

World Bank Case Study – Private Sector & Aid for Trade Kraft Foods

Introduction

As the world's largest chocolate company, securing the long-term security of our cocoa supply chain is vital for us.

We continue to invest in sustainable cocoa supply chains, through our own programmes such as the Cadbury Cocoa Partnership and our contributions to other initiatives such as Fairtrade, Rainforest Alliance, Gates Foundations, Sustainable Tree Crops Programmes and ECHOES.

This case study outlines the progress of the Cadbury Cocoa Partnership as an example of the role of the private sector and aid for trade in development.

Brief Company Background

With 2010 revenues of approximately \$49.2 billion, Kraft Foods is the world's second largest food company, making delicious products for billions of consumers in approximately 170 countries. The portfolio includes 12 iconic brands with revenues exceeding \$1 billion. Approximately 70 brands generate annual revenues of more than \$100 million. Kraft Foods is a member of the Dow Jones Industrial Average, Standard & Poor's 500, Dow Jones Sustainability Index and Ethical Sustainability Index

Challenge

70% of the world's cocoa comes from West Africa, however, there are long-term and complex challenges in cocoa farming. Our academic research in 2008 highlighted a number of areas of risk, perhaps most significantly:

- farmer income is not stable all year round with varying international commodity prices, seasonal crops and often low yields – ¼ of farmers only produce six sacks of cocoa per year
- ageing farmers in independent smallholder farms with the next generation lacking interest in becoming cocoa farmers
- limited access to agricultural infrastructure and support

As a business, we care about the long-term future of the communities at the heart of our supply chain, and the crops they grow. Cocoa supply, quality and cost are business imperatives. We are heavily dependent on millions of cocoa smallholders who produce most of the world's cocoa. We also believe that we have a social responsibility to improve the lives of cocoa farmers and their families.

Cocoa is one of our most important ingredients. It enables Kraft Foods to make the world's best loved chocolate brands, such as Cadbury Dairy Milk, Toblerone, Milka and Cote d'Or.

Description of Initiative

In 2008, we established the Cadbury Cocoa Partnership, committing £45 million into cocoa farming in Ghana, India, South East Asia and the Caribbean over a ten-year period.

Our aim is to enable sustainable cocoa communities and improve the lives of cocoa farmers and their families, through:

1. Creating sustainable livelihoods from cocoa
2. Creating sustainable livelihoods through additional sources
3. Focusing on community-centred development
4. Using policy, research and ethics to move the programme forward

Partnership

This is a large scale initiative with a vision that cannot be achieved without the support, advice and input of various experts.

We have created a unique partnership with external stakeholders. Decision making is devolved to partnership structures to harness external expertise. At local level, farmer beneficiaries and government are core partners. Local ownership is central to the sustainability and scalability of activities and outcomes.

Our partners include: the United Nations Development Programme (UNDP), Fairtrade Foundation, World Vision, VSO, CARE International, Anti-Slavery International and the International Cocoa Initiative.

In addition, we are working with government departments such as COCOBOD (Ghana Cocoa Marketing Board), Department of Cooperatives within the Ministry of Employment and Social Welfare and District Assemblies.

It's a long list and one that reflects the scale of the challenge that the Cadbury Cocoa Partnership has set out to meet.

Trade dimension

In 2009, we added a trade dimension to the Partnership when we sought independent Fairtrade-certification for Cadbury Dairy Milk, the brand's top selling chocolate bar. Since then, Cadbury Dairy Milk has gone Fairtrade in Australia, Canada, New Zealand as well as the UK and Ireland, thus quadrupling the volume of Fairtrade cocoa that was being sold under Fairtrade terms in Ghana from 5,000 to 20,000 tonnes.

Certification through Fairtrade is part of our strategy to offer cocoa growing communities greater opportunities, by ensuring a sustainable price to farmers and a premium for social development to empower farmers through Fairtrade to reinvest in their own farms and communities.

£2.7m of Fairtrade premiums have been received by the Kuapa Kokoo cooperative, to date. Kuapa Kokoo is investing premiums in the sustainable development of its members, helping them to develop their communities not only with physical infrastructure but also through skills training and community-led initiatives, such as mobile health services – 1000 farmers have been visited by travelling doctors.

£1.6m of Fairtrade premiums have also been generated from sugar.

Nick Bunker, President of Kraft Foods UK & Ireland, visited Ghana in August 2010 to see the work of the Cadbury Cocoa Partnership, and reaffirm Kraft Foods' commitment to the Cadbury Cocoa Partnership and Fairtrade. This is the latest step in Kraft Foods' longstanding commitment to sustainable agriculture – its unique partnerships with both Fairtrade and Rainforest Alliance certification schemes and additional programmes means it now has more scale in more locations, and is accelerating development more than ever before.

Impact / Results

Focus on community-centred development

We are active in 100 communities across 17 districts (10,000 farmers), and our partners on the ground - CARE International, VSO and World Vision – have supported each community in:

- Creating farmer-based organisations as they can play a key role in driving development
- Developing their own Community Action Plans

Over 100 more communities will join in 2011.

Farmer organisations are helping communities to access training, inputs, credit and advice on farming practices and farm management. As a collective group, farmers can have more effective engagement with suppliers and buyers, a strengthened voice with policymakers and the potential to benefit from Fairtrade or Rainforest Alliance certification.

The first two district-level farmer cooperatives will be inaugurated in Summer 2011.

Community Action Plans have been embraced by all 100 communities and the process has initiated even more interaction between men and women, young and old. These are “living” documents that communities are now actively updating and using to drive their own development

Community Action Plans include farm activities, physical infrastructure projects such as sanitation facilities and repairs to buildings, other business enterprises, improved education provision for children, access to land for young people and advocacy with district authorities for services.

All 100 Community Action Plans have been embedded in official district development plans. And even district assembly members from communities that are not part of the Cadbury Cocoa Partnership have seen the benefits of the Community Action Plan approach and are applying it to their communities.

Through building farmer organisations with committed members working towards shared goals, we also are on track to achieve Fairtrade certification for farmer organisations from these 100 communities. This means that these communities will be able to benefit from a guaranteed minimum price for their cocoa and also social premiums.

We have also contributed direct funding to some micro-projects based on community needs e.g. wells, bicycles and community toilets.

20% of our profits from Cadbury Dairy Milk sold during Fairtrade Fortnight 2011 in the UK will fund solar power projects in Ghana. Following a transparent selection process, 21 schools, two health clinics, two corn-mills and one tourist centre will benefit from solar panels. In addition, 9500 households will receive lanterns. Individual beneficiaries will be 6500 school children aged 3-16 years, 100 school teachers, and, in total, 23,000 people.

Sustainable livelihoods from cocoa

One of the key priorities articulated within the Community Action Plans was improving cocoa yields – so we’re prioritising agricultural training (by ‘cocoa extension officers’).

The farmer organisations are a key engine for driving this. Working closely with the Ghana Cocoa Board (COCOBOD), we have helped to update the national farming practices curriculum, and roll this out nationally – for all 700,000 cocoa farmers in Ghana. This is a groundbreaking new public-private partnership model, and attracted new funding.

We funded 17 trainers in 100 communities in 2010 (with more planned for this year). We are also building the capacity of a small number of farmers who can take on the training role for their community.

In 2010, farmer-run seedling nurseries were established in 93 of the 100 communities ensuring that 500,000 seedlings were ready for planting in 2011.

Sustainable livelihoods through additional sources

We recognise that, as well as improving livelihoods through cocoa farming, we can also help communities to assess markets for additional livelihoods – whether there are the right skills, resource and customer base. For example, some communities have started investigating soap and pomade making, as well as poultry and vegetables.

Use policy, research and ethics to the move programme forward

We are working with our partners, such as the United Nations Development Programme, to share expertise in policy, poverty, environment and governance.

BOX OUT: CASE STUDY OF BONKUKU

Bonkuku is a Cadbury Cocoa Partnership community in the West Achim District. VSO – one of our implementing partners – has been working with the community in Bonkuku to develop their own Community Action Plan.

At first, there were no meetings but now the whole community has come together – 98 people are part of the farmer organisation, and women are now involved in decision-making. The group has a constitution and has opened a bank account which members are contributing to.

Through this process, the community has already developed a clear vision for the next three years (2009-2012) which includes:

- Improving cocoa production by 30% - four seedling nurseries have already been developed
- Increase vegetable production by 20%
- Improve local bird stock and increase stock for poultry farming by 20%
- Increase other income levels by 20% through soap and pomade making – the women are getting involved in this, as well as farming of cassava and palm
- Ensure that illiterate members of the community (50%) acquire knowledge and skills in arithmetic, reading and writing
- Provide electricity for the community by connecting to the National Electricity Grid by 2015 – the community organisation are currently raising seed money to contribute to the district assembly