Production
- Area
- Yield
- Real producer price
- FOB price

Index (2000=100)
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

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<tbody>
<tr>
<td><strong>Total population</strong></td>
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<tr>
<td>Poverty rate</td>
<td>51.7</td>
<td>39.5</td>
<td>28.5</td>
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<td>Poverty gap</td>
<td>18.5</td>
<td>13.9</td>
<td>9.6</td>
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<td><strong>Cocoa producers</strong></td>
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<tr>
<td>Poverty rate</td>
<td>60.1</td>
<td>36.7</td>
<td>23.9</td>
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<tr>
<td>Poverty gap</td>
<td>23.3</td>
<td>9.4</td>
<td>6.0</td>
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</tbody>
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Projected future growth and poverty reduction in Ghana – the model results

8% average annual growth necessary

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

Source: Authors’ calculations based on GLSS5

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

Current poverty rate: 28.5%

Base 2015: 14.0%
- South: 62.7%
- North: 35.1%

MIC 2015: 9.5%
- South: 35.1%
- North: 45.1%
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’Ivore, 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
Thank you!
Regional concentration of cocoa production

2001/02 metric tons
- 1,021 - 5,000
- 5,001 - 25,000
- 25,001 - 50,000
- 50,001 - 100,000
- 100,001 - 181,865
- no production

2002/2003 metric tons
- 913 - 5,000
- 5,001 - 25,000
- 25,001 - 50,000
- 50,001 - 100,000
- 100,001 - 276,587
- no production

2003/04 metric tons
- 1909 - 5,000
- 5001 - 25000
- 25001 - 50000
- 50001 - 100000
- 50001 - 100000
- 100001 - 419650
- no production

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