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

Index (2000=100)

Production
Area
Yield
Real producer price
FOB price

2000 2001 2002 2003 2004 2005 2006
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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<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>
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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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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
Poverty will concentrate in the North among non-cocoa farmers

Current poverty rate 28.5%

Base 2015: 14.0%

South
Poverty rate 62.7%

North

MIC 2015: 9.5%

South
Poverty rate 45.1%

North

Poverty rate 35.1%
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)
• 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
Thank you!
Regional concentration of cocoa production