

NEW REGULATIONS FOR ZERO DEFORESTATION COCOA

What are the role and costs of cooperatives in Côte d'Ivoire?
How can we finance and support their
ability to comply ?



This note is based on the results of a study carried out by IDEF and BF Consult for Commerce Équitable France, Agronomes et Vétérinaires Sans Frontières, the Réseau Ivoirien de Commerce Équitable and the Fair Trade Advocacy Office.



Based on the study **Cacao zéro déforestation : quels coûts de mise en conformité avec la norme ARS-1000 et le RDUE pour les coopératives de cacao en Côte d'Ivoire ?**

Directed by :



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Towards zero deforestation cocoa?

Deforestation is one of the major causes of accelerated global warming, but also of the collapse of biodiversity. Certain agricultural commodities such as cocoa have contributed significantly to deforestation in recent decades, and global efforts to halt this degradation are still inadequate (1). To stem the tide, the European Union, the main consumer market for these products, adopted a regulation in 2023 aimed at making it illegal to place products that have contributed to deforestation on the European market from 2025. Cocoa is one of the 7 products (2) affected by this new regulation (RDUE) and will therefore soon have to be fully traceable from the production plot to the consumer.

For their part, Côte d'Ivoire and Ghana, which account for 60% of the world's cocoa production, have produced the West African standard ARS-1000, which sets out the requirements for "good practice" in cocoa production, with the aim of guaranteeing the traceability and environmental sustainability of the sector.

Achieving this level of transparency in the cocoa sector will require far-reaching changes to the organisation of a sector that has for so long been characterised by the opacity of the raw material's origins.

After decades of largely unfulfilled promises to eradicate deforestation, eliminate child labour and promote "good agricultural practices", companies in the cocoa sector are now faced with legal obligations that apply to everyone.

However, the various links in the cocoa-chocolate chain have neither the same assets nor the same constraints when it comes to making the changes needed to meet the sector's socio-economic and environmental challenges. In this context, are the common rules of the game ("level playing field") sufficient to guarantee the sector's ecological transition? How will and can players comply with the requirements of the EUDR and the ARS-1000 standard? In particular, what are the direct impacts on the actors furthest upstream in the sector: producers and cooperatives?

With a view to supporting these changes, Commerce Équitable France, the Réseau Ivoirien du Commerce Équitable (RICE), the Fair Trade Advocacy Office (FTAO) and Agronomes et Vétérinaires Sans Frontières (AVSF) commissioned IDEF and BF Consult to carry out a study on the costs of compliance with ARS-1000 and RDUE standards for Ivorian cocoa cooperatives.

(1) Assessment of the Forest Declaration, October 2023: reveals insufficient global efforts to reach the target of halting deforestation by 2030 set by governments at COP 26.

(2) Cocoa, soya, palm oil, coffee, beef, rubber and timber are covered by the EUDR.

This note is based on the results of this study and analyses :

- **The changes expected of producers and cooperatives** to comply with these new requirements;
- **The cost of compliance** and management costs over time for cooperatives;
- **The levers to support the introduction of reliable and robust systems** for managing the physical traceability of cocoa ;
- **The role of downstream operators** in reducing the risks of non-compliance and guaranteeing the legality of the origin of the cocoa they wish to place on the European market.

Methodology



→ **A qualitative approach** (monograph of 7 cooperatives) based on the analysis of practices and trajectories of cooperatives qualified as "positive deviants" compared to "lambda" cooperatives.

→ **7 cocoa cooperatives** were studied in depth: **6 Fair Trade certified**, 3 of which are also Rainforest certified and have benefited from at least 1 complementary support programme. **1 "counterfactual" cooperative with** no certification and no support programme was also studied to measure and qualify the contrasts.

→ **A quantified approach to identifying the real costs of implementing traceability** incurred by cooperatives at different stages of compliance with the standards in question.

→ **An approach that evaluates costs per cooperative, rather than per tonne of cocoa**, in order to distinguish between fixed and variable costs, identify the trajectories of change for players and propose appropriate support measures to accompany cooperatives' compliance.

Key figures for the cocoa sector in Côte d'Ivoire



- Around **14%** of GDP
- **6 million** of the 29 million inhabitants live from it



- **40%** of export earnings
- **Main supplier** to the EU



- Between 2021 and 2022, **2.2 to 2.4 million tonnes** produced
- Production up **5.85%** over the period



- **80%** of Côte d'Ivoire's forest has disappeared since the 1960s, partly because of the cocoa industry



- **6%** of the \$100 billion generated by the world cocoa market is received by cocoa farmers (3)

(3) BASIC, Répartition de la valeur au sein des filières européennes cacao-chocolat, 2023.

New regulations with a shared ambition

European Union Regulation on Deforestation (EUDR)

- **Objective:** to minimise the risk of marketing products linked to deforestation (cocoa, coffee, soya, palm oil, beef, rubber, wood) in the European Union.
- **Application:** companies that use, import or sell these products on the European market
- **Main obligation:** submit a declaration of due diligence to national competent authorities, ensuring product traceability

African Regional Standard for sustainable cocoa in Côte d'Ivoire and Ghana (ARS-1000 standard)

- **Objective :** to guarantee a sustainable and traceable cocoa production in Côte d'Ivoire and Ghana
- **Application :** cocoa producers and their cooperatives
- **Main obligation:** to comply with the requirements of the standard in terms of production organisation, traceability, and quality of cocoa.

A shared ambition:

Using the traceability of cocoa production to reduce and put an end to deforestation.



Please note! Traceability alone is not enough to achieve zero deforestation.

There are 3 challenges facing players in the cocoa and chocolate sector in the fight against deforestation:

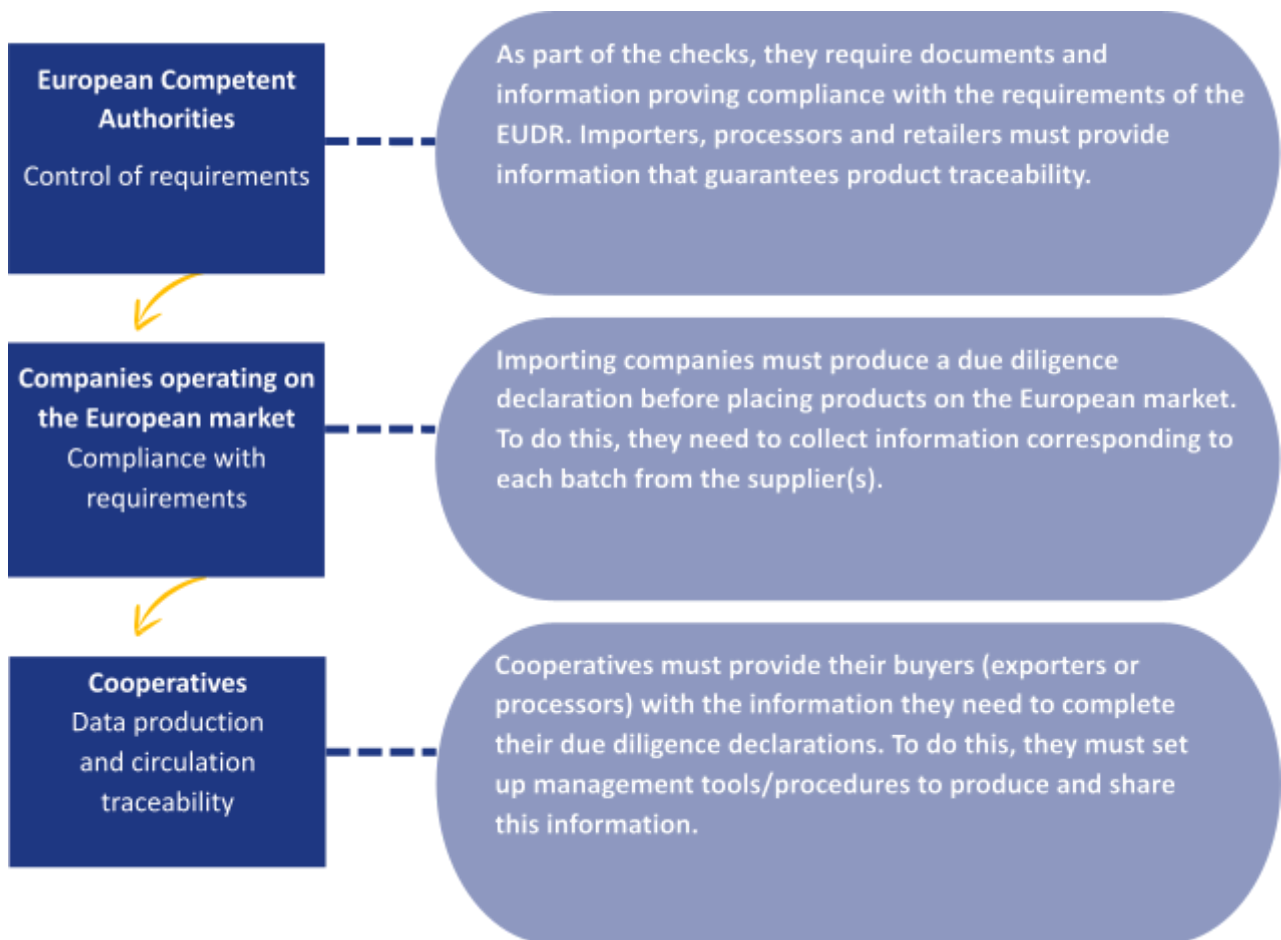
- Trace cocoa to identify production plots and prove that the cocoa does not come from deforested areas from 2021,
- To regenerate the fertility of cocoa plantations in order to stabilise cocoa production in current production areas,
- Ensuring that deforestation does not spread to other crops or natural areas.

The new requirements for the cocoa industry

What impact will this have on cocoa producer cooperatives?

West African (ARS-1000) and European (RDUE) regulations aim to generalise environmentally-friendly cocoa production practices. While the objectives of these new regulations are laudable, their obligations will have a direct impact on Ivorian cocoa producer cooperatives. Many questions remain about the technical, organisational and financial conditions for compliance.

The EUDR: a cascade of impacts



For Ivorian cocoa producer co-operatives, compliance will involve major technical and organisational changes, with significant financial implications. The effectiveness of these new requirements will depend on the measures taken to enable individual producers and cooperatives to comply.

The main requirements for cooperatives :

To sell to a buyer who exports to or imports into the European Union, cooperatives will have to implement 4 types of new practices:

- **Geolocation:** deploy a georeferencing system for all their members' cocoa production plots;
- **Internal information management system:** set up an internal management system to record and update data on their members, link them to their plots and production with each new delivery and strengthen their governance;
- **Physical separation of batches:** set up tools to monitor cocoa from the plot to the port of export and ensure the physical separation of batches;
- **Legality of production:** to ensure the legality of their members' production in accordance with Ivorian laws (sustainable production standards, land ownership, administration, child labour, labour law, etc.).

The main technical obstacles observed in the field :



Brakes

- **The shortage of skilled personnel** in internal management and traceability monitoring in Côte d'Ivoire - particularly for cooperatives far from the major towns.
- **Difficulties in recruiting and retaining staff expertise in cooperatives.**
- **The paucity of documented information** on land ownership in Côte d'Ivoire.
- **The existence of private traceability systems** run by exporters/industrialists in competition with cooperative systems, a major source of economic inefficiency for the entire sector.

What cooperatives will have to do

PRACTICAL TO PUT IN PLACE	ITEM OF EXPENDITURE
Collect data and implement geo-referencing systems for plots and producers	Data collection equipment (tablet, motorbike, etc.) Staff travel
Establish procedures for recording and managing data on members, their plots and their production	Acquisition and training in the use of data management software Data recording and storage Regular information updates
Install systems for monitoring cocoa from the plot to the port to ensure segregation of batches	Collection, storage in warehouses and transport to the port of the cocoa in separate bags (lorry loading, storage costs, etc.) Purchase of bags
Handle administrative procedures (tax and trade register declarations, business approvals, etc.)	Practice licence fees Recruitment of consultants to draw up documents (training, procedural documents, tax management, etc.)
Respecting land law	Gathering information and official registration procedures
Providing services to members (information, training, transport and sales)	Data management systems and equipment (computer, hard disk, etc.) Training courses
Collecting produce outside classified forests, without child labour or unregistered pesticides	Risk assessment, monitoring and remediation tools
Recruit and train staff responsible for administrative management and traceability	Staff salaries

The main investment costs and compliance management for cooperatives :

Compliance with the new legal requirements entails **high investment costs**, as well as **recurring costs for managing** traceability systems.

Detailed cost estimate :

Category	Expense item	Cost (in euros)
Investment costs	<p>Initial audit</p> <p>External expertise for the drafting of statutory and governance documents</p> <p>Acquisition of traceability software (installation of the operating system) and training on how to use it</p> <p>Acquisition of data collection and management equipment: motorbike, GPS, tablet, etc.</p> <p>Data collection: training of collectors, transport for collection operations, etc.</p> <p>Data storage and management: computer, external hard drive, etc.</p>	<p>33 000 à 54 500 (ARS-1000)</p> <p>24 000 à 37 000 (RDUE)</p>
Annual management costs	<p>Salary of qualified personnel for internal management based on 5 essential positions (4)</p> <p>Management of the traceability circuit: reporting of production data, loading and storage from the secondary warehouse to the main warehouse, then transport to the port</p> <p>Sacherie: purchase of jute bags to transport cocoa (insufficient quantity distributed by the CCC, damage and/or loss during transport to the port, etc.).</p> <p>Annual cost of the traceability software licence (1 licence for 100 to 150 members)</p> <p>Database updates, management of legal documentation, operating costs.</p>	<p>50,550 to 62,000 (ARS-1000 and RDUE)</p>

Analysis of compliance levels in the cooperatives studied

Level of compliance of cooperatives according to their situation

Type of cooperative	Fair trade certified Beneficiary of a support programme	Fair trade certified Not benefiting from a support programme	Not certified Not benefiting from a support programme
Internal management system	●●●●●	●●●●●	●●●●●
Traceability	●●●●●	●●●●●	●●●●●
Legality	●●●●●	●●●●●	●●●●●

Varying levels of compliance :

The sample studied reveals of levels of compliance levels between the 7 cooperatives, ranging from almost zero compliance to almost full compliance.

5 main factors influence the degree of compliance of cooperatives with the RDUE and ARS 1000 standards:

- The number of members of the producer organisation
- The geographical proximity of the cooperative to the capital (Abidjan), in particular to recruit and retain high-quality technical staff and reduce travel costs for experts
- The presence of qualified staff to manage internal information systems and traceability data
- The level of maturity and functionality of the internal management system
- The Fair trade certification

Compliance and fair trade: a positive correlation

The ability of cooperatives to manage traceability appears to be strongly correlated with certification and fair trade relationships.

In-depth analysis of the trajectories of the various cooperatives in the study sample reveals 3 levers in particular which promote, stimulate or make possible their compliance with the requirements of the EUDR and ARS-1000.

3 levers of Fair Trade

favourable to cooperative compliance :

1

Organisational leverage: The degree of compliance of cooperatives depends to a large extent on their organisational functioning and their skills. These two elements are both a condition of access to Fairtrade certification and the result of a process of continuous improvement made possible by the application of standards and the various forms of support provided by Fair trade labels (Fairtrade, SPP, etc.). In this way, the basic requirements of the various labels in terms of legality, governance, management and traceability are a solid foundation enabling co-operatives to make progress in terms of traceability and to reach milestones in their structuring and professionalisation in management.

2

Financial leverage: Co-operatives that are certified AND that sell under the Fairtrade conditions defined by the labels have significantly greater investment capacity than non-certified co-operatives, thanks to the premiums they receive. The premium effect is particularly decisive in Côte d'Ivoire, where cocoa cooperatives cannot legally generate a gross margin of more than 80 CFA francs per kilo of cocoa collected. This amount, too low and unchanged for more than 10 years, is a major brake on the development of the technical and organisational skills of cooperatives. Premiums from volumes sold under Fairtrade conditions compensate for this limitation. **As a result, co-operatives that benefit from stable and remunerative fair trade relations can gradually make the investments needed to set up traceability systems and increasingly robust and effective management and information systems.**

3

The "relational" leverage: Co-operatives that benefit from long-term, fair trading relationships gradually become organisations capable of catalysing other types of support: programmes run by NGOs or international donors, partnerships with companies, bank loans, etc. For example, the support offered under the Fairtrade Programme by Fairtrade, RICE and AVSF has enabled the deployment of traceability and information management systems in cooperatives, the sharing of experience between managers and technicians from different cooperatives, the sharing of strategic information between cooperatives that are members of Fairtrade networks, access to licences at subsidised prices to benefit from traceability management software, and so on. The relational effect thus helps to accelerate the structuring of cooperatives and the dissemination of innovations and best practices.

IN BRIEF

The quality of the commercial relationship at the heart of the cooperatives' trajectories

The role and commercial practices of cooperative purchasers are decisive in supporting the investment and learning required to achieve compliance.

An in-depth study of the strategies implemented by the co-operatives in the sample that are most advanced in terms of compliance with the EUDR or ARS-1000 shows that the investments made are intrinsically linked to the capacities that can be developed through commercial relations. On the other hand, the study shows that the cooperatives furthest from compliance seem to be suffer from unstable, unpredictable and poorly remunerative commercial relations, which are not conducive to the structuring of cooperatives.

Levers for compliance



Levers for action

- **The role of buyer companies:** Article 11 of the EUDR explicitly requires operators who sell cocoa on the European market to invest in and take measures to strengthen the capacity of producers to ensure compliance with the regulation. Compliance with the EUDR means transforming the relationships between the various players in the cocoa and chocolate value chain. Equitable partnerships between the links in the chain are necessary and effective strategies for reducing risks and supporting compliance throughout the sector.
- **Linking cooperatives with the national traceability system: the implementation of** the national traceability system planned in Côte d'Ivoire and currently in the test phase will make operators' traceability systems more reliable and facilitate their risk analyses. It should also help to reduce certain investment costs for cooperatives: geolocation of plots on a national scale, distribution of electronic boxes for monitoring bags of cocoa and commercial operations, etc. However, this national system will have little impact on the recurring costs of managing traceability.



National traceability system: what does it involve?

Côte d'Ivoire is working on setting up a national traceability system to handle all information relating to the production, payment and movement of cocoa within the country. The plan is to geo-reference all cocoa plots and associate them with the producers concerned. Each bag of cocoa will be labelled with a bar code linking it to its production plot and to the producer, who will ensure traceability throughout the marketing process, right up to export. A number of cooperatives are currently testing this system using Conseil Café-Cacao equipment (terminals for reading producer cards, bar codes for bags, producer cards, electronic payments, etc.) with a view to rolling it out across the country. The information generated at cooperative level by this national system can be exported to the cooperatives' management system to facilitate the planning of their operations and technical support for their members, and to answer compliance questions from their customers.

10 key recommendations from the study

TO EXPORTERS AND COMPANIES IN THE COCOA AND CHOCOLATE SECTOR:

1

Fully apply Article 11 of the EUDR by supporting producers and their organisations in complying with the requirements of the regulation. Develop partnership-based, multi-annual commercial relations to support cooperatives in their compliance and purchase cocoa at a fair price that covers the costs of sustainable production;

2

Support internal management systems fully owned by cooperatives. Autonomous compliance management by cooperatives enables them to make strategic use of information relating to the various aspects of compliance, and to enhance the professionalisation of their organisation with a view to mitigating risks;

3

Play an active role in the emergence of a European cross-industry agreement to set up a Compliance Support Fund (FAC-Traçabilité). Based on the model of the compulsory voluntary contributions (CVO) of the agri-food interprofessions, which finance actions of general interest to the sectors concerned, such a mechanism would make it possible to coordinate the co-financing and large-scale deployment of cooperative compliance support systems in producer countries.

TO THE EUROPEAN UNION :

4

Support the implementation of an inter-professional agreement at European level enabling all downstream players in the value chain to participate in an equitable and coordinated manner, and to set up a fund to support compliance actions (FAC-Traçabilité) by upstream players.

Implement a temporary differentiated taxation mechanism (tax bonus-malus) designed to stimulate the import of remunerative cocoa into the European market that is guaranteed to be deforestation-free. Unsustainable" production would be taxed more heavily so that tax reductions could be granted to production deemed to be sustainable, while respecting the principle of budget neutrality. Such a system would enable companies committed to socially and environmentally sustainable practices to become more competitive.

5

TO COOPERATIVES :

6

Training and information on new requirements and tools for compliance, and sharing best practice in a spirit of cooperation;

Implementing information and traceability management systems to provide reliable and accurate information to a wide range of buyers.

7

TO THE IVORIAN STATE :

8

Strengthen policies to support and cooperate with cocoa cooperatives and their networks;

Deploy vocational training schemes, particularly for young people, to develop rural employment in traceability management and agro-ecological production services;

9

10

Deploy a tax bonus-malus mechanism at borders to stimulate the export of cocoa that guarantees fair remuneration for planters and zero deforestation traced production, while respecting the principle of budget neutrality.



Founded in 1997, Commerce Équitable France is the collective that brings together and represents French fair trade stakeholders.



Agronomes & Vétérinaires Sans Frontières is a recognised international non-profit organisation that mobilises the skills of professionals in agriculture, livestock farming and local development.



Created in 2009, the Réseau Ivoirien du Commerce Équitable (RICE) is the association of fair trade certified cooperatives in Côte d'Ivoire. Our aim is to contribute to the sustainable development of fair trade certified cooperatives in Côte d'Ivoire.



The Fair Trade Advocacy Office (FTAO) speaks out on behalf of the Fair Trade movement for fair trade and trade justice to improve the livelihoods of marginalised producers and workers in the South.



The association Initiatives pour le Développement communautaire et la conservation de la Forêt (IDEF) is a non-profit organisation. Created in 2014, IDEF is an Ivorian organisation with an international vocation.



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