Potential Opportunities for Shared Services in the Cocoa Value Chain
<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Problem and Potential Opportunity</td>
<td>04</td>
</tr>
<tr>
<td>Cocoa Value Chain and Various Players</td>
<td>07</td>
</tr>
<tr>
<td>The Proposition</td>
<td>11</td>
</tr>
</tbody>
</table>
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The Problem and Potential Opportunity
Every Problem is an Opportunity in Disguise

– John Adam
The Cocoa-Chocolate Value Chain

- Uneven value distribution between actors – a significant portion (c. 80%) of the cocoa-chocolate value chain dollars is unlocked at the chocolate manufacturing and retail levels.

Source: Afreximbank Report
The Problem: Most Cocoa producing countries predominantly play at the upstream level, which barely controls about c.7% of the dollar value chain.

— A study commissioned by Afreximbank

The Hypothesis: The development of organized shared services in form of a Joint Venture could facilitate farmers participation in midstream segments of cocoa value chain.

This hypothesis is premised on the fact that there is no documented evidence that all farmers are solely farming for their immediate cash needs. Therefore, there is a potential opportunity to address the concerns of farmers who have grown beyond farming for basic needs but do not have the resources to participate in midstream levels of cocoa processing due to its capital-intensive requirements.
Cocoa Value Chain & Various Players
Africa as an example

By producing over 70% of global cocoa bean and only 3% of global cocoa powder exports, the Continent is grossly underutilizing its opportunities. Said differently, Africa is playing at the raw material production segment, even when there’s a glaring opportunity to benefit from more rewarding (high margin) segments of the value chain.

Source: Afreximbank Report
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<tbody>
<tr>
<td>Cote d’Ivoire</td>
<td>~12</td>
<td>~713,000</td>
<td>~86%</td>
<td>~35%</td>
<td>~1st Global cocoa processor rank (2020)</td>
</tr>
<tr>
<td>Ghana</td>
<td>~11</td>
<td>~412,000</td>
<td>~71%</td>
<td>~34%</td>
<td>~7th Global cocoa processor rank (2020)</td>
</tr>
<tr>
<td>Nigeria</td>
<td>~6</td>
<td>~165,000</td>
<td>~12%</td>
<td>~8%</td>
<td>~20,400 MT</td>
</tr>
<tr>
<td>Cameroon</td>
<td>~5</td>
<td>~186,200</td>
<td>~30%</td>
<td>~1.2%</td>
<td>~56,300 MT</td>
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- The aggregated unutilized capacity from a sample of assessed cocoa processors is circa 500,000 tonnes as of 2020.
The Proposition
Areas of Capital Requirement/Shared Services

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<th>Source: Afreximbank Report</th>
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<table>
<thead>
<tr>
<th>Areas</th>
<th>Percentage</th>
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<tr>
<td>Cocoa Production</td>
<td>c.7%</td>
</tr>
<tr>
<td>Cocoa Trade &amp; Distribution</td>
<td>14%</td>
</tr>
<tr>
<td>Cocoa Processing</td>
<td>35%</td>
</tr>
<tr>
<td>Chocolate Manufacturing</td>
<td>44%</td>
</tr>
<tr>
<td>Retail &amp; Consumption</td>
<td></td>
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- Commercial Farming
- Inland Transport
- Melting facility
- Warehousing
- Local Processing
- Export
- Chocolate Manufacturing
- Delivery
- Marketing & Distribution
- Retailing

- The above indicates some opportunities for shared services within the cocoa processing cycle. The inability to independently integrate and provide these services could be one of the reasons why small and medium scale farmers prefer to sell cocoa beans for immediate cash and forego the additional returns of participating at the midstream level.
The proposition is a call for further studies on the following areas towards improvement of small and medium scale farmers’ revenue in the cocoa-chocolate value chain.

1. Facilitation of small-scale farmers participation in mid and down stream segments of the cocoa-chocolate value chain

2. Enhancement of profitability and value chain revenue of small and medium scale cocoa farmers through shared services

3. Improvement of processors and chocolate manufacturers’ participation in shared services capacity arrangements towards reducing the cost of production.

4. Facilitation of cheaper working capital through JV arrangements with farmers.
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