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sustainable solutions for ending hunger and poverty

Ghana Strategy Support Program

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

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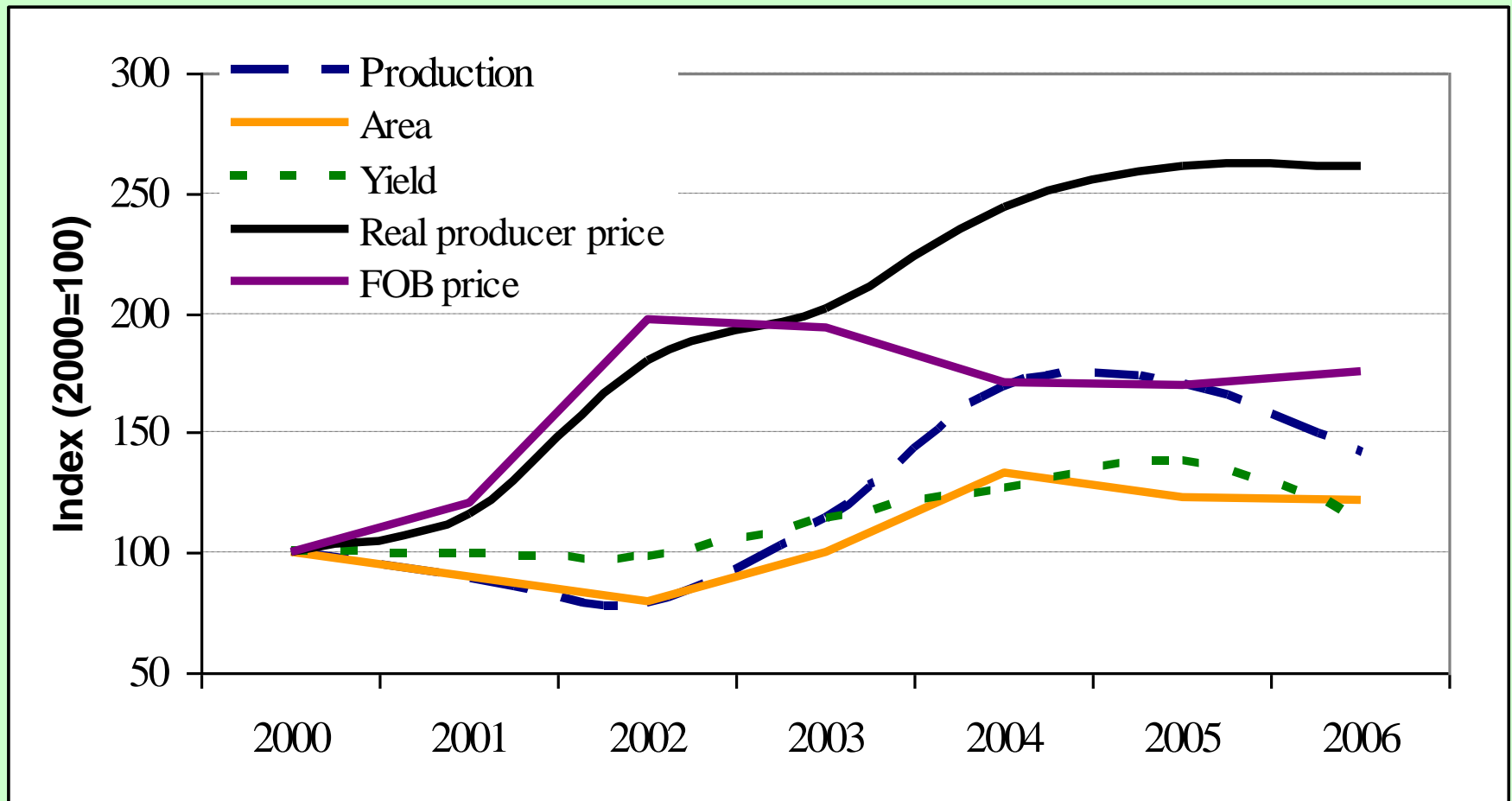
Outline

- 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



Economy-wide linkage effects of cocoa

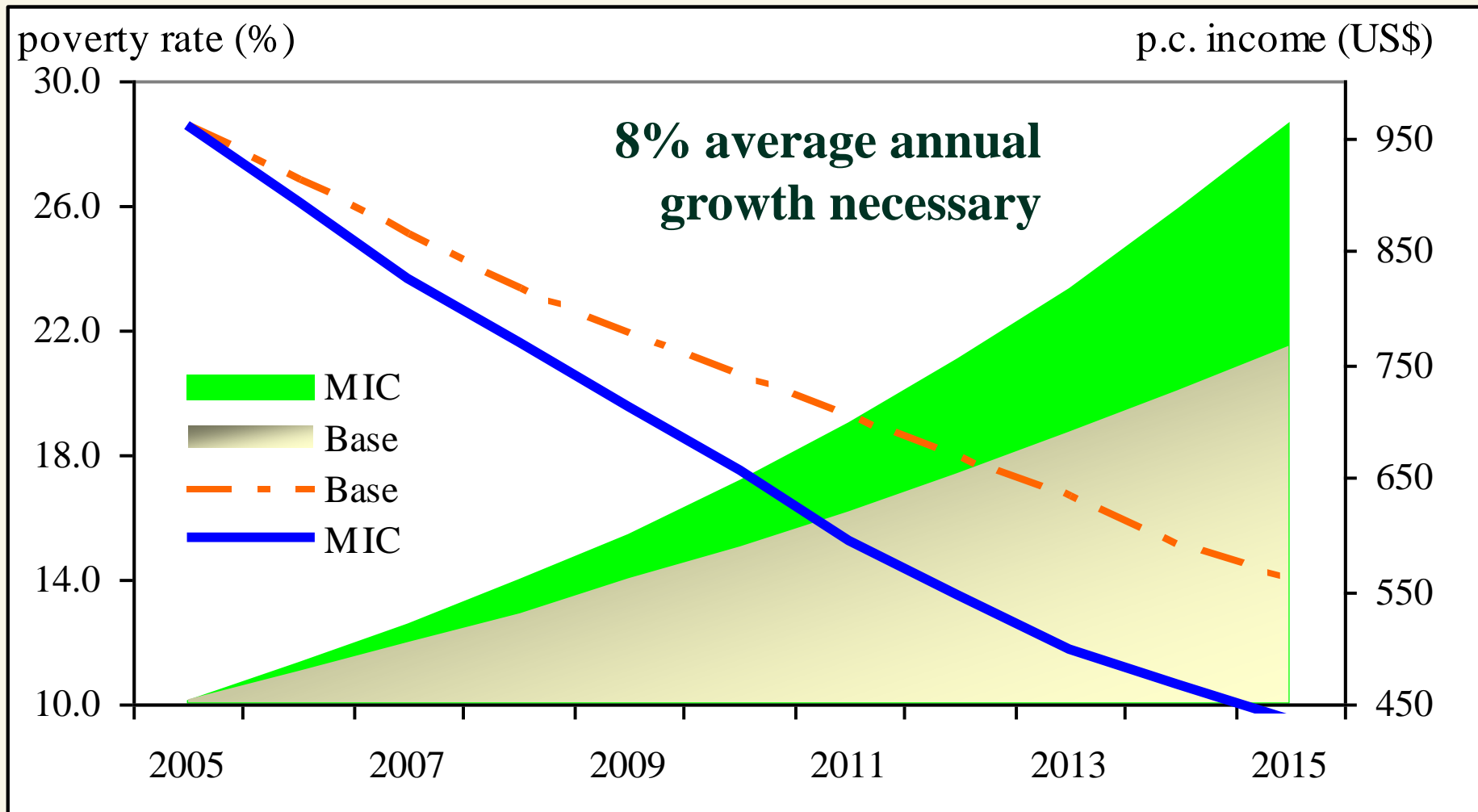
- Strong cross sector linkages through
 - Cocoa processing (milling and butter)
 - Food industry (beverages, bakery, etc)
 - Government revenue to support other sectors
- Processed cocoa exports increased from 83.6 mil. US\$ in 2004 to 152.9 mil. in 2006
- 5% of government revenue coming from cocoa export 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
Total population			
Poverty rate	51.7	39.5	28.5
Poverty gap	18.5	13.9	9.6
Cocoa producers			
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



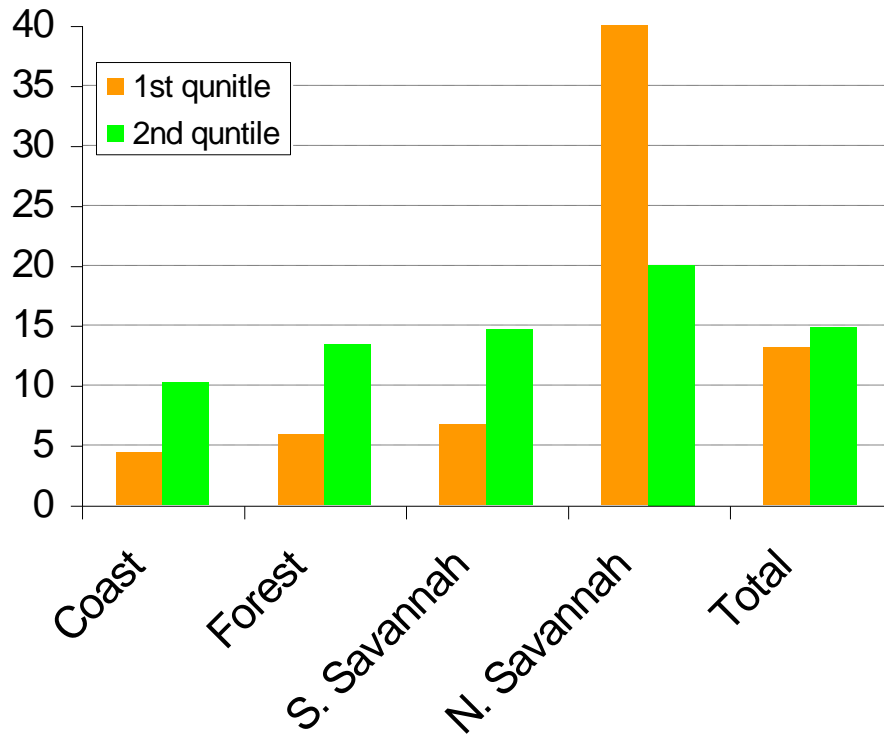
Source: Breisinger et al. 2007

The role of cocoa in reaching MIC

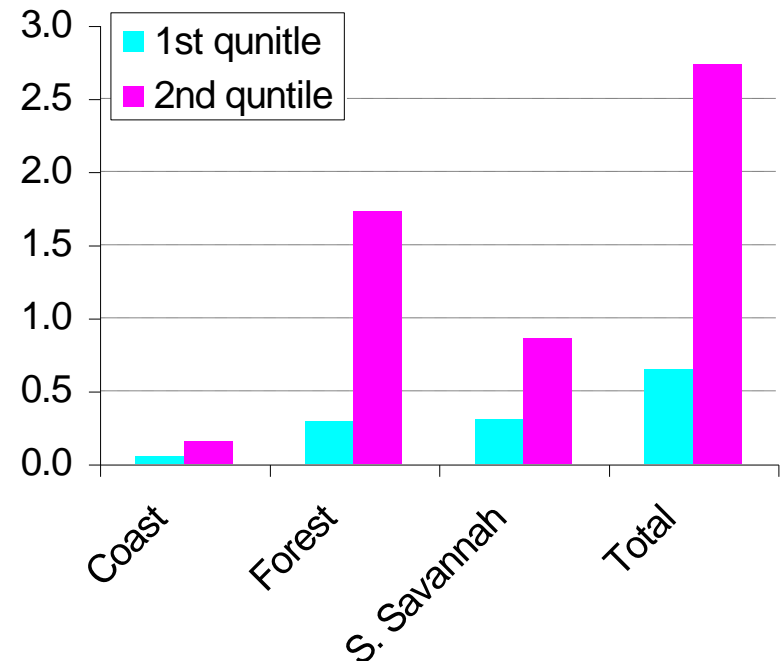
- Agriculture will have to play a major role in reaching MIC status
- Cocoa continues to grow (at 6.4% annually), but share in agricultural GDP falls slightly (to 15%)
- Cocoa remains the most important export agricultural commodity (60% of agric. exports by 2015)

The role of cocoa in poverty reduction is likely to decrease

Poor rural households distribution by pc income quintile

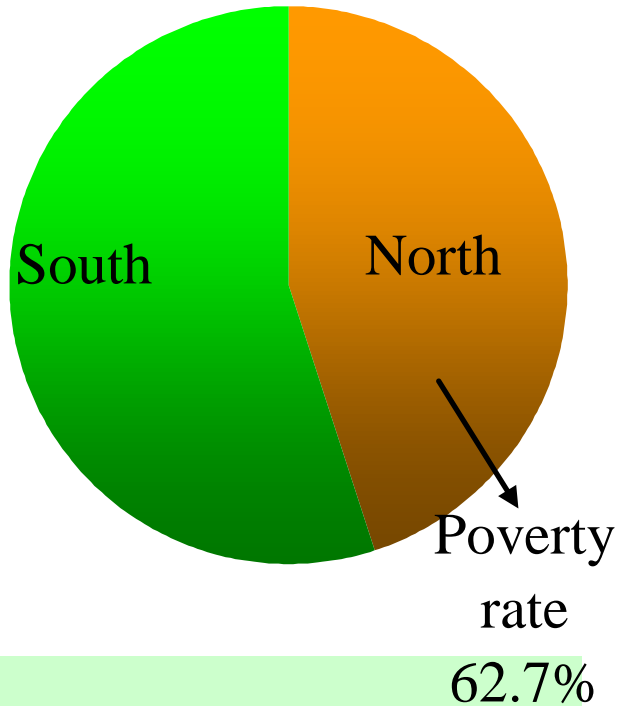


Poor rural cocoa growing households distribution by pc income quintile (19% of rural households growing cocoa)

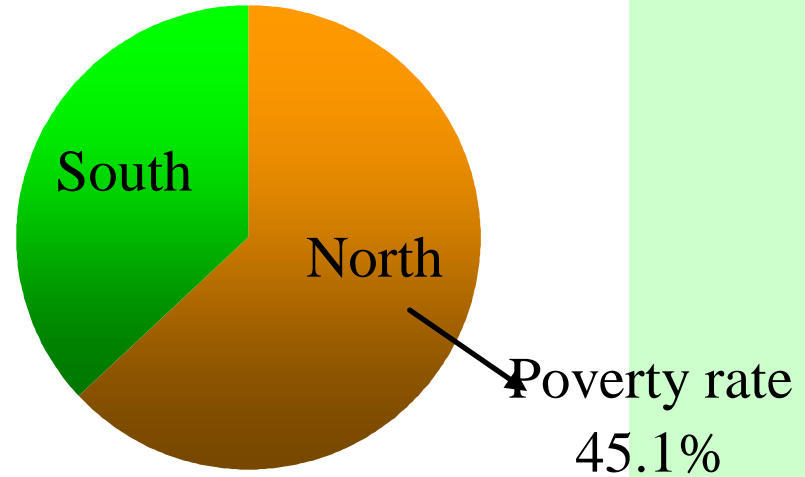


Poverty will concentrate in the North among non-cocoa farmers

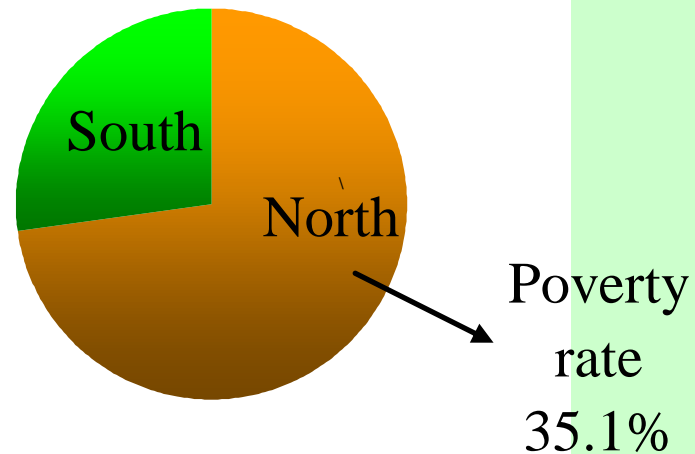
Current poverty rate 28.5%



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)
- World cocoa price is likely to decline
- 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



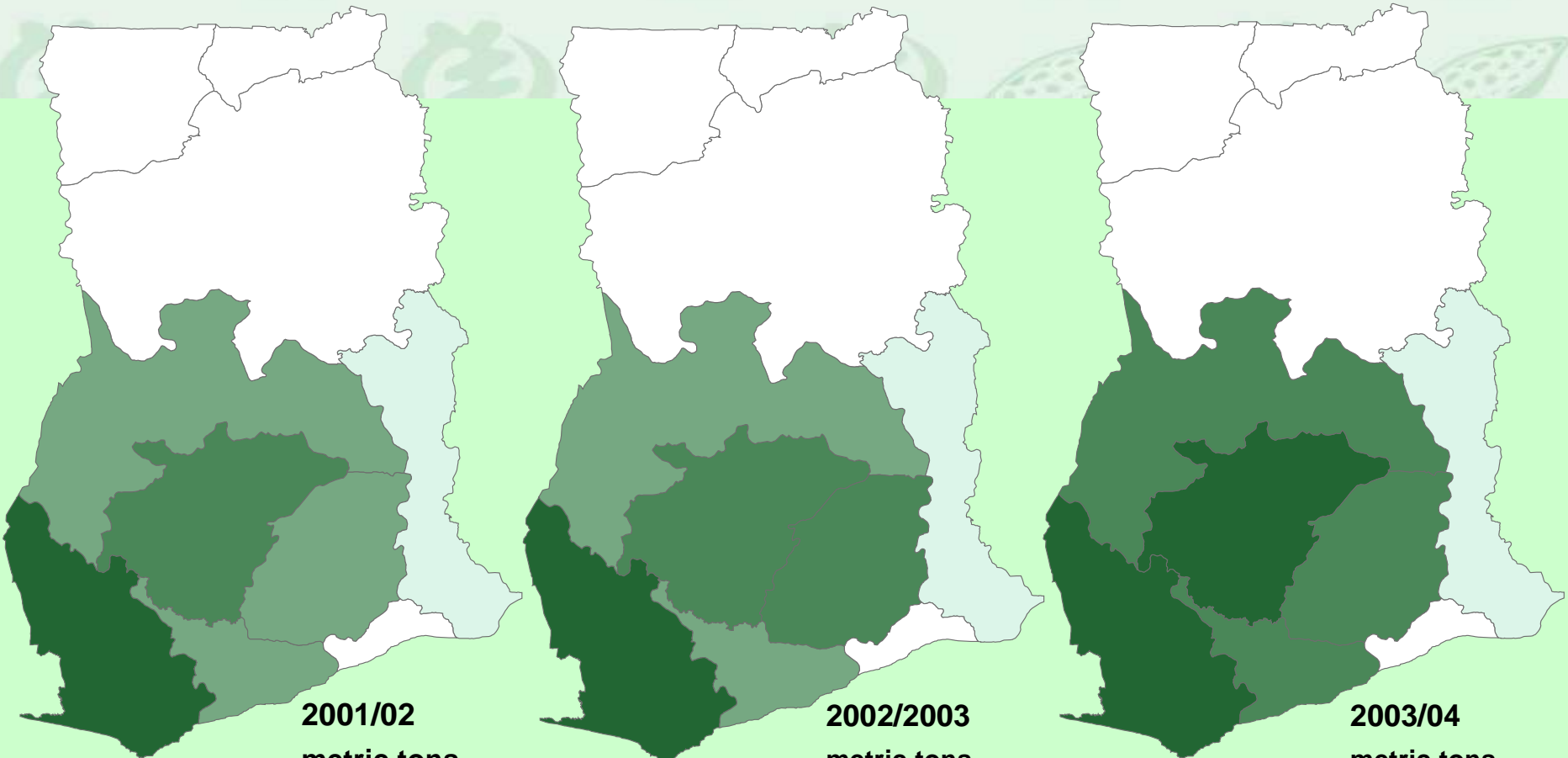
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Thank you!

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 - 5000
- 5001 - 25000
- 25001 - 50000
- 50001 - 100000
- 100001 - 419650
- no production