THE REPUBLIC OF LIBERIA
NATIONAL EXPORT STRATEGY
COCOA EXPORT STRATEGY

2014-2018

Republic of Liberia

International Trade Centre

The Cocoa Export Strategy of Liberia was developed on the basis of the process, methodology and technical assistance of ITC. The views expressed herein do not reflect the official opinion of ITC. This document has not been formally edited by ITC.

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THE REPUBLIC OF LIBERIA
NATIONAL EXPORT STRATEGY
COCOA

SECTOR EXPORT STRATEGY • 2014-2018

Republic of Liberia

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ACRONYMS

ACDI/VOCA	Agricultural Cooperative Development International / Volunteers in Overseas
CA	Cooperative Assistance
CARI	Central Agriculture Research Institute
CBL	Central Bank of Liberia
CDA	Cooperative Development Agency
CSTWG	Cocoa Sector Technical Working Group
EU	European Union
FBO	Farmer-Based Organization
FFS	Farmer Field School
GAP	Good Agricultural Practices
GMP	Good Management Practices
HS	Harmonized System
ICCO	International Cocoa Organization
IITA	International Institute for Tropical Agriculture
ISO	International Organization for Standardization
ITC	International Trade Centre
LACRA	Liberia Agricultural Commodities Regulatory Authority
LBA	Licensed Buying Agent
LBBF	Liberia Better Business Forum
LCC	Liberia Cocoa Corporation
LEC	Liberian Export Council
LIFE	Livelihood Improvement for Farming Enterprises
LISGIS	Liberia Institute of Statistics and Geo-Information Services
LPMC	Liberia Produce Marketing Corporation
MoA	Ministry of Agriculture
MoCI	Ministry of Commerce and Industry
MoFA	Ministry of Foreign Affairs
MoU	Memorandum of Understanding
NES	National Export Strategy
NGO	Non-Governmental Organization
NIC	National Investment Council
NSL	National Standards Laboratory
PoA	Plan of Action
STCP	Sustainable Tree Crops Programme
SUCCESS	Sustainable Cocoa Enterprise Solutions for Smallholders
TVET	Technical and Vocational Education and Training

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Source: © Nicky Jurd. Cocoa fruit.

EXECUTIVE SUMMARY

In Liberia, cocoa is an important cash crop whose export potential remains dormant as a result of 14 years of civil conflict that plagued the country from 1989 to 2003 and the slow, albeit growing, support the sector has received since the end of the conflict.

The civil war resulted in widespread destruction or abandonment of cocoa farms as well as the limited processing infrastructure that existed in the country. Cocoa output that stood at 10,000 tons per year in the 1970s dropped to near zero levels for the duration of the conflict. A Ministry of Agriculture (MoA) survey published in 2002 noted that the number of cocoa farms operating in 2001 had dropped to 38% of the pre-war level (1988), indicating the widespread impact.

CURRENT CONTEXT

The cocoa sector in general is in an early stage of recovery and growth is gradually ramping up. Since the end of the conflict in 2003 the government has initiated steps to resuscitate the cocoa sector in a bid to realize the potential offered by the sector for both export earnings and jobs.

In spite of relatively favourable market access conditions, the Liberian cocoa export value chain is affected by constraints so severe they have prevented it from meeting the requirements of international markets. Fundamental challenges present during the pre-war era persist today and in some cases have become exacerbated. Cocoa farmers, who make up a significant portion of cash crop production, are some of the poorest and most food insecure populations in Liberia.

On the supply side, the absence of a well-functioning inputs market has led to a high dependency on imports and increased operating costs. The cocoa tree stock in the country is largely dilapidated and old. As is the case with other agricultural sectors, farming equipment is in short supply. For instance, the shortage of scales at the farm-gate level has led to wide discrepancies in terms of volume across the value chain. Technological and mechanization levels are very low. Other important supply-side weaknesses include an impoverished and outdated human capital base, and weak organization levels among sector stakeholders.

The sector faces significant challenges in terms of the business environment and institutional support. As in the case of other sectors, the trade support network of the cocoa sector is weak. Institutions such as the Liberia Produce Marketing Corporation (LPMC) are in dire need of an overhaul. The extension services branch of the Ministry of Agriculture has been struggling to maintain a technical presence in the field, due to which best practices and technical innovations have been slow to gain ground. Given how important strong economic institutions are for growth, Liberia in general – and the cocoa sector in particular – can use this situation to build a fundamentally different and equitable institutional structure that will catalyse a better future for the estimated 30,000 smallholders involved in the sector.

On the markets side, Liberia faces an uphill battle as it seeks to position itself with strong regional competitors such as Côte d'Ivoire and Ghana, the former with a global reputation for supply capacity and consistency and the latter with a worldwide reputation for supplying high quality cocoa. There is significant progress to be made in terms of building a global brand for Liberian cocoa that not only builds upon high levels of supply consistency and quality but is also identified through a brand of its own in international target markets.

EXPORT PERFORMANCE

In the face of significant constraints product diversification is poor and the sector primarily exports only HS 1801 (cocoa beans, whole or broken, raw or roasted) through international firms active in the country. Smallholder exports are virtually non-existent. Liberia is a minor player in the global market, accounting for only 0.3% of global sales. In 2012 it was ranked 21st globally among cocoa exporters with exports of approximately 10,559 tons. The Netherlands, Spain and Germany were the top three markets for Liberian cocoa in 2012.

Informal cross-border trade remains an important component of trade into and out of Liberia. In the absence of effective border controls, the cocoa stock being shipped out of the Mano River Union region is a mix of beans from all around the subregion. This is primarily due to the fact that cocoa farmers sell their produce to markets that are closest to them, which may well be across the border.

OPTIONS FOR FUTURE DEVELOPMENT

In order to realize the export potential and increase the export competitiveness of the Liberian cocoa sector, the following vision has been adopted:

> "To become an agent of transformation in the cocoa sector, driving large scale sustainable job creation and augmenting access to economic empowerment opportunities for small entrepreneurs through increased exports."

This vision will be realized by the following strategic and operational objectives, which are designed to comprehensively address the overall weaknesses identified across the value chain.

Strategic objective	Operational objective
Strengthen the overall trade support network in the sector.	• Undertake a comprehensive revitalization of the extension services division under MoA. • Strengthen the research base in the sector. • Ensure that the sector has access to a strong base of support service providers. • Improve the capacities of cooperatives and related associations of producers to cater to the needs of the sector. • Ensure that key pending reforms in main policymaking institutions for the sector are completed. • Improve quality management infrastructure. • Improve access to finance for operators in the sector.
Improve access to infrastructure and services.	• Ensure adequate access to inputs at the production phase. • Improve centralized infrastructure for use by sector operators.
Comprehensively augment skills and the influx of best practices and enable product diversification in the sector.	• Improve the quality and efficiency of Licensed Buying Agents through an overhaul of their recruitment and training mechanisms. • Support cooperatives and Farmer Field Schools (FFS) in the cocoa sector to impart relevant training components to their constituents. • Use a variety of media to disseminate information on best practices. • Increase the level of organization in the sector. • Enable product diversification in the sector, especially in certified cocoa.
Facilitate increased access to, and strengthen the ability of enterprises to utilize, trade information.	• Ensure that adequate support for exporters exists, relative to key international markets. • Encourage involvement of diaspora networks towards investments and sector regeneration efforts. • Develop a strong Liberian cocoa brand – especially leveraging the future potential for exporting certified cocoa.

The envisioned future state of the sector has been developed using a combination of consultations, surveys and analyses. This future state consists of two components (both of which combine to form the future value chain):

- Structural changes to the value chain that result in either strengthening of linkages or introduction of new linkages; and
- A market-related component involving identification of key markets in the short and medium to long terms for exporters.

OPTIONS FOR FUTURE DEVELOPMENT: MARKETS

In the short term (0–5 years), existing trade relationships and bilateral geographical distances will form the major criteria determining the markets for Liberian cocoa products. Market penetration in existing markets through multinational firms will be the main mode of market development. In this regard the strategy will be consolidating rather than visionary in nature. Primary target markets will include European Union (EU) markets with high demand for cocoa used in processing (the Netherlands, Germany, Belgium and France) and emerging markets with rapidly increasing processing capabilities, such as India and Malaysia.

Over the medium to long term (5 + years), it is expected that the evolving capacities of Liberian exporters – across multiple dimensions including quality management, supply capacities, product diversification, time to market efficiency, and marketing / branding, in conjunction with the improving business environment and export value chain improvements effected by the NES and sector Plan of Action (PoA) implementations – will allow exporters to target other markets in the medium to long term which seem hard to penetrate now.

It is expected that the Liberian cocoa sector will therefore simultaneously service current buyers (discussed for the short-term options), while constantly monitoring opportunities to also serve other segments such as certified cocoa and processed cocoa products. Markets identified as having potential for Liberian cocoa in this timeframe include the Netherlands, Germany, Belgium, the United States of America, Canada and West Africa.

OPTIONS FOR FUTURE DEVELOPMENT: STRUCTURAL ADJUSTMENTS TO THE LIBERIAN COCOA VALUE CHAIN

The projected structural changes to the sector are based on efficiency gains identified through the four gear analysis of the sector's performance, and through the identification of opportunities for improving the sector's capacity to acquire, add, create, retain and distribute value.

Examples of such structural adjustments include: increased strategic partnerships with regional and global cocoa institutions; adoption of sustainable land management practices; improved sorting at the farm-gate level; increased availability and adoption of input supplies (high yielding varieties, fertilizers, pesticides, scales, etc.); restructuring LPMC to suit its regulatory role as the Liberia Agricultural Commodities Regulatory Authority (LACRA); increased integration of women in activities across the value chain; and improvements in logistical infrastructure such as warehouses.

IMPLEMENTATION MANAGEMENT

The broad range of activities, together with the complex nature of integrated intervention, requires careful implementation that efficiently directs resources and monitors results at both the micro and macro levels. To this end, a Liberian Export Council (LEC) will be established in order to facilitate the public-private partnership in elaborating, coordinating and implementing the NES. In particular, LEC will be tasked with coordinating the implementation of activities in order to optimize the allocation of both resources and efforts across the wide spectrum of stakeholders. Within this framework, implementation of the cocoa strategy will also fall within the purview of LEC.

Such efforts will involve directing donor and private and public sector organizations towards the various NES priorities in order to avoid duplication and guarantee maximum impact. Responsibilities will also include monitoring the results of activities and outputs, while at the same time recommending policies that could serve to enhance realization of the strategic objectives. With a 360-degree view of progress, the Council will be best placed to manage funding and provide regular reports to donors and stakeholders. Moreover, LEC will play a key role in recommending revisions and updates to the strategy so that it continues to evolve in alignment with the country's evolving needs.

Source: © jbdodane

In addition to LEC, a variety of stakeholders will be critical to the successful implementation of this strategy. These include public sector actors such as MoA (including the extension services), LPMC/LACRA, Cocoa Sector Technical Working Group (CSTWG), the Cooperative Development Agency (CDA), MoCI and the Ministry of Foreign Affairs (MoFA), and also private sector/civil society organizations such as sector NGO ACDI/VOCA that have a successful track record in the sector and are well positioned to assist.

CONCLUSION

This sector export strategy represents a major step forward in realizing the export potential offered by Liberia's cocoa sector. There is a clear need to transform Liberian cocoa from its current status as a subsistence crop to a carefully planned, market engine of equitable growth and value distribution.

CURRENT CONTEXT

The global market for cocoa products (and derivatives) stood at US$40.7 billion in 2012. Chocolate and other food products containing cocoa (HS 1806), and cocoa beans (HS 1801) respectively constitute the top consumed products, as indicated in the schematic below (figure 1). Global consumption rates have been following a growth trend since 2008 and the individual markets for cocoa-based products (except cocoa butter and cocoa waste products) have reflected this. Overall, the global growth rate has been 7% annually between 2008 and 2012.

Cocoa-based products can be broadly segregated into cocoa beans (HS 1801) and the other product groups that reflect processed (and semi-processed) cocoa products (HS 1802 through HS 1806).[1]

1. This strategy primarily works within the scope of HS 1801. However, from the viewpoint of product diversification and for providing a broad overview, this section reviews the main sub-product groups.

Figure 1: *Product map for cocoa global trade*

	Imports value (US$ billons) 2012	Imports quantity (Thousand tons) 2011	Annual Growth Rate (per cent) (2008-2012)	Top consumers (Importers)	Top exporters
HS 18 Cocoa and Cocoa Preparations	40.7	10,524	7	US, Germany, Netherlands France, UK	Germany, Netherlands, Côte d'Ivore, Belgium, France
HS 1801 cocoa beans, whole or broken, raw or roasted	8.3	3,301	4	Netherlands, US, Germany, Malaysia, Belgium	Côte d'Ivore, Ghana, Nigeria, Cameroon, Netherlands
HS 1802 cocoa shells, husks, skins and other cocoa waste	.05	98.3	-1	Singapore, Netherlands, Poland, China Germany	Singapore, Netherlands, Spain, Indonesia, Germany
HS 1803 cocoa paste, defatted or not	3.1	833.9	17	Germany, US, France, Netherlands, Spain	Côte d'Ivore, Netherlands, Germany, Indonesia, France
HS 1804 cocoa butter, fat and oil	2.7	753.9	-11	Germany, Netherlands, Belgium, US, France	Côte d'Ivore, Malaysia, France, Côte d'Ivore, Indonesia
HS 1805 cocoa powder, not sweetened	3.3	743.5	34	US, Germany, France, Netherlands, China	Netherlands, Malaysia, Germany, France, Spain
HS 1806 chocolate & other food products containing cocoa	23	4.793	7	US, Germany, France, UK, Netherlands,	Germany, Belgium, Netherlands, Italy, France

Source: Derived from ITC Trade Map.

HS 1801 (COCOA BEANS)

- The bulk of the production of cocoa beans (HS 1801) is concentrated in developing countries as indicated in Figure 2 below. Over 70%[2] of the total volume originates in Africa – primarily the West African countries including Côte d'Ivoire, Ghana, and to a smaller extent Cameroon and Liberia. The other major cocoa producing regions include south-east Asia (Indonesia, Malaysia, India and the Philippines), and Latin America (such as Brazil and Ecuador). Latin America is known for 'fine flavoured cocoa beans used in premium and single origin chocolates'.[3]

2. International Cocoa Organization (ICCO) projections.
3. Potts, J., van der Meer, J. and Daitchman, J. (2010). *The State of Sustainability Initiatives Review 2010: Sustainability and Transparency*, p. 95. International Institute for Sustainable Development (IISD) and the International Institute for Environment and Development (IIED).

- Cocoa bean imports are primarily concentrated in the European and North American markets, where the cocoa is further processed into products such as ground cocoa, chocolate, cocoa butter etc. Multinational firms such as ADM, Mars Chocolate etc. represent the main corporate buyers in these markets, producing products for end consumers which may be consumed in country or further exported. As indicated below, African markets account for the lowest consumption levels despite being the market leaders in production.

Figure 2: *Cocoa production worldwide 2011-2012*

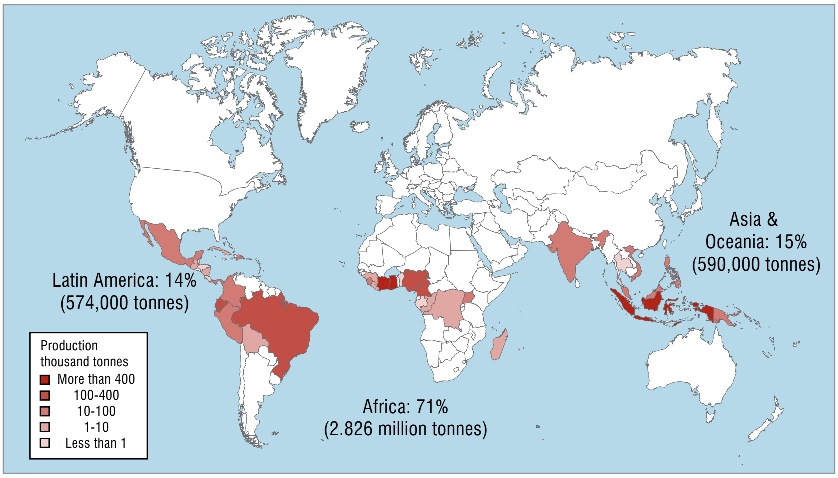
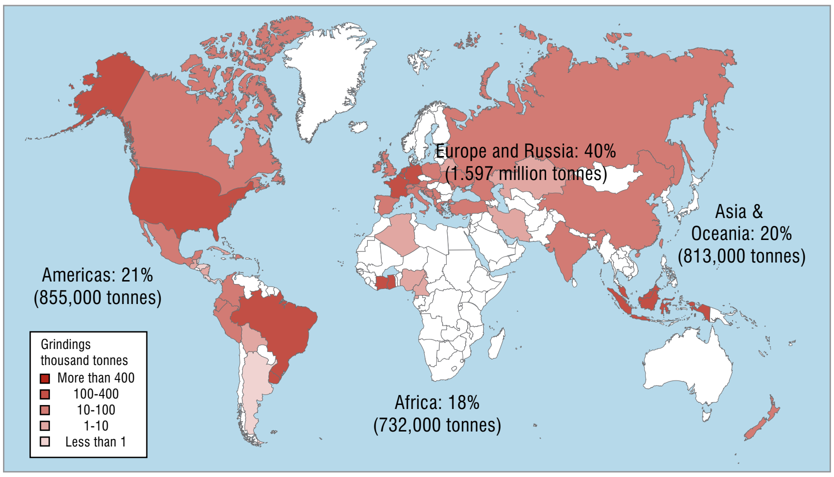


Figure 3: *Cocoa consumption worldwide 2011-2012*



Source: ICCO monthly reviews aggregate.

HS 1802–1806 (SEMI-PROCESSED AND PROCESSED COCOA, INCLUDING WASTE)

- The supply base for semi-processed and processed cocoa (HS 1802-1806) is led by the EU and the United States. The cocoa grinding business is dominated by EU countries (notably the Netherlands, Germany, Belgium and France), followed by Asia and Oceania, the Americas and then Africa.[4] Processed cocoa-based products are brand and marketing driven and as such are dominated by a few companies, all of whom originate in Western markets. These players are increasingly concentrating their marketing efforts in emerging markets to reach end consumers. A few West African countries such as Ghana and Côte d'Ivoire have recently integrated related technologies in their value chains. The multinational firms noted above are the primary suppliers of semi-processed and processed cocoa.
- The market for processed/semi-processed cocoa products (including ground cocoa) is currently concentrated in just two areas of the world: Europe and the United States. More specifically, the United States, Germany, France, the Russian Federation and the United Kingdom of Great Britain and Northern Ireland consume over 50% of world chocolate production. Less than 20% of all chocolate is consumed in the producing countries of Latin America, Africa and Asia. In the last decade Asian markets such as China, India, Indonesia and Viet Nam have emerged as major markets as well. These are expected to grow in the future in line with rising disposable incomes and solidification of the premium segments in the markets.

4. World Cocoa Foundation (2012). *Cocoa Market Update*. Available from http://worldcocoafoundation.org/wp-content/uploads/Cocoa-Market-Update-as-of-3.20.2012.pdf.

Box 1: Key figures in the global cocoa economy

Parameter	Value
Global growth in output (between 2002/2003 and 2010/2011)	3.2 to 4 million tons*
Average annual growth rate of output (between 2002/2003 and 2010/2011)	3.3%*
Africa	3.7%*
Americas	3.1%*
Asia and Oceania	1.5%*
Increase in Africa's share between 2002/2003 and 2010/2011	From 69% to 75%*
Top producers of cocoa	West African countries (Côte d'Ivoire, Ghana and Cameroon), and Nigeria
Top suppliers of raw cocoa (HS 1801)	Côte d'Ivoire, Ghana, Nigeria, Cameroon, Indonesia and the Netherlands (re-exported cocoa)
Top consumers of raw cocoa (HS 1801)	The Netherlands, Nigeria, the United States, Germany, Malaysia and Belgium
Top suppliers of cocoa-based products (HS18)	Germany, the Netherlands, Côte d'Ivoire, Belgium and France
Top consumers of cocoa-based products (HS18)	The United States, Germany, the Netherlands, France, the United Kingdom and Belgium

***Source:** International Cocoa Organization (2012). *The World Cocoa Economy, Past and Present,* p. 1. Available from: http://www.icco.org/about-us/international-cocoa-agreements/cat_view/30-related-documents/45-statistics-other-statistics.html. Trade based source: ITC Trade Map.

Source: © ACDI/VOCA 2011.

CURRENT CONTEXT

In Liberia, cocoa is an important cash crop whose export potential remains dormant as a result of 14 years of civil conflict that plagued the country from 1989 to 2003 and the largely ineffectual support that the sector has received since the end of the conflict.

During the pre-war era of the 1970s and 1980s the government made active attempts to support the sector, primarily through the erstwhile Liberia Coffee and Cocoa Corporation. Apart from interventions aimed at the smallholder sector a few industrial scale plantations, mainly in Lofa and Nimba counties, were set up and operated by the Liberia Coffee and Cocoa Corporation.[5] The sector played a vital role not only in foreign exchange earnings but also in stimulating other sectors of the national economy. Across the supply chain, thousands of stakeholders are involved in trade, transport and export and are dependent on cocoa for their livelihoods. However, decades of underinvestment in the tree crop sector has severely affected the productive capacity of smallholders –the major drivers of the cocoa subsector– and, in turn, the rural economy of the tree crops belt of the country. Cocoa production output dropped to near zero levels during the war.

The civil war resulted in widespread destruction or abandonment of cocoa farms as well as the limited processing infrastructure that existed in the country. Cocoa production output that stood at 10,000 tons in the 1970s dropped to near zero levels during the conflict. A MoA survey published in 2002[6] noted that the number of cocoa farms operating in 2001 had dropped to 38% of the pre-war level (1988), indicating the widespread impact.

Since the end of the conflict in 2003, the government has initiated steps to resuscitate the cocoa sector in a bid to realize the potential offered by it in terms of export earnings, as well as socioeconomic contributions in the form of jobs. Tree crops in general, and the cocoa sector in particular, have an important socioeconomic dimension due to the smallholder orientation of the sector. Coupled with the potential for foreign exchange earnings, the development aspect has resulted in a strong business case for the government to increase the pace of support to the sector.

5. Milbrandt, A. (2009). *Assessment of Biomass Resources in Liberia,* p. 8. Colorado: National Renewable Energy Laboratory. Available from: www.nrel.gov/docs/fy09osti/44808.pdf.

6. Dand, R.J. (2008). *Liberia – the Export Value Chain*. International Trade Centre.

STRUCTURE OF THE SECTOR

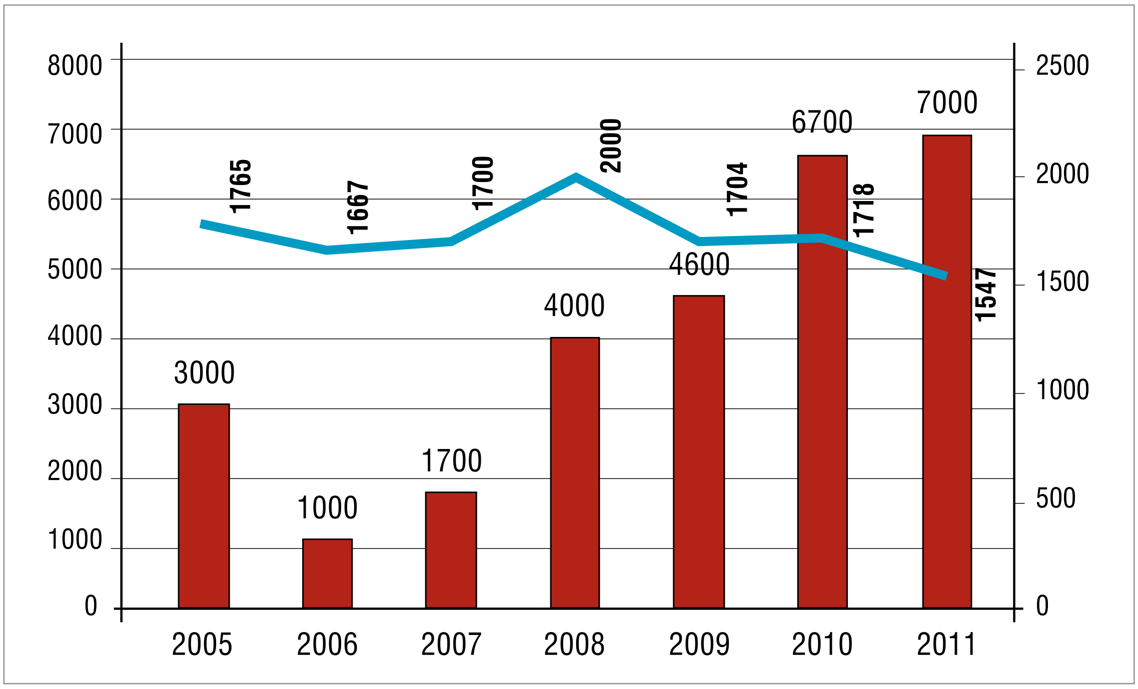
Cocoa production in Liberia has exhibited a gradual increase since 2005, although yield levels are going down – indicating an increase in area under cocoa cultivation. Figure 4 indicates the production levels in tons (bar graph) and yield levels (line graph on secondary axis) in hectogram/hectares.

Three counties – Bong, Nimba, and Lofa – make up 90% of total cocoa production, and 80% of the employment generated by the sector. All three counties share a border with Guinea, while Nimba shares a border with Côte d'Ivoire and Lofa shares a border with Sierra Leone. Figure 5 indicates the main geographical regions of cocoa cultivation.

The cocoa group primarily grows well in interior counties with slightly higher altitudes, such as Grand Gedeh, River Gee, Lofa, and Gbarpolu.[7]

7. Milbrandt, A. (2009). *Assessment of Biomass Resources in Liberia,* p. 8. Colorado: National Renewable Energy Laboratory. Available from www.nrel.gov/docs/fy09osti/44808.pdf.

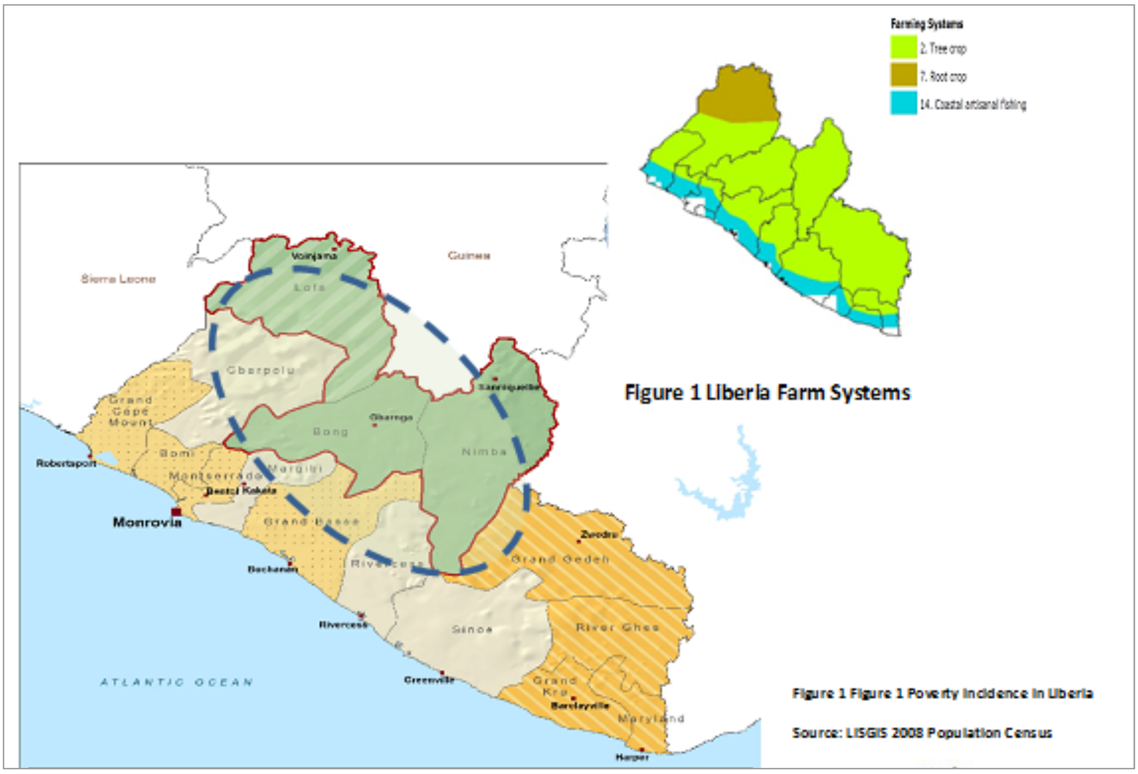
Figure 4: *Production (tons), yield levels (hectogram/hectares), and areas under cultivation related to cocoa farming in Liberia 2005-2011*



Area under cultivation (ha)					
Item(x)/Year(y)	2007	2008	2009	2010	2011
Cocoa beans	10 000	20 000	27 000	39 000	45 260

Source: FAOSTAT

Figure 5: *Major cultivation areas of cocoa in Liberia*



Source: International Fund for Agricultural Development (2011).
The Republic of Liberia Smallholder Tree Crop Revitalization Support Project (STCRSP) Project Design Report.

It is estimated by the International Cocoa Association (ICCO) that 90% of the world's cocoa production comes from 3 million smallholders. In Africa, home to two of the world's largest producers – Côte d'Ivoire and Ghana – smallholder farmers are particularly dominant, with a minority of larger farms making up the rest of production (5% of total farms in Côte d'Ivoire are five hectares and above; 1% of cocoa farms in Ghana are above five hectares).[8] This contrasts with Brazil and Ecuador, where 10% and 13% of cocoa farms, respectively, are above five hectares in size.

In Liberia too, this trend holds steady. The cocoa sector is composed of approximately 30,000 smallholders, with average holding sizes of 1-3 ha.[9] The cocoa sector accounts for as much as 12.6%[10] of total employment in the agriculture sector.

8. International Cocoa Organization (2008). *Annual Report, 2006-2007*. Also: Potts, J., van der Meer, J. and Daitchman, J. (2010). *The State of Sustainability Initiatives Review 2010: Sustainability and Transparency*, p. 95. International Institute for Sustainable Development (IISD) and the International Institute for Environment and Development (IIED).

9. Pipitone L. (2012). The Future of the World Cocoa Economy: Boom or Bust? Presentation given at the International Conference on Cocoa, Rome, 28-30 May.

10. LISGIS Agriculture Sector Update 2010.

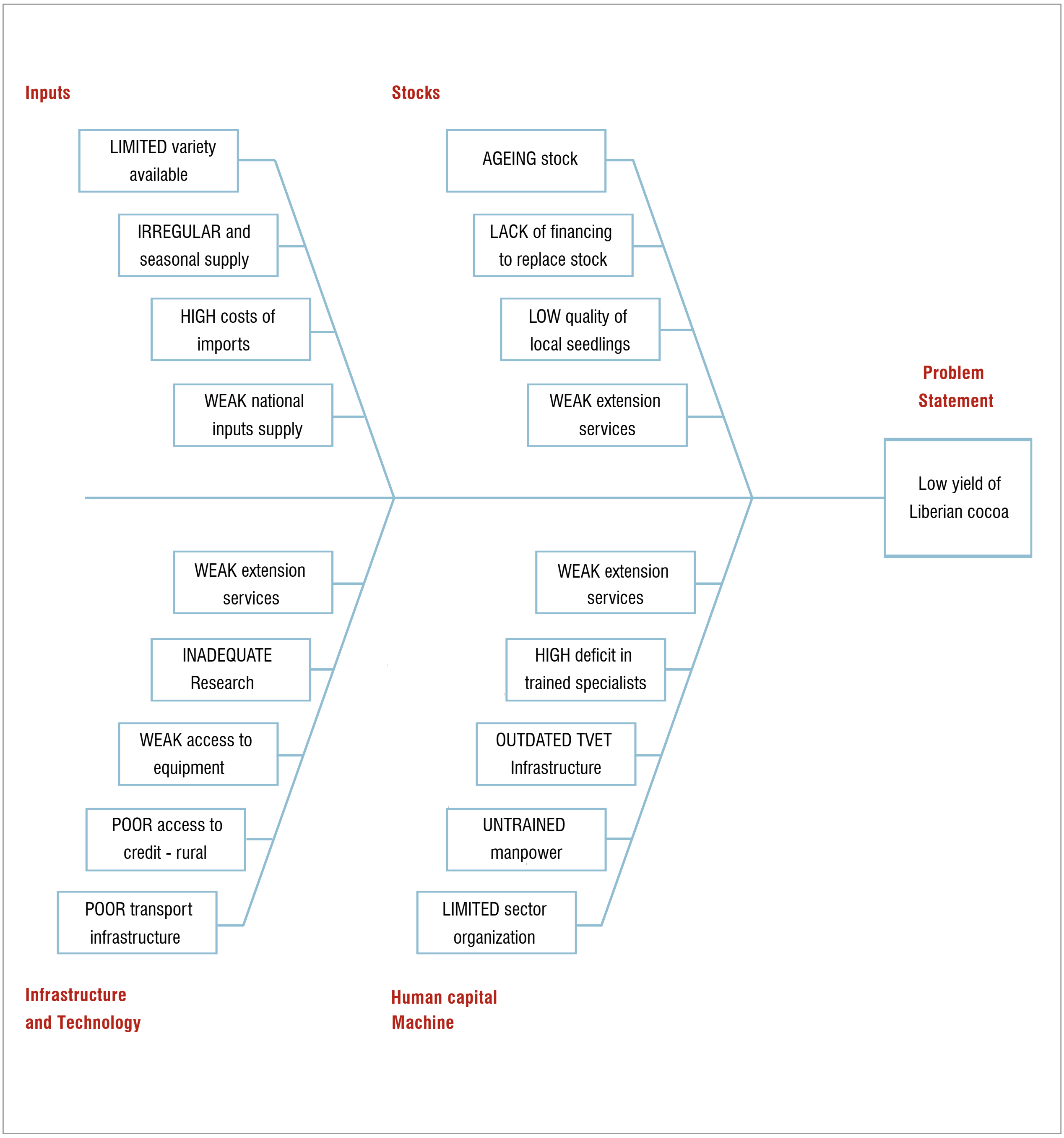
Cocoa households are among the poorest in the country and cocoa farmers are amongst the most food insecure populations in Liberia. Employment in the sector is sporadic at best, with high seasonality and with the rainy season being the longest continuous lean period.

Approximately 9,000 tons of beans are produced from 25,000 ha[11] annually. The majority of this production (estimated between 4,000 and 5,000 tons) is exported across the border, mostly via the Guinea, Côte d'Ivoire, and Sierra Leone routes, and onward via their respective export networks into other international markets. This trade, though (the Liberia national component), is predominantly informal and delivered entirely on the basis of community/trader networks. Though informal (as is most likely to happen in a post-conflict situation), this channel is an important, if not sole, source of income, especially in producing areas along the Guinea, Sierra Leone and Côte d'Ivoire borders.

Owing to a variety of reasons that are discussed in detail in following sections, cocoa yields are very low in Liberia. They currently stand at 200 kg/ha, which is about 30% of that obtained in other cocoa producing countries in the region.

11. Republic of Liberia, Ministry of Agriculture (2009).

Figure 6: *Fishbone diagram indicating the main root causes of low yield levels of Liberian cocoa*

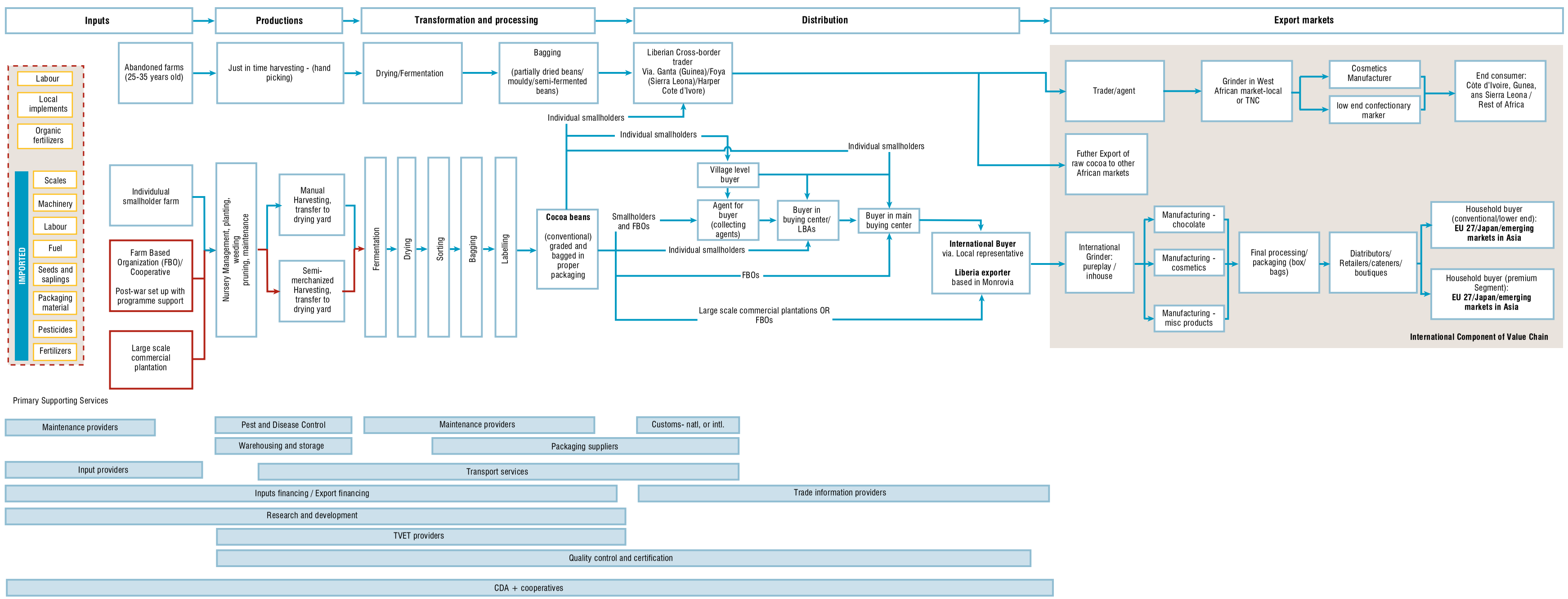


Source: Sector Consultations.

Source: © jbdodane

CURRENT SECTOR OPERATIONS

Figure 7: *Current value chain and operations in the Liberian Cocoa sector*



Source: Sector Consultations and Desk Research.

INSTITUTIONAL LANDSCAPE FOR THE LIBERIAN COCOA SECTOR

The overall trade support network for Liberian cocoa is considered for the Cocoa Sector Export Strategy as the aggregate institutional framework in the country, bringing together those trade support institutions that have an interest in, or a bearing on, export development and competitiveness of the cocoa sector.

There is overall overlap in the different categories of institutions in the country, whether institutions that provide policy, trade or business support, and whether they form part of civil society players who play an important role in sector development or other agencies. The current debilitation of the institutional structure is in part a result of the systematic destruction caused by the many years of violent civil conflict, and the financial / human capital / coordination challenges that have succeeded it. The main institutions in the sector are as follows.

MINISTRY OF AGRICULTURE

Policy issues related to agriculture sectors fall under the purview of MoA. MoA is also responsible for the implementation of the Liberia Agricultural Strategic Investment Programme, which concentrates on cocoa, rice and oil palm cultivation.

Through its mandate the Ministry has a high degree of influence over cocoa sector stakeholders. In terms of coordination and advocacy also, MoA ranks relatively well among other ministries. There are, however, some gaps in the areas of human capital and financial sustainability. Inadequate staffing and training provided to staffers affects service delivery. Budgetary support is also a challenge.

MINISTRY OF COMMERCE AND INDUSTRY

Policy issues and regulations related to export / import activities fall under the mandate of MoCI. This is also the case for the cocoa sector.

CENTRAL BANK OF LIBERIA

The credit and microfinance system for the private sector, including the cocoa sector, is very weak. The challenges are multidimensional and discussed in detail in the Access to Finance cross-sector strategy. In an effort to alleviate these challenges, the Central Bank of Liberia (CBL) is preparing a microfinance system aimed at the agricultural sector, including the cocoa subsector.

NATIONAL STANDARDS LABORATORY

The National Standards Laboratory (NSL) is at an advanced stage of development with assistance from the United Nations Industrial Development Organization, and currently offers services including food composition testing and metrology services. Right now the lab is unable to offer certification services as it is still undergoing accreditation. It is currently under observation by the International Organization for Standardization (ISO).

COOPERATIVE DEVELOPMENT AGENCY

The Cooperative Development Agency (CDA) is the main instrument of the government through which support is provided to cooperatives in the country. The civil war mostly destroyed the CDA infrastructure, but work has resumed on rebuilding the infrastructure and other capacities to pre-war levels. CDA is active in the main cocoa producing counties of Bong, Nimba and Lofa.[12]

LPMC/LACRA

LPMC certifies Licensed Buying Agents (LBAs), who are the main collection sources of cocoa at the farm-gate level. LPMC was originally set up as a marketing organization involved in:

- Buying/selling of cocoa (no longer the case – LPMC does not sell any cocoa and instead issues licenses to exporters);
- Setting recommended farm-gate prices;
- Certifying LBAs;
- Assisting exporters in cleaning, grading, weighing and rebagging the product through the LPMC facility in the port area of Monrovia.

LPMC's scope is expected to change in the near future as it transitions to the role of a regulatory body to be known as LACRA. While MoA and MoCI will have overall responsibility to set policy direction in agriculture and trade at the highest level, LPMC/LACRA has been handed the responsibility, via Presidential decree, to play the role of policymaker at an operational level as well as fulfil discretionary services.

LACRA needs substantial assistance, both technical and financial, to fulfil this brief. In its new role, the current LPMC role of buying and selling of cocoa will be much more limited and it will function more as a regulatory body. In this regard, LACRA is expected to play a key role in influencing policy decisions in the sector.

12. Dand, R.J. (2008). *Liberia – the Export Value Chain*. p. 6. International Trade Centre.

Box 2: Support of the Government of Liberia to the cocoa sector[13]

The initiatives carried out by the Government of Liberia in order to re-establish a strong cocoa sector include a directive (2009) to MoA, LACRA (also known as LPMC) and CDA to take the following actions:

Abolish the $10,000 annual licence fees and set a standard on quality and quantity for all exporters, (recommending) that any export licence regime should consider applying volume-based incentives with qualifying benchmarks;

That LACRA work with MoA to create licensing and regulatory requirements for buying agents; (and that) exportation of cocoa should be opened to all exporters, provided they meet the minimum requirements set by MoA and LACRA.

The Government of Liberia has also, through the Economic Management Team, directed that LACRA should:

- Define certain standards regarding required technical training for individuals to become LBAs – especially targeting university graduates, encouraging farmers' groups and ensuring that individual candidates have the capacity to provide technical advice to farmers;
- That LACRA provide the Economic Management Team with annual updates on the quality and quantity of Liberian cocoa so that, in the future, an international grading system can be considered;
- That LACRA, with MoA, explore means to empower farmers to engage in the purchasing business without delay;
- That LACRA collaborate '…with the Cooperative Development Agency (CDA), immediately get involved in the process of initiating measures to keep farmers adequately and regularly informed of market information with respect to quality and prices, including airing farm-gate prices on community and national radio stations and posting in public places and major newspapers';
- That LACRA '… include as a qualifying requirement to be a Licensed Buying Agent (LBA) the provision of weighing scales subject to testing and approval.'

13. International Institute of Tropical Agriculture (2009). *Sustainable Tree Crops Program: A Proposed National Tree Cocoa Development Policy Framework (draft).*

Source: © jbdodane

CENTRAL AGRICULTURAL RESEARCH INSTITUTE

The Central Agricultural Research Institute (CARI) is mandated with agronomic research that can be transplanted to the field through extension services and other mechanisms. CARI's role will be very important in the context of elevating the research base for the sector, as well as coordinating and collaborating with research centres / institutions in other countries. For instance, the potential for CARI to bring in new and improved varieties of cocoa crops from centres in Ghana has been widely explored and deemed high. However, this potential has not been realized because of the low capacities at the Institute. Additionally, there are currently very few resources dedicated to research on tree crops or in the production of tree crop planting materials. CARI's infrastructure was destroyed during the Liberian civil war and the capacities are still quite weak.

COCOA SECTOR TECHNICAL WORKING GROUP

The Cocoa Sector Technical Working Group comprises of all stakeholders (from farmers to exporters) involved in the coco industry in Liberia. It was established by the Ministry of Agriculture as a technical arm of the Agriculture Coordination Committee (ACC) which brings together actors operating in the agriculture sector.

The key role of the CSTWG is to promote the development of the cocoa industry. To achieve this objective, the group ensures that Liberian cocoa farmers, buyers and exporters follow good agriculture practices. The following training aspects are taught through farmer field schools:

- Pre-harvest technology-under brushing, pruning, deshading and the use of chemicals; and,
- post-harvest technology-harvesting, breaking of cocoa purse, fermentation, drying, packaging, storage and transportation.

CSTWG also works to ensure that good and improved cocoa planting materials are available to, and affordable by farmers and in this respect develops reference prices to make sure that local farmers receive a fair share of international cocoa prices.

BUSINESS SUPPORT/CIVIL SOCIETY/DEVELOPMENT NETWORKS

Similarly, in the absence of a functional business support services network even in the capital region, the cocoa sector needs active everyday support to function in a market-driven and professional manner; to allocate resources strategically; to upgrade production and processing techniques; and use better practices and technologies. Currently, this function is being performed by various civil society alliances (such as the Sustainable Cocoa Enterprise Solutions for Smallholders (SUCCESS) Alliance), development institutions (such as the International Institute of Tropical Agriculture (IITA), ACDI/VOCA), or by programmes such the International Fund for Agricultural Development Liberia – Smallholder Tree Crop Revitalization Support Project. The creation of a functional business support sector will require some time – possibly between five and ten years. This, however, is a process that must be managed so as to incentivize the formation of an ecosystem that can service the particular needs of the Liberian economy in practical and result-oriented ways.

DEVELOPMENT ACTIVITY IN THE SECTOR

Development support to the cocoa sector commenced soon after the end of the civil conflict. Led by the government, several international organizations, consulting firms / non-governmental organizations (NGOs) have engaged in a wide variety of interventions to the cocoa sector as part of support to the broader tree crop sector. NGOs have been providing free or subsidized services to offset gaps resulting from a weak extension service in the country.

Table 1 is a list of important donor-related programmes that are directly or indirectly affecting the cocoa sector.

Source: © jbdodane

Table 1:*Non-governmental programmes in support of the cocoa sector*

Programme	Implementing agency	Description
Sustainable Tree Crops Programme	Winrock International – IITA	The programme aims to support economic growth in agriculture, energy, infrastructure, and forestry; and to distribute technology designed to halve production time and double output of tree crops (palm oil and cocoa) for smallholders, who also receive marketing assistance. The programme will train farmers in improved agricultural techniques through FFS and farmer-to-farmer training and seed distribution. The expected outcome is to support farmer cooperatives in three counties, including wide uptake of the Freedom Mill (hand operated oil mill that increases productivity by a factor of 200).
Comprehensive African Agricultural Development Programme	Comprehensive African Agricultural Development Programme	The programme focuses on the following main areas of intervention: 1. Land and water development; 2. Food and nutrition security; 3. Competitive value chains and market linkages; 4. Institutional development.
Cocoa Livelihoods Programme	World Cocoa Foundation	The goal of this project is to invigorate the cocoa sector. It will provide training for 7,500 smallholder cocoa farmers, as well as seeds and supplies, focusing on Bong, Nimba and Lofa counties. It is part of a five-country programme targeting 200,000 cocoa growers in Cameroon, Côte d'Ivoire, Ghana, Liberia and Nigeria.
Smallholders Tree Crop Rehabilitation Support Project	World Bank	This project will be active in cocoa, oil palm, rubber and coffee. It aims to empower farmers to build a stronger domestic value chain, thus increasing internal processing and selling their product directly to the market.
Livelihood Improvement for Farming Enterprises (LIFE) Phase 1	ACDI/VOCA	ACDI/VOCA implemented an almost three year (February 2008 to September 2010), US$3.9 million SUCCESS Alliance project funded by the United States Department of Agriculture that improved the livelihoods of 5,600 farmers. ACDI/VOCA and its main partner IITA / Sustainable Tree Crops Programme (STCP) addressed the constraints in the cocoa value chain and mitigated smallholders' livelihood risk by encouraging the diversification of their revenue sources. Phase 1 of the LIFE Project targeted Bong, Nimba and Lofa counties, which produce the bulk of Liberian cocoa. ACDI/VOCA and STCP implemented programme activities in Sanoyea, Zoegeh, Sacleapea, Voinjama, Kolahun, Quadu Bondi and Foya districts under Phase I, which ended in September 2010.
Livelihood Improvement for Farming Enterprises (LIFE) Phase 2	ACDI/VOCA	LIFE, Phase 2 is a three year (October 2010 to September 2013), approximately US$7 million SUCCESS Alliance project, also funded by the United States Department of Agriculture, that seeks to improve the livelihoods of 10,600 cocoa farmers in Bong, Nimba, Lofa, Gbarpolu, Grand Gedeh and River Gee counties, and is implementing the following activities: • Farmer Training: training smallholder farmers in cocoa production, crop diversification, pest management, post-harvest handling, marketing and ACDI/VOCA's signature Farming as a Business curriculum; • Nursery Establishment and Tree Renewal: supporting the production and distribution of cocoa seedlings through the establishment of nurseries and rehabilitation of cocoa trees; • Empowering New and Existing Farmer Organizations: strengthening farmer organizations to function as profitable commercial enterprises; introducing farmer organization concepts to individual farmers with the objective of forming new farmer groups; and improving farmers' access to markets; • Improving Access to Capital: promoting improved access to capital for cocoa farmers by fostering development of locally based solutions, training farmers in loan requirements and farmer responsibilities, and providing facilitation with financial institutions.

Box 3: Liberia Cocoa Corporation (LCC)

LCC is a privately owned farming initiative that will undertake leasing and development of a 6,000 ha of nucleus cocoa plantations with complementary out grower farms and a smallholder programme. The initiative employs some 400 Liberians and has also made improvements to the road and bridge infrastructure. The plantation is located in Sazanor town, Quardu-Gboni district in Lofa county 20 kilometres from Voinjama, the county's capital, and 414 kilometres from Monrovia, the nation's capital. The project is valued at US$3.9 million and is 25% Liberian owned. In the long term it is expected that the nucleus estate will be a key driver of a revived and regenerated Liberian cocoa industry.

The soil and topography of Quardu-Gboni, where the project is situated, have been scientifically validated to possess good characteristics for cocoa cultivation. Two types of soils are characteristic of this area: namely, clay loam and sandy loam. With adequate rainfall and good soil management practices, both soil regimes can support the establishment and development of cocoa trees. Information from local farmers in the area indicates that the Quardu-Gboni region has been contributing significantly to Lofa county's share of Liberian cocoa production, even in the pre-war period.

The LCC has, as of July 2010, cultivated 60 ha with two varieties. The varieties were identified as stocks from Ghana and Côte d'Ivoire. These two varieties have a short gestation period of between 18 and 24 months. They are said to yield better than varieties which have been grown in the two countries previously. Information from the cocoa research institutes of these two countries indicates that the varieties can yield up to 2.3 tons per hectare. In any case, yield will be lower in the first and last few years of production (i.e. estimated at between 1.6 and 1.9 tons/ha in the first three years and the last five years, respectively). The planting trees per hectare or stand per hectare is given at 1,122 trees.

The cocoa seedlings at the LCC plantation have been intercropped with either banana or plantain crops. Nearly 10% of the banana and plantain trees have reached physiological maturity and thus need harvesting. The banana and plantains appear to be well adapted to the soil regimes, although there is a foliar infection of black Sigatoka disease probably caused by the fungus Mycosphaerella fijiensis.

The LCC management plans to plant and manage 447 ha, including the 60 ha already cultivated. As a result of this objective a seedlings nursery amounting to about 480,000 seedlings has been developed. Besides the cocoa operation, the investors have also been involved in road building and maintenance as well as bridge building to ensure that residents move from one area to the next without problems. In the foreseeable future, developers plan to build schools, clinics and freshwater points and get local farmers involved in skill development and management training.

Source: John Zubah (2010). Lofa: US$30m Cocoa Project Underway. New Dawn Newspaper Liberia, 14 July. Available from: http://www.thenewdawnliberia.com/index.php?option=com_contentandview=articleandid=1018:lofa-us30m-cocoa-project-underwayandcatid=29:rural-newsandItemid=61

Box 4: Typical cocoa supply chain[14]

A typical cocoa supply chain consists of a number of distinct steps, from initial production to primary and secondary processing and eventual manufacture into a wide variety of food and non-food products. Initial processing – fermentation and drying – starts on the farm after harvest and is carried out by the producer or a cooperative. Beans are then sold to traders, or directly to processors, for export to roasting and grinding plants, the majority of which are in located in consumer countries.

Of all global cocoa production, 90% is used for chocolate, while 10% is used for flavourings, beverages and cosmetics. The main by-products of cocoa beans are husks and shells that are used as organic mulch, soil conditioner and poultry feed.

14. Potts, J., van der Meer, J. and Daitchman, J. (2010). *The State of Sustainability Initiatives Review 2010: Sustainability and Transparency*, p. 95. International Institute for Sustainable Development (IISD) and the International Institute for Environment and Development (IIED).

INPUT SUPPLY

Major production inputs for cocoa smallholder farmers include planting material (seeds / saplings), polythene bags (for use in nurseries), fungicides, fertilizers, pruning equipment, weighing scales, jute bags and moisture meters.15 The supply chain for inputs is currently heavily dominated by imports and domestic production is weak. Apart from the increased costs to producers, the dependency on imported inputs also adds uncertainty, given the irregular supply.

There are primarily four types of production establishments for cocoa production in Liberia:

1. Abandoned farms: these cultivation areas – 25 to 35 years old – were abandoned during the war and have remained untended ever since. The crop accounts for the lowest quality cocoa and is harvested by hand-picking;
2. Individual smallholder farms: these are individually owned by smallholders and average 1-3 hectares in size;
3. Farmer-based organizations (FBOs) such as cooperatives: most of these were set up after the end of the conflict with programming support from various NGOs and international actors;
4. Commercial plantations: these use the highest levels of mechanization and are large scale plantations primarily for export purposes. There are few of these plantations, LCC[16] being one example.

15. CSTWG (21 April 2009). *Outline for Liberia Cocoa Sector Strategic Plan (draft).*

16. See box 3 for more details.

PRODUCTION

In the case of abandoned farms, there is little or no tending. 'Just in time' harvesting is practiced and produce is handpicked. The main production phases for the other three establishment types can be divided as follows.[17]

1. Farm/plantation establishment:
   - Land shading and preparation;
   - Shade planting (or selection of ideal shade trees);
   - Nursery construction;
   - Planting of improved cocoa beans and or seedlings;

2. Maintenance of young cocoa plants.
   - Maintenance of mature farms:
   - Weed control (mainly under brushing);
   - Pest and disease control;
   - Shade management;
   - Fertilizer applications.

3. Harvesting:[18]
   - Pod plucking – pods are removed using various forms of knives, cutlasses and hooks;
   - Pod opening – extracting of cocoa beans from the pod by hitting them against each other, a stone or a stick;
   - Preparation of fermentation containers (baskets, boxes or heaps);
   - Transportation of beans for fermentation.

17. Main stages and activities derived from CSTWG (21 April 2009). *Outline for Liberia Cocoa Sector Strategic Plan (draft)*, and NES analysis.

18. Smallholder farmers primarily engage in manual harvesting, while FBOs and large scale commercial plantations use greater mechanization levels.

TRANSFORMATION AND PROCESSING

In Liberia, the transformation and processing activities for the cocoa value chain are limited to fermentation and drying. The key activities include:

Selection of proper fermentation containers;

- Proper mixing of cocoa beans in the fermentation container;
- Careful observation of fermentation process (stages for 6-7 days);
- Proper drying of beans;
- Sorting out foreign matter from the dried cocoa beans and measurement of moisture content;
- Grading of cocoa beans and separation according to grade type;
- Bagging cocoa beans in jute bags, weighing and stacking them properly; and
- Proper labelling.

DISTRIBUTION

In the case of abandoned farms, distribution is primarily undertaken by Liberian cross-border traders who trade via either informal or formal mechanisms across borders into Sierra Leone, Guinea and Côte d'Ivoire through the Foya, Ganta and Harper border crossings respectively. Although informal, this distribution activity is highly organized and prevalent.

Individual smallholder farmers interface with a variety of intermediaries – either with individual LBAs; sub-agents/middlemen (collecting agents) of LBAs; or village level buyers who then sell to the sub-agents, the agents or directly to buyers in main buying centres. Smallholders also approach the Liberian cross-border traders mentioned above. Local buying centres transport their accumulated cocoa to regional buying centres (typically by the LBAs) where it is assembled, loaded and transported directly to exporters.

FBOs either sell the cocoa to LBAs (or their sub-agents), to buyers in main buying centres, or even directly to Liberian and international exporters. Large scale commercial plantations (such as LCC) sell the cocoa to international/Liberian exporters directly.

As discussed above, Liberian and international exporters source cocoa either directly from FBOs and commercial plantations or from main buying centres. While the cocoa 'form' remains the same as it travels upstream, the levels of aggregation increase as iterations of buyers accumulate cocoa from various sources.

Box 5: Licensed Buying Agents

LBAs are individuals with no required formal training who tend to monopolize the intermediation business. They are usually the only contact smallholders have with the market and effectively cut off the end producer from the rest of the value chain. They dominate collection, sorting, storage and delivery to LPMC or to exporters directly. Once the cocoa has been secured from the farmer, it may pass through several agents before it arrives at the port for final conditioning and export. Though form does not change, some upstream agents perform tasks that may add value such as additional drying and sorting of the beans.

LPMC is responsible for licensing and monitoring the work of LBAs. As a routine practice, LBAs subcontract to sub-agents who may not be licensed. Licensed LBAs are typically given access rights to procure cocoa by area. LBAs are expected to renew their licence with LPMC annually at a cost of US$300, although this may occur less frequently than expected given the low enforcement capabilities of LPMC.

Collectively, these agents are typically concerned only with volumes and therefore routinely mix A grade beans and aggregate quantities of cocoa with lower grades to make up the volumes as they move downstream. This mixing inevitably reduces the price that the cocoa can fetch. Storage facilities are grossly inadequate and tend to not be compliant with even the most basic hygiene requirements.

In recent years exporters have begun to ignore LBAs and procure cocoa directly from individual smallholders and farmer groups as a means of regulating quality levels.

Source: © jbdodane

EXPORT TO MARKETS

Cross-border traders export the cocoa (originating from the abandoned farms) to bordering countries such as Côte d'Ivoire, Guinea and Sierra Leone. Some of the cocoa is re-exported to neighbouring countries while the majority it is either sold to grinders, who further sell the product to cosmetics manufacturers, or to low end confectionary manufacturers.

International and Liberian exporters sell the product to international grinders in foreign markets that include the EU, North America, and Asia. Exporters are required to pay US$1,000 a year for their export licence to LPMC,[19] plus other fees to MoCI and other relevant ministries.

There are between 10 and 20 exporters of cocoa in Liberia. Liberia Marketing International's exports constitute 60% of the total exports (formal) from Liberia. The main 'pure-play' cocoa exporters in Liberia are:

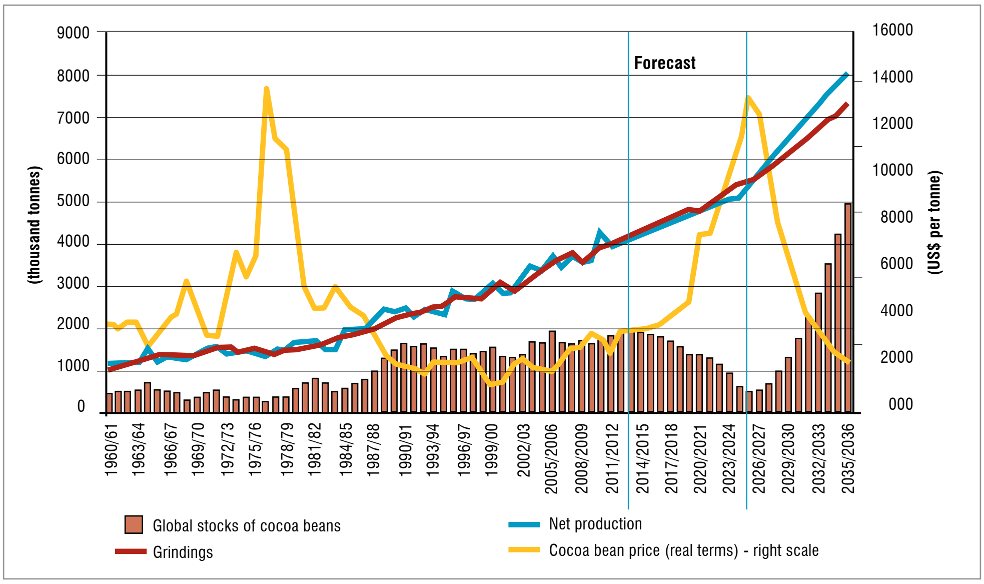
- Liberia Marketing International;
- Georgia Enterprises, Inc.;
- Agriculture Products Processing Company;
- Liberia Commodity Export Company – currently the largest local exporter of Liberian cocoa;
- Sea+Land Traders International (currently controls Liberia Marketing International);
- Transmar Commodity Company, Ltd;
- OLAM Industries;
- Cadbury Ltd;
- Amajaro Commodity Company;
- Other European buyers / chocolate makers – traditional international buyers of Liberian cocoa.

The cocoa is processed into products such as chocolate, cocoa butter, cosmetics, etc. Post processing/packaging, the final product is distributed to end consumers in both conventional and premium segments in the EU, the United States, Japan and emerging markets such as India.

19. *Ibid.*

GLOBAL MARKETS – A SNAPSHOT

Figure 8: *Forecast cocoa demand and supply*



Source: Pipitone, L. (2012). The Future of the World Cocoa Economy: Boom or Bust? Presentation given at the International Conference on Cocoa, Rome, 28-30 May.

Global trends

Between 2002/2003 and 2011/2012 the global production of cocoa increased, with annual rates that fluctuated between -10% and 18%.[20] Grindings have grown at a slower (albeit steady) pace, ranging between 2% and 7%[21] increases in annual growth rates, with the exception of the 2008/2009 season which was affected by the global financial crisis. As an indication of the large fluctuation typical of the sector, three seasons during this period experienced a large production surplus, while two seasons experienced a significant production deficit.[22]

20. International Cocoa Organization (2012). *The World Cocoa Economy, Past and Present*, p. 1. Available from http://www.icco.org/about-us/international-cocoa-agreements/cat_view/30-related-documents/45-statistics-other-statistics.html.

21. *Ibid*.

22. *Ibid*.

Figure 8[23] provides an overview of the current and forecast global cocoa market trends. Buyers in the main cocoa-purchasing multinationals estimate that demand for cocoa will continue to increase at least until 2030 and that this will cause the value of cocoa to rise as well. Indeed, they estimate that demand will surpass supply by 2020 and, if efforts are not put in place to expand supply, the chocolate industry (and other downstream industries) will likely face a major shortage after 2020. International Cocoa Organization (ICCO) expects a sharp increase in price between 2013 and 2025. The situation should stabilize in 2026 up to 2036, when supply is expected to steadily surpass demand and prices will decrease.

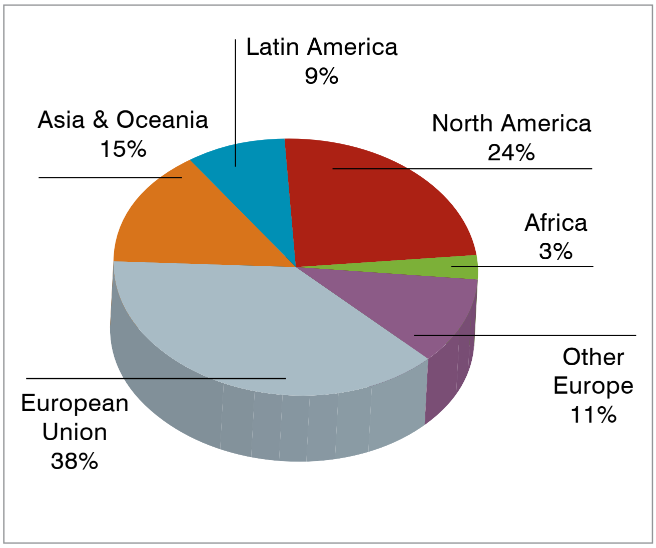
23. The green line reports the international price of cocoa beans in real terms (right scale), while the blue and red lines report respectively the worldwide supply and the demand of cocoa. The bar graph tracks worldwide stocks.

MAJOR IMPORTERS

The world market for cocoa stood at US$8.2 billion in 2012, reflecting an annual growth rate of 4% between 2008 and 2012 (although the sector saw a drop of 22% between 2011 and 2012). Eight of the top 10 importers are from Europe (including Turkey) and together absorb approximately 56% (by value) of the total imported value.

Figure 9 indicates the regional distribution of worldwide Cocoa Consumption.

Figure 9: *World consumption of cocoa beans*



Source: ICCO.

International trade of cocoa is fundamental to ensure worldwide supply because the main consumers do not directly produce this commodity. The growth rate of consumption over the last five years was 2% per year in Europe, 3% per year in the United States, over 6% per year in the newly emerging markets and over 12% in the high premium quality segment. World consumption of cocoa is expected to rise by 1%-2% per annum over the next few years, especially in in Brazil, the Russian Federation, India, Japan and China.

Consumer demand in Europe and the United States is driven by a preference for specialty chocolate products, with a high content of cocoa from specific countries.

Source: © ACDI/VOCA 2011.

Table 2: *Main importing markets for cocoa HS 1801, 2012*

Rank	Importers	Value imported in 2012 (US$ thousands)	Annual growth in value 2008–2012 (%)	Annual growth in value 2011–2012 (%)	Share of world imports (%)
	World	**8 260 838**	**4**	**-22**	**100**
1	Netherlands	1 664 314	7	-23	20.1
2	United States of America	1 034 221	4	-30	12.5
3	Germany	917 604	6	-32	11.1
4	Malaysia	877 534	-3	-13	10.6
5	Belgium	596 973	10	-17	7.2
6	France	382 465	-2	-22	4.6
7	Italy	283 213	15	-16	3.4
8	United Kingdom	281 322	-3	-27	3.4
9	Turkey	243 183	14	-12	2.9
10	Spain	237 750	1	-15	2.9

Source: ITC Trade Map.

Table 3: *Major exporters in the sector*

Rank	Exporters	Value exported in 2012 (US$ thousands)	Annual growth in value 2008–2012 (%)	Annual growth in value 2011–2012 (%)	Share of world exports (%)
	World	**8 438 809**	**8**	**-18**	**100**
1	Côte d'Ivoire	2 937 128	8	-20	34.8
2	Ghana	1 971 660	23	-5	23.4
3	Nigeria	540 461	2	-38	6.4
4	Cameroon	424 106	1	-23	5
5	Netherlands	417 124	38	-22	4.9
6	Indonesia	384 830	-19	-37	4.6
7	Belgium	340 604	1	16	4
8	Ecuador	339 558	13	-28	4
9	Dominican Republic	178 456	12	8	2.1
10	Estonia	158 715	17	-13	1.9
...	...	...	...	...	...
21	**Liberia**	**24 267**	**28**	**-14**	**0.3**

Source: ITC Trade Map.

MAJOR EXPORTERS

Global cocoa supply is dominated by West African countries. Among the top ten exporters, three West African states – Côte d'Ivoire, Ghana, and Cameroon – alone control 63.2% of global exports. Another African exporter, Nigeria, accounts for 6.4%. Africa is projected to remain the foremost cocoa producer globally at least for the near future.

In recent years, Asian and Central/Latin American producers have increased production levels and now figure as leading exporters. For instance, Indonesia, Ecuador, and the Dominican Republic were all among the top ten global exporters of cocoa in 2012.

The Netherlands, Belgium and Estonia are not growers, only resellers of cocoa and derived products such as chocolate and cocoa butter.

LIBERIAN EXPORTS PERFORMANCE

The weighted average rest of the world tariff imposed on Liberia's exports is a low 0.3%, indicating favourable access conditions relative to the averages of 3.5% and 3.9% for sub-Saharan Africa and Least Developed Country comparators, respectively. The country's agricultural exports have easier access to international markets with a tariff of 0.04% compared to the tariff of 0.3% on its non-agricultural exports.[24]

As a member of the Economic Community of West African States (ECOWAS), Liberia has generally committed to adopting its Common External Tariff and to a phased reduction and gradual elimination of tariffs and nontariff barriers on products of community origin. It currently has tariffs ranging from 0% to 25%, but with the adoption of the Common External Tariff the maximum tariff will be reduced to 20%.[25]

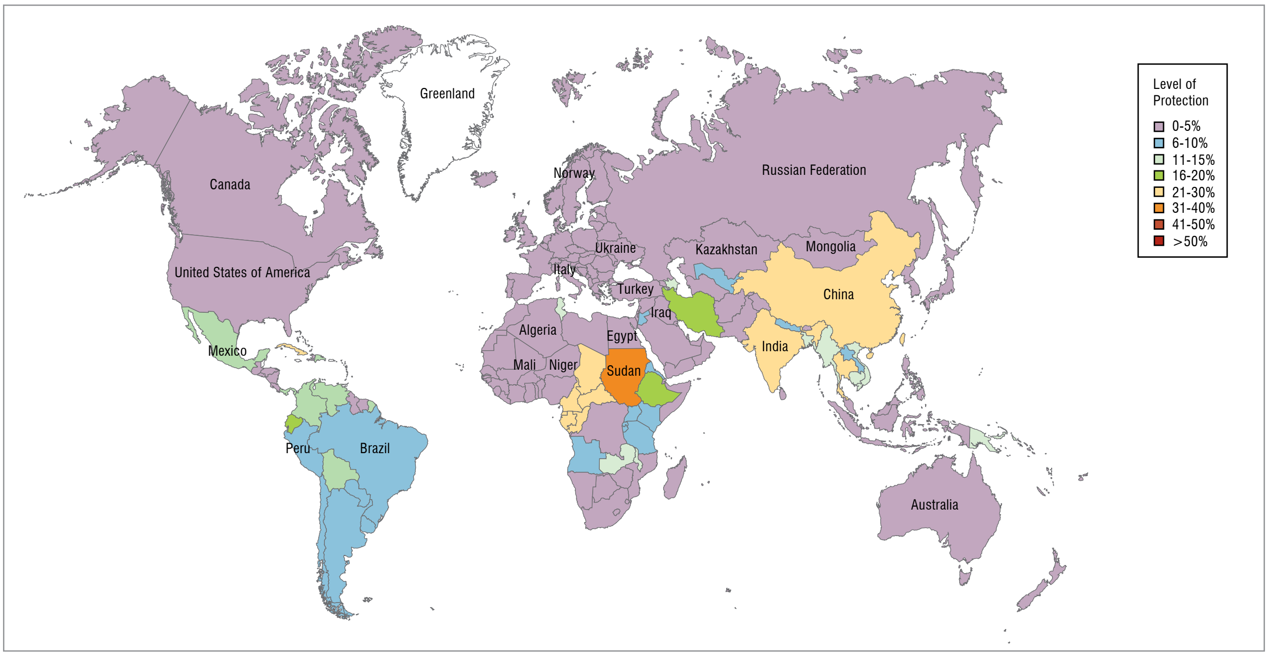
Aided by sustained government and donor support, Liberian cocoa exports have been steadily on the rise since the end of the civil war. This is indicated by the high annual growth rate of 28% between 2008 and 2012. Approximately 10,559 tons were exported in from Liberia in 2012. As indicated in Table 3, Liberia is a minor player currently in the global market, accounting for only 0.3% of global sales. In 2012 it was ranked 21st globally among cocoa exporters.

As indicated in Table 4, the Netherlands, Spain and Germany were the top three markets for Liberian cocoa in 2012.

24. World Bank (2010). *World Trade Indicators 2009/10: Liberia Trade Brief*. Washington, DC: World Bank. Available from http://info.worldbank.org/etools/wti/docs/Liberia_brief.pdf.

25. *Ibid*.

Figure 10: *Market access map for Liberia's exports of cocoa (HS 1801)*



Source: ITC Market Access Map 2012.

Table 4: *Top current importers of Liberian cocoa HS 1801, 2012*

	Export market	Value exported in 2012 (US$ thousands)	Share of Liberia's exports (%)	Quantity exported in 2012 (tons)	Share of Liberia's exports (%)	Annual growth in value 2008–2012 (%)	Annual growth in value 2011–2012 (%)
	Total	**24 267**		**10 559**	**100**	**28**	**-14**
1	Netherlands	13 212	54.4	5 871	54.4	--	
2	Spain	4 178	17.2	1 918	17.2	59	62
3	Germany	3 240	13.4	1 155	13.4	-17	-75
4	Malaysia	2 803	11.6	1 184	11.6	--	
5	Canada	388	1.6	249	1.6	--	454
6	Estonia	288	1.2	120	1.2	--	-89
7	Belgium	144	0.6	58	0.6	--	-98
8	France	14	0.1	4	0.1	--	-95

Source: ITC Trade Map 2012.

Although Estonia represents a top importer of cocoa, the bulk of imported cocoa is re-exported to countries such as the Russian Federation – in 2011, nearly 90,000 tons26 of imported cocoa transited through to external markets.

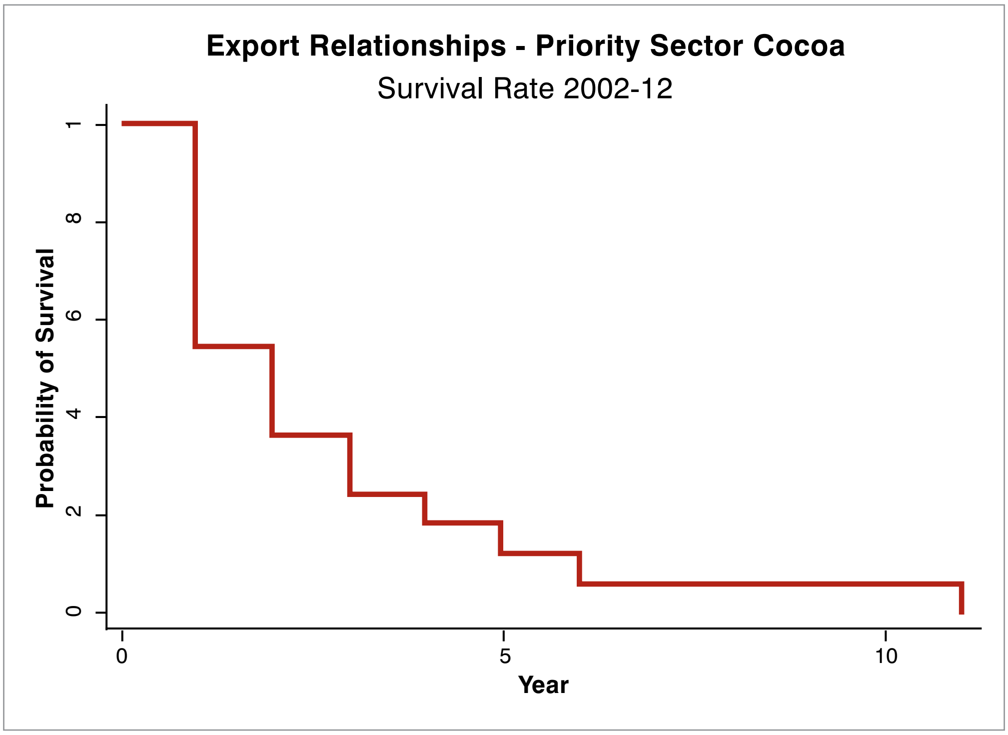
In 2012 Liberian cocoa exports to Estonia amounted to US$288,000, which reflects a sharp dip from 2011 imports of US$2.6 million. In this sense, Estonia is not a true importer but more of a transit waypoint.

26. Estonian Review (2012). Among Grains, Estonia Mainly Exported Barley in 2011, 6 November. Available from http://www.vm.ee/?q=en/node/15840.

MAIN TRENDS IN LIBERIAN COCOA EXPORTS

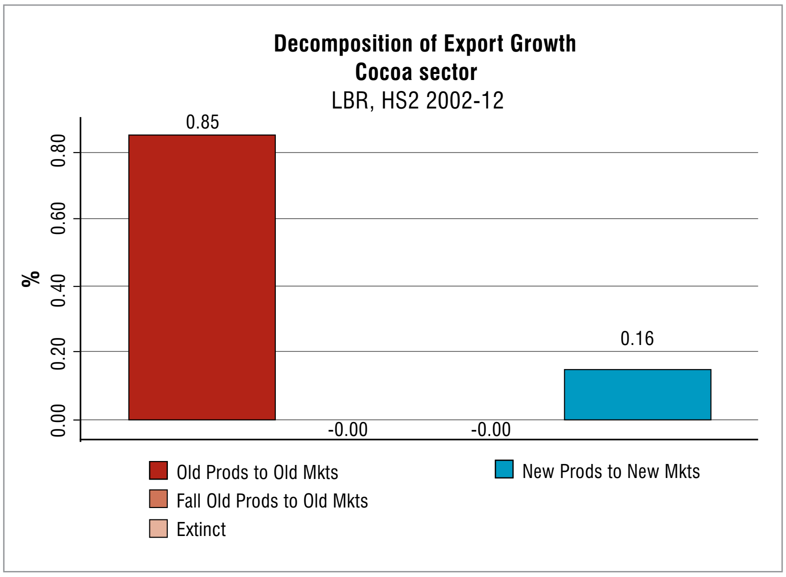
- **Informal cross-border trade remains an important component of trade into and out of Liberia**. In the absence of effective border controls, the cocoa stock being shipped out of the Mano River Union region is a mix of beans from all around the subregion. This is primarily due to the fact that cocoa farmers sell produce to markets that are closest to them, which may well be across the border. While the current level of informal cross-border trade is still high, it has improved to an extent from the situation right after the war when nearly two-thirds of Liberian cocoa was being exported to international destinations via neighbouring countries.
- **Liberia is both an exporter and importer in cross-border trade terms** – meaning that while there is a substantial amount of Liberian cocoa reaching international markets via neighbouring Guinea and Côte d'Ivoire, there is also reverse flow of cocoa (for instance from Côte d'Ivoire) into Liberia and out via various routes.
- **The survival rate of export relationships is low**. As indicated below, the probability of survival of an export relationship goes down to about 50% after the first year and then dramatically falls to a little less than 40% by the end of the second year. By the end of the third and fourth years the probability of survival is around 20%. This trend indicates the fragility of export relationships and the challenges that exporters face in sustaining these relationships.
- An analysis of the decomposition of export growth in the sector confirms that **growth primarily took place through existing relationships** (existing products to existing markets), and to a smaller extent through exports (of cocoa beans) exported to new markets. This indicates that some market diversification did occur between 2002 and 2012. However, it is much smaller than expected.

Figure 11: *Survival rate of cocoa sector exports between 2002 and 2012*



Source: ITC calculations based on 4-Digit Comtrade HS 2002 data.

Figure 12: *Decomposition of export growth in the cocoa sector between 2002 and 2012*



Source: ITC calculations based on 4-Digit Comtrade HS 2002 data.

Figure 13: *Product diversification in Côte d'Ivoire and Ghana*

IVORY COAST

Product	Amount (in tons of semi-processed products	Top importing countries
Cocoa total	1.176,877	Netherlands (29.75%), US (22.38%), Estonia (8.55%)
Cocoa beans, whole or broken, raw or roasted	925,129	Netherlands (29%), US (25,26%), Estonia (8,94%)
Cocoa powder, not containing added sugar or other sweetening matter	31,983	Netherlands (35.92%),Estonia (24,92%), US (12,27%)
Cocoa paste, not defatted (liquor)	112,401	Netherlands (34.84%), US (18.91%), US (8.33%)
Cocoa butter, fat and oil	60,236	Netherlands (37.51%), France (20.27%), Poland (12.97%)
Cocoa shells, husk, skins and other cocoa waste	47,126	US (32.57%), France (18.80%), Netherlands (18.20%)

GHANA

Product	Amount (in tons of semi-processed products	Top importing countries
Cocoa total	760,192	Netherlands (30.75%), Malaysia (7.78%), UK (6.49%)
Cocoa beans, whole or broken, raw or roasted	685,482	Netherlands (32.09%), Malaysia (8.61%), UK (6.85%)
Cocoa powder, not containing added sugar or other sweetening matter	239	Spain (41.33%), Netherlands (41.87%)
Cocoa paste, not defatted (liquor) and wholly or partly deffated (cocoa cake)	56,668	Spain (16.37%), Germany (14.89%), Netherlands (13.60%)
Cocoa butter, fat and oil	13,902	Netherlands (30.07%), France (19.42%), UK (17.01%)
Cocoa shells, husk, skins and other cocoa waste	3,900	Netherlands (45.28%), Spain (32.93%)

Source: Capelle, J. (2009). *Towards a Sustainable Cocoa Chain,* pp. 10-11. Oxfam International Research Report.

COMPETITION IN TARGET MARKETS

Figure 13 above provides an overview of the variety of products being developed by regional competitors Côte d'Ivoire and Ghana. West Africa is the primary global hub of cocoa production. Three West African countries –Côte d'Ivoire, Ghana and Cameroon– together account for 63.5% of the world's cocoa production.[27] The five main forms of cocoa being exported from these countries include cocoa beans (dried and fermented), cocoa powder, cocoa paste with fat, defatted cocoa butter, and cocoa waste (residue biomass).

Nigeria is also a strong emerging exporter of cocoa beans and has been steadily strengthening export relationships in the EU and North America. Nigeria has also started to make strides in product diversification. Overall, Liberia's regional competitors not only have a steady foothold in exports of cocoa beans but have also recently started to build processing capabilities, indicated in the rising trends of exports from this sector. In this regard, Liberian cocoa faces significant challenges in catching up with its key competitors.

27. International Cocoa Organization (2013). *Production – Latest figures from the Quarterly Bulletin of Cocoa Statistics: 2012/2013 forecasts*. Available from http://www.icco.org/about-us/international-cocoa-agreements/cat_view/30-related-documents/46-statistics-production.html.

COMPETITIVENESS CONSTRAINTS

The four gears framework presented below determines the major constraints –within the country as well as outside– to export development and ways to overcome them.

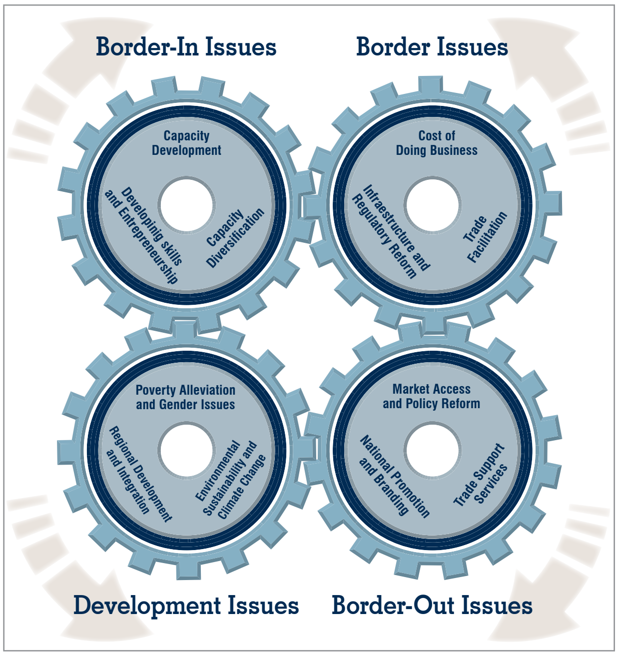
- Supply-side issues affect production capacity and include challenges in areas such as availability of appropriate skills and competencies; diversification capacity; technology and low-value addition in the sector's products. This group of issues is also referred to as the **border-in gear.**

- The quality of the business environment includes issues that influence transaction costs, such as regulatory environment; export procedures and documentation; infrastructure bottlenecks; certification costs; Internet access and cost of export credit insurance. These constraints are grouped together and classified as the **border gear.**

- Market entry issues include questions of competitiveness that are essentially external to the country (but may also be manifested internally), such as market access; market development; market diversification and export promotion. These are referred to as the **border-out gear.**

Addressing these above categories would exhaustively resolve most major competitiveness bottlenecks. However, for an export strategy to be sustainable, it out to make the greatest socioeconomic impact. Issues that have a profound impact on people's lives need to be addressed in the NES design initiative.

- Social and economic concerns include poverty reduction, gender equity, youth development, environmental sustainability and regional integration. These developmental concerns form the **development gear.**



Box 6: The border-in gear (supply-side issues)

- The absence of a reliable, functioning inputs market exerts logistical challenges and creates increases in operating costs.
- An ageing stock of cocoa trees is contributing to low yield and productivity levels.
- Poor quality management at the farm-gate level affects prices and competitiveness of Liberian cocoa beans in external markets.
- A shortage of scales leads to volume discrepancies across the value chain.
- The impoverished and outdated skills base contributes to the overall weak supply consistency and quality levels.
- Weak organization levels in the cocoa sector inhibit benefits to be gained from networking and collaboration at the producer level.
- Traditional succession practices have led to the fragmentation of land.
- Weak processing infrastructure results in weak quality and volume levels.
- Demographic trends indicate a diminishing workforce in the cocoa sector.
- The unreliability of cocoa supply affects the operations of exporters.

The absence of a reliable, functioning inputs market exerts logistical challenges and creates increases in operating costs

The majority of inputs used in the cocoa sector, including saplings and fertilizers, are imported from neighbouring countries, including Côte d'Ivoire and Ghana. The absence of a functioning inputs market in Liberia translates into increased operating costs and logistical challenges (especially in the rainy season) for cocoa farmers. As an example, a package of chemical fertilizers and pesticides imported from Ghana costs about US$400/ton. As a generalization, cocoa smallholder farmers cannot afford these. Additionally, crucial quality inputs such as replacement tree stocks, fertilizers, etc. are all imported and in short supply.

An ageing stock of cocoa trees is contributing to low yield and productivity levels

The major constraint for cocoa production lies in the old age of trees. No significant replanting activities have been conducted for the last 25 years due to the war and the lack of improved planting material for refilling and replanting. As a consequence of long years of neglect, cocoa plantations have degenerated into secondary forest.

Poor quality management at the farm-gate level affect prices and competitiveness of Liberian beans in external markets

Rudimentary quality management infrastructure is causing substantial losses to the sector. A large proportion of the cocoa beans sold by cocoa farmers at the farm-gate level has a high percentage of moisture and mould, which makes the produce unviable in export markets.

Additionally, Liberian 'A' grade beans are routinely mixed with lower grade beans due to poor handling practices by both collection agents (including LBAs) as well as the producers that are selling the product. At a general level, neither are well-versed or disciplined regarding the importance of segregating cocoa by grades.

A shortage of scales leads to volume discrepancies across the value chain

The shortage of scales at the village level (where the majority of cocoa is collected by LBAs/intermediaries) is another important challenge. The consequence of this shortage has been sales being by estimated quantity, either by bucketload or sack,[28] rather than proper weights. These estimations lead to incorrect payments and problems of weight correlation further downstream in the value chain. In addition to the shortage of scales, there is a need to reinforce the necessity of discipline when it comes to using scales (by both producers and LBAs) when they are available.

28. Dand, R.J. (2008). *Liberia – the Export Value Chain*. p. 12. International Trade Centre.

The impoverished and outdated skills base contributes to the overall weak supply consistency and quality levels

The skills base in the cocoa sector is extremely weak, the result of the conflict and inadequate development of the technical and vocational education and training (TVET) sector in general.

- There is a paucity of capacity – technical and managerial – in the sector.
- Farming techniques used by cocoa farmers are basic and unsophisticated, resulting in low productivity yields. There is an overall lack of understanding of, and expertise with, sustainable land management techniques and best practices such as Global Good Agricultural Practices (GAP).
- The Liberian entrepreneurship culture, which is highly pervasive in the society, has been effectively undermined by decades of forced inaction.

Weak organization levels in the cocoa sector inhibit benefits to be gained from networking and collaboration at the producer level

Organization of farmers and intermediary entities into 'effective and non-exploitative' cooperatives is an imperative. At the local level, FBOs and community-based organizations have limited organizational capacities. This affects the negotiating ability of the farmers, who would otherwise benefit from stronger negotiating power as a group. Although there are some instances of cooperatives pooling together efforts for joint procurement, there are no other services such as trainings, information on best practices etc. being provided by cooperatives.

Greater organization will also help in the promulgation of best practices and higher quality yields, especially relevant in the context of the weak extension services in the country. The experience of ACDI/VOCA demonstrates that properly organized FBOs and cooperative associations who sold bulked and graded cocoa realized a more than 100% increase in price received.[29] The increased organization levels also help farmers negotiate on better terms with LBAs.

Traditional succession practices have led to the fragmentation of land

Traditional succession practices, coupled with Liberia's high birth rate 5.16 in 2011, have an important bearing on the fragmentation of agricultural land among several generations. Per capita land holdings have become smaller over time, effectively reducing efficiency gains and productivity levels. The small unit size of most land holdings reduces the potential to increase productivity and investment in the sector. It is therefore imperative to increase the levels of organization among smallholder farmers so that they are able to benefit from the economies of scale that larger players enjoy.

Weak processing infrastructure results in weak quality and volume levels

The current capacity of cocoa producers for developing products with high value addition is low because of the lack of secondary infrastructure in key production areas. The vast majority of Liberian cocoa is therefore exported in raw form.

The sector also requires investments in secondary infrastructure such as shared warehouses, buying stations, drying / sorting yards and covered solar dryers. Some progress has been made in introducing solar dryers and scales; however, these need to be made available more widely all over the cocoa belt.

Processing practices, fermentation and drying are not conducted properly, hampering the quality of the cocoa beans. In spite of extension programmes[30] under various agricultural development projects in the past, yields and quality have remained low. Processing facilities are very rudimentary, consisting mainly of bamboo mats for the drying of cocoa. As a result of all these factors sector operators have low capacity for developing products with medium-high value addition.

Demographic trends indicate a diminishing workforce in the cocoa sector

Demographic and migration trends paint a pessimistic picture of the agriculture sector in general, including the cocoa sector. On one hand, the rapidly ageing workforce in the country means that the labour base needs to be augmented. Young Liberians are increasingly opting to move to the cities given the persistently high poverty levels in rural areas, and therefore their participation in the overall agricultural value chain remains limited.

29. International Fund for Agricultural Development (2011). *The Republic of Liberia Smallholder Tree Crop Revitalization Support Project (STCRSP) Project Design Report.*

30. There are exceptions though. LIFE-sponsored associations, developed with support from ACDI/VOCA, all have solar dryers in addition to other equipment and are producing a large proportion of Grade 1 cocoa.

The unreliability of cocoa supply affects the operations of exporters

Even the larger companies that procure cocoa from local producers have to contend with a multitude of challenges, among which the unreliability of the local supply is an important one. The unreliability leads to challenges both in aggregating the procured cocoa to levels that would make shipping economical, and in managing customer commitments adequately.

Box 7: The border gear (business environment issues)

- Poor technical support from extension services results in negligible application of new agricultural knowledge in the sector.
- Weak institutional quality management infrastructure.
- The LBA model is in urgent need of an overhaul.
- Lower margins to farmers are a cumulative result of a variety of factors.
- There is a need to fast-track ICCO membership.
- Weak TVET infrastructure.
- Artificial cocoa standards are impeding development of competitiveness in the sector and need to be replaced with international standards.
- There is a need to restructure the role of LPMC from a marketing to a regulatory one (LACRA).
- Infrastructure in the form of road networks inhibits operations and results in delays and increased costs to operators.
- Irregular electricity supply inhibits processing operations.
- Access to finance is challenging for smallholder farmers.

Poor technical support from extension services results in negligible application of new agricultural knowledge in the sector

Extension services – typically the bridge between the research base, and the field – are largely absent in Liberia. Extension services across the agriculture sector are weak and very little technical coverage is available in the rural parts of the country. MoA has extension coordinators representing the Ministry at the county level; however, these coordinators lack hard-core staff who are adequately trained in extension techniques.

Traditional varieties of seeds used in Liberia are not tested for their yield potential, quality and pest resistance. New varieties from Ghana and Côte d'Ivoire are being introduced; however the promulgation among farmers remains slow. There are two broad areas[31] of extension support identified for cocoa producers in Liberia as noted below:

1. Making available new plant material in a form most likely to succeed;
2. Advice on maintaining plantations and post-harvest processing of the beans.

For smallholders, access to quality management services, to techniques and to basic equipment is directly related to the availability and affordability of a functional extension support network / system. The lack of an extension system responsible for training, advisory services, facilitating improved input supply and providing planting materials has resulted in inadequate knowledge of farmers on proper maintenance of plantations and processing.

31. Dand, R.J. (2008). *Liberia – the Export Value Chain*. p. 19. International Trade Centre.

Box 8: Quality management in Liberia

In terms of compliance, quality management is largely voluntary among Liberian micro, small and medium size enterprises due to a lack of capacity on their end and due to official oversight and regulatory deficits.

Quality regulations as they currently exist on paper are yet to be accepted as a way of life on a daily basis and this has a negative impact on the quality of Liberian exports. Consequently, enterprises are unable to compete in international markets and instead operate primarily in the domestic area. This culture needs to be modified through a process of change management and through a structured introduction of comprehensive regulatory reforms and implementation of monitoring mechanisms on the ground.

This change management process must also include information dissemination campaigns to increase awareness of quality management. On-site training programmes and the development of community radio programmes are needed to address awareness on how to change processing and growing practices.

Weak institutional quality management infrastructure

Liberia's quality infrastructure was almost completely destroyed during the country's 14 year civil war. While principles of quality management have gradually evolved at the policy level in post-conflict Liberia, implementation on the ground has stagnated due to financial, technical and human capital constraints. These constraints have consistently prevented standardization and growth of the NES sectors and consequently Liberian enterprises cater primarily to the domestic markets.

The NSL is currently under observation by ISO and is not able to issue certificates for quality. It also suffers from severe human capital and technical weaknesses. Warehousing facilities are inadequate and tend to not be compliant with even the most basic hygiene requirements as laid out by best practices.

Box 9: International cocoa grading standards

Following are the international grading standards that Liberian cocoa should ideally adhere to.*

Grade I (Grade A) – thoroughly dry, free from foreign matter, smoky beans and any evidence of adulteration and which contains not more than three per cent (3%) by count of all other defects:

- Mouldy beans, maximum three per cent (3%) by count;
- Slaty beans, maximum three per cent (3%) by count; and
- Insect damage, germinated or flat beans, total maximum three per cent (3%) by count.

Grade II (Grade B) – thoroughly dry, free from foreign matter, smoky beans, and any evidence of adulteration and which contains not more than four per cent (4%) by count of mouldy beans, not more than eight per cent (8%) by count of slaty beans and not more than six per cent (6%) of all other defects:

- Mouldy beans, maximum four per cent (4%) by count;
- Slaty beans, maximum eight per cent (8%) by count; and
- Insect damage, germinated or flat beans, total maximum six per cent (6%) by count.

***CSTWG** (21 April 2009). Outline for Liberia Cocoa Sector Strategic Plan (draft).

The LBA model is in urgent need of an overhaul

As discussed in previous sections, LBAs are the main actors responsible for sourcing cocoa at the farm-gate level. LBAs may hire middlemen/sub-agents (collection agents) who procure the cocoa on behalf of the LBA. The LBA model suffers from a variety of problems:

- It is quite possible that the majority of collection agents are unlicensed (by the LPMC), since LPMC does not have the resources for monitoring and enforcing this annual requirement. Apart from the loss of revenue to LPMC, a major consequence is that the untrained collection agents are unable to sort the cocoa grains properly at the farm-gate by grade. The mixed grades severely diminish quality levels and reduce the probability of exports right at the source.
- Even LBAs who pay the annual licensing fees are suspect due to LPMC's weak enforcement capabilities.
- The pull factor for young graduates to become LBAs is weak due to perceptions of a difficult work environment, and possibly weak compensation levels among potential candidates. There is a need to make this critical role an attractive career proposition for graduates.

Lower margins to farmers are a cumulative result of a variety of factors

Weak organization in the sector inhibits the benefits to be gained through group negotiations. The poor road infrastructure, combined with costly transportation options, hampers access to import and export markets. Producers have to depend on the transportation owned/arranged by buyers, who treat transportation costs as variable costs. As a consequence, farmers receive lower farm-gate prices.

Also, the recommended cocoa farm-gate prices issued by LPMC on a quarterly basis are not adhered to by either farmers or the collection agents. In the case of the former, the lack of awareness of these price lists is the main factor, while the latter group ignores the list to a large extent.

There is a need to fast track ICCO membership

There is an urgent need to fast-track Liberia's ICCO membership given that Liberian beans garner an automatic discount of £100 per ton on the international market as a result of Liberia's non-membership. By some estimates Liberian producers and exporters have lost up to US$2 million in previous years as a result of this discount.

Weak TVET infrastructure

The curricula of universities and polytechnics is outdated and not in line with the needs of cocoa producers, processors and exporters. This is in line with the rest of the country's TVET infrastructure that was destroyed during the conflict and there is an important need to revitalize this base. Research institutions such as CARI and universities alike are struggling in terms of scarcity of resources – financial and human capital as well as technical.

Artificial cocoa standards are impeding development of competitiveness in the sector and need to be replaced with international standards

LPMC publishes two quality standards for cocoa, Grade 1 and Grade 2, neither of which are realistically adhered to or controlled. Buying agents pay one price for cocoa irrespective of quality, as there is an overall lack of knowledge across the value chain of how to grade the quality levels.[32]

There is an urgent need to remove these artificial grades because they are preventing potential cocoa exporters from realistically developing export competitiveness levels. In the context of an already weak monitoring framework, artificial subsidization of the grading standards is causing regression in the value chain. There is widespread consensus that the Liberian standards issued for cocoa should be brought in line with the prevailing international grading standards.

There is a need to restructure the role of LPMC from a marketing to a regulatory one (LACRA)

There is widespread consensus on the need to restructure LPMC's mandate from its current role of buying, processing and exporting cocoa to more of a regulatory role. The transition of LPMC to LACRA needs to be speeded up. LPMC's mandate and capacities have both been under the microscope since the end of the conflict, during which the LPMC physical and human capital infrastructure was near completely destroyed. With the recognized need for a national regulatory agency for cocoa, and also considering the weak service delivery of LPMC in its current role, there is widespread consensus that LPMC's role should transition to that of a regulatory body.

As LPMC transitions from a marketing role to a regulatory role (LACRA) involving multiple commodities, it will be important to ensure that its monitoring and enforcement capabilities increase as well. This includes trained

32. Dand, R.J. (2008). *Liberia – the Export Value Chain*. p. 19. International Trade Centre.

officers and other human capital requirements that will be addressed through the strategy.

Infrastructure in the form of road networks inhibits operations and results in delays and increased costs to operators

Infrastructure remains one of the biggest challenges that the industrial and agricultural sectors face in Liberia. From a purely logistical standpoint, the state of roads in Liberia is quite poor, and the situation becomes worse in the rainy season. The existing networks neglect smallholders who are still disconnected by the road networks. The damaged roads also cause high post-harvest losses and have an adverse effect on the quality of the beans during transportation, in turn generating a diminished added value.

Additionally, the cost of transport from centres of production / processing hubs to the port is significant for many parts of the country. There is currently only one main road connecting the main cocoa growing counties to the port in Monrovia. This road is most suitable for container traffic from Gbarnga (the capital city of Bong county), while transport from Lofa and Nimba (the other main cocoa producing counties) is much more difficult.[33]

Irregular electricity supply inhibits processing operations

The lack of a reliable energy infrastructure directly affects the level of secondary processing that takes place in the country. For the cocoa sector the main energy need lies in rural processing and warehousing hubs, exactly the locations where the supply is weak. Therefore, extending the national electricity grid to rural areas is vital.

33. *Ibid*. p. 12.

Access to finance is challenging for smallholder farmers

The existing network of commercial banks is limited to the Monrovia region, which leaves out smallholders in the rest of the country. Banks are also unwilling to accept land in rural areas as collateral due to liability issues in case there is a need for foreclosure of defaulting accounts. Even in Monrovia, access is also restricted for smaller players who are often unable to meet minimum collateral requirements or demonstrate creditworthiness. Commercial banks are also hesitant to issue loans spanning 10-15 years, which is the typical amount requested by agricultural operators.

The financial requirements to enter the cocoa trade business have proved inhibitive for small scale Liberian cocoa traders. Throughout the agriculture sector, there is a paucity of credit instruments for micro, small and medium enterprise actors. The shortage of such products in the formal market has made producers dependent on private actors who might be willing to advance cash at any stage of the production cycle as a means to secure funds for operational management.

Depending on the type of lender approached, the costs of borrowing vary. Microfinance institutions, who are active in rural areas, are able to lend at lower standardized rates, while other private party lenders can be exploitative, providing loans at exorbitant rates. Most farmers rely on ad hoc financial mechanisms provided by marketing agents (merchants).

Access to credit is not just a supply-side issue. Enterprises seeking credit in the cocoa sector are unable to demonstrate adequate levels of creditworthiness due to reasons both within and outside their control. Small scale exporters are unable to secure firm orders from clients that they can present to banks. Additionally, the historic distrust of the banking system has prevented the majority of rural Liberians from opening a bank account, which further prevents lending officers from gauging the risk levels associated with the loan application.

Box 10: The border-out gear (market entry issues)

- High competition levels from neighbouring countries.
- Leakage of value in the form of informal sales is widely prevalent.
- There is a need to improve marketing levels.
- Lack of access to trade information in the sector.

High competition levels from neighbouring countries

Other countries in the region are already world leaders in cocoa production and have ambitious expansion plans and plans for significantly increasing value added activity. It is relatively simpler for established players like Côte d'Ivoire and Ghana to add capacity to service additional demand. Both these countries have established brand differentiators, the former known globally for supply consistency and the latter with a growing reputation for quality. Additionally, emerging entrants like India, which have the capacity to self-finance mega projects, also plan to ramp up production and processing significantly in the near future.

Leakage of value in the form of informal sales

It is estimated that over half of the cocoa produced in Liberia annually is shipped to international markets through informal networks in neighbouring countries. This represents leakage in the value chain since the price of cocoa sold through informal networks is much less than if it was sold through formal mechanisms via ports to international buyers.

One of the key root causes for this leakage is the weak logistical infrastructure in the country. Roads, transport networks, availability of transport and cumbersome trade facilitation processes have contributed to the increased preference of producers to export through informal networks. Other reasons include the proximity to readily available markets, as well as transactions driven by reasons of sustenance (in turn driven by pervasive high poverty levels).

There is a need to improve marketing levels

Market entry in markets such as chocolates / confectionaries or cosmetics (where there is use of cocoa butter), which are heavily marketed and brand driven, is skewed in favour of countries / companies that have substantial depth in terms of marketing management and communications planning and execution. In Liberia, marketing is at a minimum due to the bulk sale nature of raw cocoa.

As the abilities in the sector to produce higher value added goods increases over time, marketing will play an important role in promoting Liberian cocoa in target markets. This is made especially relevant by Liberia's geographical location in West Africa where competitors already have established reputations and brand differentiators.

Lack of access to trade information in the sector

There is a comprehensive lack of trade information within the Liberian cocoa exporting base. Smallholder producers typically sell on an individual basis, mostly via LBAs or to the local markets. Along with the logistical and financial challenges that prevent them from expanding the scope to international markets, another is that they lack reliable and timely trade information.

Box 11: The development gear (development issues)

- Relatively low involvement levels of women in the cocoa value chain.

Relatively low involvement levels of women in the cocoa value chain

When compared to other crop sectors, women are relatively less involved in the cocoa value chain. This is partly attributable to the prevailing focus on tending food crops rather than cash crops like cocoa.

In the cocoa belt women, owing to persistent poverty and food insecurity, tend not involve themselves in cash crop production, preferring instead sporadic employment, food crop production (rice, plantains and cassava) or other smaller income-generating activities such as petty trading or micro-scale poultry farming.

Box 12: Factors influencing growth/decline of cocoa production over the last decade

The last ten years have witnessed an increasing geographical concentration in cocoa growing, with the African region firmly established as the top supplier. The increase in demand was met by expansion in production, mainly in the major West African cocoa producing countries. The excellent regional weather conditions of the last season were a one-off, with the current year being more typical of the usual trend. However, a global output of nearly four million tons is still expected for the current cocoa year.

The sustained increase in production of over one million tons during the review period (2002/2003 to 2010/2011) was assisted by a number of factors, including officially sponsored programmes such as that in Ghana where enhanced farming techniques and better disease control, aided by excellent weather conditions, pushed production to in excess of the million tons mark in 2010/2011, representing an all-time record high.

However, in Indonesia, although a massive replanting and rehabilitation programme to replace ageing trees and to boost production got underway, growth was hampered as a result of adverse weather conditions and the spread of pests and diseases. In the Latin American region, the establishment of new farms with higher yields, in particular the planting of the CCN-51 cocoa tree variety in Ecuador, helped to boost production.

By contrast the lack of investment combined with low use of fertilizers, pesticides and fungicides in cocoa farming has negatively affected cocoa output in some countries. Cocoa pests and diseases are a major constraint to sustainable cocoa production as they account for about 40% of annual global losses of cocoa production. With faster communications and travel, trade links and the relatively free movement of people and commodities all over the world, the risk of major cocoa pests and pathogens spreading from one region to another, or even from one continent to another, is very real.

Over the past decade weather-related conditions, namely El Niño and La Niña, have also had a significant effect on countries such as Indonesia, Papua New Guinea, Ecuador and Peru, with El Niño events reducing global cocoa output by 2.4% according to a study conducted by ICCO (cf. document EX/142/7), whereas West African countries have suffered from the dry harmattan weather conditions. Regional and country production has, in addition, been influenced by economic variables such as farm-gate prices and the price of other crops competing with cocoa in terms of land availability.

Source: International Cocoa Organization (2012). The World Cocoa Economy, Past and Present, p. 14. Available from: http://www.icco.org/about-us/international-cocoa-agreements/cat_view/30-related-documents/45-statistics-other-statistics.html.

Source: © jbdodane

WHERE WE WANT TO GO

The following vision has been developed towards the goal of increasing the export competitiveness in the Liberian cocoa sector:

> "To become an agent of transformation in the cocoa sector, driving large scale sustainable job creation and augmenting access to economic empowerment opportunities for small entrepreneurs through increased exports."

The vision statement for the sector was developed as a result of in-depth consultations with a wide range of stakeholders representing the Government of Liberia, international buyers, exporters, smallholder representatives and providers of other critical support services. This vision reflects the comprehensive scope of the strategy and its strategic intent to transform the sector such that it will be an engine of inclusive growth, a vehicle for greater regional integration, and a promoter of the Made in Liberia brand in markets.

The scope for improvements in the cocoa sector is immense and extends along the value chain. In some cases it involves strengthening existing linkages, while in other areas structural modifications to the sector are required. Both these types of improvements must lead to *market penetration* (increasing exports in existing markets), *product development* (increasing exports of new products in existing markets), *market development* (increasing exports of existing products in new markets), and *full diversification* (increasing exports of new products in new markets).

This envisaged future state of the cocoa sector is discussed in greater detail below.

MARKET AND STRATEGIC OPTIONS

As indicated in the introduction, the envisioned future state of the sector has been developed using a combination of consultations, surveys and analyses. This future state consists of two components:

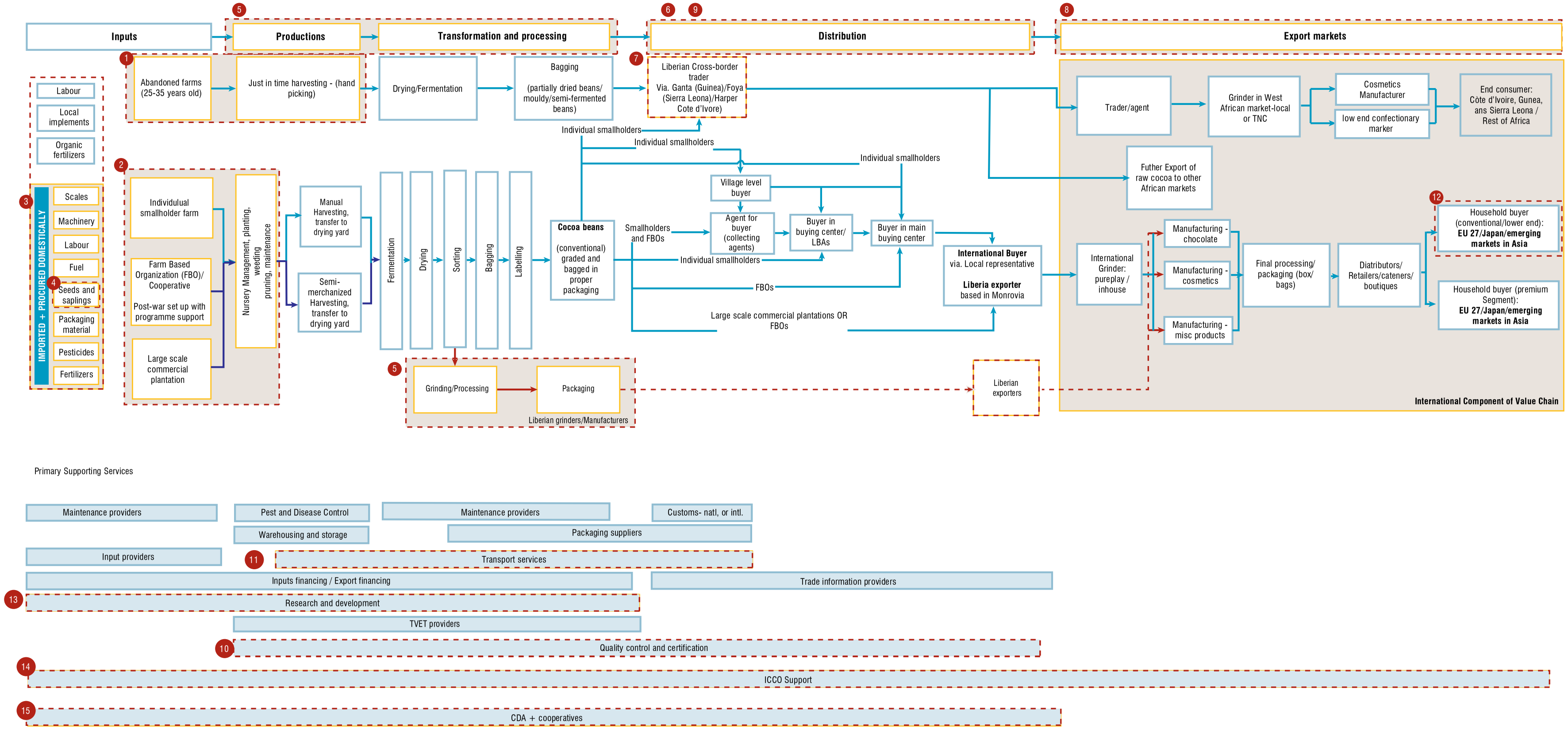
- Structural changes to the value chain that result in either strengthening of linkages or introduction of new structural linkages; and
- A market-related component involving identification of key markets in the short and medium to long terms for exporters.

The market identification was based on a combination of trade analysis conducted by ITC for identifying potential target markets and consultations with sector enterprises. Both short-term and medium-to-long-term target market options are assessed.

The projected structural changes to the sector are based on efficiency gains identified through the four gear analysis of the sector's performance, and through the identification of opportunities for improving the sector's capacity to acquire, add, create, retain and distribute value.

The proposed future state is presented in Figure 14 below through a future value chain, which captures both the selected key market and strategic options.

Figure 14: *Future value chain*



Source: Sector Consultations.

STRUCTURAL ADJUSTMENTS TO THE VALUE CHAIN

1. **Speed up efforts to rehabilitate cocoa farms abandoned during the civil war, and organize farm operations better.**

   In order to get annual production volumes up there is significant work required in terms of upgrading and rehabilitating the mass of cocoa farms that were abandoned during the war. The cocoa is handpicked and traded across the border largely through informal networks. The strategic PoA will provide impetus to rehabilitation efforts ongoing in the sector with the support of NGOs and national actors.

2. **Improved land management practices – aligned with Global GAP and Good Management Practices (GMP) standards – especially at the smallholder and cooperative level.**
   - There is a serious need for improved sorting at the farm-gate level by producers and producer groups. Improved sorting of Grade A and lower grades at the farm level is a best practice that will result in significant gains. This will be addressed through trainings conducted at the smallholder and the cooperative level.
   - Interventions will be designed to sensitize producers and producer associations to the processes and best practices involved in cocoa cultivation and collateralization of their assets to be able to enter into commercial deals involving investors, banks and other implementing partners.
   - Radio programmes are one of the two main modes of information dissemination in Liberia, the other being newspapers. As a means of effective dissemination of best practices, support to existing and new initiatives based on radio programmes / broadcasts will be provided and recommended in the morning and evening, which are the main downtimes for farmers.

3. **Increase availability of inputs by development of a locally manufactured supply chain of inputs, as well as improving access to imported inputs.**

   As discussed in the four gears section, the lack of availability of scales at the farm-gate level has led to cocoa beans typically measured by volume[34] rather than by weight, which is the best practice. This creates variance of expected and actual weights across the value chain, and also creates price discrepancies given that prices quoted are in dollars/kg. In this regard, an initiative aimed at increasing the availability and adoption of scales will be launched and will comprise the following components:
   - Develop an efficient supply chain of imported scales (from regional suppliers in Ghana and Côte d'Ivoire). To make the scales affordable to producers, the costs can be partially offset by donors.
   - Leverage cooperatives to pool resources and house scales at co-op premises.
   - Educate cooperatives and community-based organizations on the proper use of scales so as to increase adoption rates. Additionally, LBAs would also be trained on using the scales and adopting them as part of their mandatory workflow.
   - Simultaneously with 1, 2, and 3, develop local expertise on scale development. This could be achieved in the form of a joint venture with an international scale manufacturer, or in the form of a pilot donor initiative aimed at developing the scale manufacturing ability of local manufacturers.

4. **High quality saplings/seedlings used through collaboration with research institutes in Côte d'Ivoire, Ghana and the United Kingdom, among other countries.**

   Previous ITC analysis related to the cocoa sector has indicated potential for collaboration between the University of Reading in the United Kingdom – a leading cocoa research institution, and the only temperate zone quarantine station in the world. Additionally, recent collaboration between research institutes in Liberia with research institutes in Côte d'Ivoire and Ghana has resulted in improved varieties of saplings/seedlings being available in Liberia. This collaboration will be strengthened. Improvements over the long term will also cover increased capability of local research institutes and suppliers to provide saplings.

5. **Increased levels of mechanization within the production/'transformation and processing' portions in the value chain, leading to increased capabilities of sector stakeholders in transformation and processing.**

   Since 2002 cocoa processing has generally followed an upward trend, growing at an average of 2.9% per annum. In this context, a trend of increased grinding at origin has gathered shape. Between 2002/2003 and 2011/2012, the share of Europe and the Americas in cocoa processing activities fell from 43% to 26% respectively to 40% and 21% respectively. The share of processing under African and Asian regions increased from 14% and 16% in 2002/2003 to 18% and 20% respectively in 2011/2012. Côte d'Ivoire is currently the third largest global cocoa processor, while Malaysia is the fifth largest (and the first in Asia). Other major cocoa producing countries such as Brazil, Ghana and Indonesia also have emerged as important processing countries.

34. Usually a bucket or a polypropylene woven bag – known locally as a 'balawala' bag. Source: Dand, R.J. (2008). *Liberia – the Export Value Chain*. p. 19. International Trade Centre.

In Liberia, development of local grinding capacity is an important requirement within the sector that will help sector stakeholders reach the next level of value addition. As capacity of Liberian producers to develop grade 1 cocoa is improved over time, development of a parallel processing capability for Grades 2 and 3 will help retain value at multiple levels. This is by far a medium-long term goal given that the processing capability of Liberian cocoa operators is currently virtually non-existent. Also, regional technology transfer/networking initiatives between Liberia and other West African countries will be strengthened.

6. **Better trained LBAs engaging in best practices and ensuring they are maintained at the farm-gate level.**
LBAs are in a strong position to effect proper quality management at the farm-gate level by adhering to proper grading/selection of cocoa beans and fair negotiations with producers based on the prevailing/recommended market rate and quality of the cocoa beans. This has thus far not been the case – LBAs have been quite lax in terms of assessing the quality/fair price of the beans. Much of this is based on lack of awareness as well as lack of training, both of which the strategy aims to address.

7. **Increased support to women cross-border traders (and other female groups/actors active in the sector) in mentoring, improved negotiation skills, technical support, and access to efficient grievance mechanisms.**
Significant potential currently lies unrealized in terms of the role that women can play in the cocoa sector value chain. In other crop sectors women are already heavily involved all stages, ranging from post-harvest to business development to distribution (albeit through informal distribution channels). This can be leveraged to involve women in multiple roles within the cocoa sector value chain.
An increased role of women (especially the younger generation) will be encouraged to allow them to take up non-traditional roles in the cocoa value chain such as in quality management, semi-skilled/skilled jobs in cocoa processing, cocoa intermediation and other administrative occupations.

8. **In-market support/national promotion branding.**
In order to enhance export Liberia's export performance in key target markets, the sector will have to receive in-market support from specific institutions and initiatives of national promotion and branding. The trade support offices in Washington and the missions in key EU capitals such as London, Brussels, Berlin and other capitals such as Beijing are best placed to carry out these targeted support interventions. Currently, however, support has been largely limited to the trade support hub in Philadelphia and to investment promotion. Capacity to carry out marketing/trade promotion activities is either very thin or non-existent.

9. **Develop centralized warehousing infrastructure in Gbarnga.**
As a long-term initiative, centralized warehousing infrastructure in Gbarnga (in the centre of the country) will be developed to serve both the processing infrastructure in the country and ports. Processing infrastructure is currently virtually non-existent in Liberia but it is expected that it will grow in line with other capabilities. The centralized location of Gbarnga has been deemed viable for servicing future processing infrastructure, and also to act as a collection point for transport to the port.
Currently there is a working supply route for containers to reach Gbarnga where rubber is suitably processed and then shipped to the port. This helps to avoid unnecessary costs at the port itself, and is therefore efficient from a perspective of cost as well as time, especially given that the port infrastructure itself is weak. There is merit in replicating this for the cocoa sector given that Gbarnga is ideally located in the heart of the cocoa production area.

10. **Quality management (control and certification) providers capable of providing certification services of a significant scale.**
Support initiatives in terms of quality management will include:
   - Enhancement NSL capabilities and certification by ISO;
   - Development of a network of NSL subsidiaries in the country, or development of a network of private/public metrology/calibration/testing labs that are internationally accredited and capable of certifying Liberian cocoa and production/processing facilities.

11. **Improvement in availability and service delivery of transport services.**
Support will be provided to the various organized groups that are involved in providing transportation services to the cocoa sector. These include the motorcycle union and the truckers union. Support initiatives will focus on streamlining agro-logistics process flows, and other initiatives based on identified needs and requirements.

12. **Ability to penetrate new markets due to product diversification (including certification) and improvements in supply/consistency levels.**
Demand for certified varieties of cocoa is expected to rise significantly in international markets in the future. This offers a compelling business case for adopting best practices such as Global GAP as well as other sustainable land management practices.
The use of chemical inputs such as fertilizers and pesticides is negligible in the cocoa sector and currently

the tree crops are considered de facto organic as a result of non-use of agro-chemicals. Traditionally, cocoa production in Liberia has used organic rather than non-organic fertilizers, which bodes well for developing organic certified cocoa and cocoa products in Liberia. This is relevant in the context of rising global demand for organic cocoa products. Many international buyers, such as Mars (currently active in Liberia) have made commitments in terms of sourcing of sustainable cocoa. Mars has made a commitment for sourcing 100% of cocoa supply sustainably by 2020. For the Liberian cocoa export value chain, this is an opportunity that is non-optional. this commitment aligns with how cocoa is already being produced in Liberia and thus the opportunity is within easy reach and must be seized.

Additionally, in the high volume American and European markets there is a significant consumer shift towards certified cocoa products. To align with this shift, several major brands of chocolate manufacturers have made public commitments to increase their proportion of cocoa purchases to certified cocoa. For a relatively new and unsophisticated entrant like Liberia, this is a realizable opportunity that must be seized.

Certification is a relatively long process that takes between three and five years to complete and also involves certain costs. This is a medium-to-long-term approach that will exhibit benefits towards the end of the period. It is therefore all the more important to initiate the certification process as soon as possible.

13. **Regional technology transfer/networking initiatives between Liberia and other West African countries.**

Technology transfer initiatives within the West Africa region can help offset the technology gap that continues to restrict the Liberian cocoa sector in terms of processing capabilities and increases in production yields. The recently concluded Memorandum of Understanding (MoU) between Ghana and Liberia, through which the countries will exchange knowhow and skills in cocoa and rubber, is a good example.

Increased cooperation with the private sector and research institutions in Côte d'Ivoire also offers high potential for development. Similarly, increased collaboration with cocoa sector value chain actors in Indonesia will be promoted.

Technology transfer initiatives will also be facilitated through volunteer programmes involving experienced professionals with regional and international expertise. Such efforts – led and managed by leading international NGOs such as ACDI/VOCA and TechnoServe – have proven to be successes in other African contexts and could be implemented or strengthened (in the case of existing initiatives) in Liberia with relative ease.

14. **Joining ICCO.**

As discussed in the four gears section, the delay in re-admittance of Liberia to ICCO is leading to discounts of Liberian cocoa in the international market of up to £100 per ton. Upon admittance, Liberia would transition from a Category E to a Category D ICCO country. While the process involving filing of paperwork and dues is ongoing, there is an urgent need to fast-track it.

It is strongly recommended that Liberia joins ICCO, as have neighbouring Sierra Leone and Côte d'Ivoire. Liberia could derive immediate benefits from technology transfer and shared experience through more regular and intensive communications with neighbouring cocoa producers. The country could also benefit from participating in an organization that embraces consumer countries which are able to provide financial support for activities in the cocoa sector.

Source: © ACDI/VOCA 2011.

15. **Increased support to CDA and cooperatives.**

Support to cooperatives in the cocoa sector will be expanded on a priority basis with the following focus areas in mind:

- Financial, technical and human capital support to CDA, which is the main cooperative development / certification agency in the country;
- Direct organizational support to cooperatives in collaboration with CDA.

Interventions will be aimed at selected cooperatives to enhance their ability to: identify their own constraints dynamically in response to changes in the world commodities environment; demand specific services from government and other support institutions that will directly affect their bottom and top lines; and find ways to make them fee-based or otherwise subsidized to ensure sustainability.

Table 5: *Short-term target markets*

Target market	Product	Proposed distribution channel / market segment	Liberian cocoa imports exports to market 2012 (US$ thousands)	Annual growth of sector imports (%) (all suppliers) 2008–2012
Netherlands	HS 1801 – Cocoa beans, whole or broken, raw or roasted	International firms*** / grinders and processors	13 212	7
Spain	HS 1801 – Cocoa beans, whole or broken, raw or roasted	International firms*** / grinders and processors	4 178	1
India	HS 1801 – Cocoa beans, whole or broken, raw or roasted	International firms*** + Indian diaspora exporters / grinders and processors	3 496**	42
Germany	HS 1801 – Cocoa beans, whole or broken, raw or roasted	International firms*** / grinders and processors	3 240	6
Malaysia	HS 1801 – Cocoa beans, whole or broken, raw or roasted	International firms*** / grinders and processors	2 803	-3
Belgium	HS 1801 – Cocoa beans, whole or broken, raw or roasted	International firms*** / grinders and processors	144	10
France	HS 1801 – Cocoa beans, whole or broken, raw or roasted	International firms*** / grinders and processors	14	-2

Source: ITC calculations based on Comtrade data. Growth rate based on International Monetary Fund estimates.
*2008–2012
** 2011 figures
*** International firms based in Liberia

MARKET IDENTIFICATION

The following analysis is divided into two broad phases: one related to the immediate, short-term perspective and the other related to the medium-to-long-term outlook, by which time it is expected that a significant portion of the NES and the cocoa sector PoAs will have been implemented. This phased approach is aimed at staging interventions in alignment with the evolving capacities of the sector's trade support institutions and sector enterprises as the NES implementation moves forward.

Note: The products listed under the short-term section will also hold export potential in the medium to long term, unless specifically mentioned.

SHORT-TERM PHASE (0-5 YEARS)

In the short to medium term, existing trade relationships and bilateral geographical distances will form the major criteria determining the markets for Liberian cocoa products. Market penetration in existing markets will be the main mode of market entry. In this regard, the strategy will be consolidating rather than visionary in nature.

EU MARKETS

The EU markets are characterized by grinding and processing processes, and all cocoa is imported. As indicated in table 5 above, demand for cocoa beans in most of the EU markets is increasing. The long-standing relationship of Liberian cocoa with EU markets, especially the Netherlands, Spain and Germany, will be further strengthened.

NETHERLANDS

Liberia is in the advantageous position of already being a supplier to the Netherlands, which is the world's biggest importer/trader of cocoa. Recent consumption trends in the Dutch market have reflected a healthy annual growth rate of 7% and, with the presence of major cocoa processors such as ADM in the country, it is expected that this growth rate will continue on an upwards trajectory at least for the next decade.

GERMANY

Germany is the second largest grinder of cocoa in the EU and commands a market share of 29%.[35] Between 2008 and 2012 imports grew at an annual rate of 6%. Cocoa sourced from developing countries constitutes 57% of German cocoa imports, with Côte d'Ivoire (18%), Togo (12%), Nigeria (7.9%), Ecuador (4.4%) and Ghana (4.3%) the main suppliers.36

German cocoa demand is driven by a large chocolate market (the largest EU market for chocolate confectionary), close linkages with the Netherlands cocoa industry and the presence of the port of Hamburg as an entry point to Europe and a hub for grinders and processors. Germany is one of the top 10 importers of Liberian cocoa and there is significant potential to strengthen existing trade relationships.

SPAIN

The demand for cocoa in Spain stems primarily from the domestic market, and the country constitutes a medium-sized market (amounting to 5.6%[37] of the EU market). Demand has decreased somewhat in recent years and amounted to 1% annual growth between 2008 and 2012 (as indicated in table 5). As in the case of Netherlands, the Spanish processors market is quite concentrated – Nestlé, Nutrexpa, Milka, Kraft Foods and Lacasa alone cover 60%[38] of the market.

According to a report by the Ministry of Foreign Affairs of the Netherlands, 89% (of Spain's cocoa imports) was directly sourced in developing countries. Leading suppliers were Côte d'Ivoire (22%), Ghana (17%), Nigeria (16%) and Cameroon (11%). Imports from Côte d'Ivoire declined, while imports from the other countries experienced growth between 2006 and 2010. Fast-growing suppliers were Uganda, the Dominican Republic and the United Republic of Tanzania, which are yet to conquer a significant share of the Spanish market.

Liberia's cocoa exports to Spain have been steadily growing and Spain is currently the second largest market for Liberian cocoa. Exports have grown from US$2.4 million in 2010 to US$4.2 million in 2012. There is potential to capitalize on this trend and expand Liberian exports.

BELGIUM

More than 99% of Belgian imports of cocoa are sourced from developing countries, primarily Côte d'Ivoire (34%), Ghana (25%), Nigeria (11%), and Togo (9.2%).[39] As in the case of Netherlands, it hosts some of the biggest processors of cocoa such as Cargill and ADM. Import growth rates of 10% indicate that the cocoa market is growing (as a result of increased processing, re-exports and domestic consumption). The port of Antwerp is one of the major cocoa hubs and therefore an important entry point to Belgium and the rest of Europe.

A hallmark of Belgian chocolate is its sophistication in terms of taste and quality, and Belgian chocolatiers generally exhibit a high degree of willingness to innovate and experiment – including through new ingredients and sourcing opportunities. In the context of the latter, there is potential for Liberian cocoa to gain a stronger foothold in the market.

FRANCE

France is the third largest cocoa grinder in the EU, accounting for 8.4% of the total bean imports in the EU and 11% of all EU grindings. Developing countries accounted for 68% of France's cocoa bean imports, with the main suppliers being Ghana (33%), Côte d'Ivoire (25%) and Nigeria (5.6%). Liberia's cocoa exports to France are quite limited, with only US$14,000 exported in 2012. However, there is still potential to develop export relationships given that France has the EU's largest confectionary sector and is one of the leading grinders and processors as well.

INDIA

Indian cocoa imports grew at an annual rate of 42% between 2008 and 2012. While available bilateral data is sparse for recent years, it was reported that India imported US$3.4 million from Liberia in 2011. Considering the widespread entrepreneurial activity of the Indian diaspora (or people of Indian origin) in Liberia, there is significant scope of leveraging this connection to increase Liberian cocoa exports to India.

MALAYSIA

Along with Indonesia, Malaysia has become one of the leading producers of cocoa beans as well as a processor. The cocoa grinding industry in Malaysia started in 1973 and expanded rapidly in the 1980s. Both Côte d'Ivoire and

35. Ministry of Foreign Affairs of the Netherlands (2013). *Cocoa Beans in Germany*. Available from www.cbi.eu/system/files/marketintel/2011_Cocoa_beans_in_Germany.pdf.

36. *Ibid*.

37. Ministry of Foreign Affairs of the Netherlands (2013). *Cocoa Beans in Spain*. Available from www.cbi.eu/system/files/marketintel/2011_Cocoa_beans_in_Spain.pdf.

38. *Ibid*.

39. Ministry of Foreign Affairs of the Netherlands (2013). *Cocoa Beans in Belgium*. Available from www.cbi.eu/system/files/marketintel/2011_Cocoa_beans_in_Belgium.pdf.

Ghana are major suppliers to Malaysia. Côte d'Ivoire has the advantage of being able to supply high volumes and Ghana is renowned for quality.

Liberian cocoa exports to Malaysia amounted to US$2.6 million in 2012, making Malaysia the fifth largest customer for Liberian cocoa. As Malaysia's grinding/processing industry expands, there is potential to capitalize and strengthen existing trade relationships.

MEDIUM TO LONG TERM PHASE (5+YEARS)

In the longer term, it is expected that the evolving capacities of Liberian exporters – across multiple dimensions including quality management, supply capacities, product diversification, time to market efficiency, and marketing/branding, in conjunction with the improving business environment and export value chain improvements affected by the NES and sector PoA implementations – will allow exporters to target other markets in the medium to long term which seem hard to penetrate now. It is expected that the Liberian cocoa sector will therefore simultaneously service the current buyers (discussed for the short term options), while constantly monitoring opportunities to also serve other segments, such as certified cocoa, directly.

However, an important caveat to consider is that, even considering the best case scenario, it will take at least a decade if not more for the Liberian cocoa sector to improve quality and supply capacities to a degree comparable to middle tier exporters. This is due to the very low supply and quality base at which the sector currently stands.

Additionally, the sector faces stiff competition from its West African neighbours, especially Côte d'Ivoire and Ghana, each of whom have developed capabilities in specific niches – supply capacities in the case of Côte d'Ivoire, and quality consistency in the case of Ghana.

The medium-to-long-term market scope can be divided into three broad scenarios: **best case, average case,** and **worst case**. Due to the uncertainty associated with issuing long term forecasts and the number of assumptions that have to be considered, the scenarios outlined in table 6 are **indicative**.

Table 6: *Indicative scenarios for assessing long-term markets*

Indicators	Best case scenario	Average case scenario	Worst case scenario
Percentage of short term interventions of the cocoa strategy that have been successfully implemented.	At least 75 %	Between 25% and 75%	Less than 25%
Progress of the broader national development agenda.	Progressing at the planned / forecast rate	Progressing at an average pace	Progressing at a weak pace
Fluctuations in the global cocoa market that can adversely impact prices and buyers.	No major fluctuations	Minor fluctuations	Major fluctuations
Quality and supply consistency of Liberian cocoa.	Improvement better than expected	Quality and supply consistency remains the same	Quality and supply consistency has gone down
Improvements in cocoa sector trade support network infrastructure.	Surpassed expectations	Progressed at an average pace	Progressed at a weak pace
Capability of sector firms to produce certified cocoa.	Significantly improved capabilities	Capabilities remain the same	Capabilities remain the same

The following markets and options, segmented by best / average / worst case scenarios, are identified as potential markets for the Liberian cocoa sector.

Table 7: *Long-term target markets*

Target market	Product	distribution channel / market segment	Best case	Average case	Worst case
The Netherlands, Germany, Belgium, United States, Canada	Certified – organic – cocoa (HS 1801)	International firms / grinders and processors	X		
United States	HS 1801 (cocoa beans, whole or broken, raw or roasted), HS 1803 (cocoa paste), HS 1804 (cocoa butter), HS 1805 (cocoa powder)	International firms* or wholesalers or distributors / grinders and processors	X	X	
United States	HS 1806 (chocolate and other food preparations)	Wholesalers or distributors / consumers (primarily diaspora)	X		
Netherlands	HS 1806 (chocolate and other food preparations)	Wholesalers or distributors / consumers	X	X	
West Africa	HS 1806 (chocolate and other food preparations)	Wholesalers or distributors / consumers	X	X	
Canada	HS 1801 – cocoa beans, whole or broken, raw or roasted	International firms / grinders and processors	X		
Canada	HS 1806 (chocolate and other food preparations)	International firms	X		
ALL markets noted in short term options			X	X	X

UNITED STATES

In the medium to long term, high quality cocoa beans (grade 1) produced in Liberia would theoretically open up the large American market. The presence of the Liberia trade and investment office in Philadelphia provides a strong opportunity for building export relationships given that the city is the hub of many cocoa processors such as Mars chocolate, Cargill etc. The city also acts as a distribution hub for cocoa to be transported to other parts of North America. This is especially relevant as it could become a stepping stone for scaling up exports to not only other parts of the United States, but also Canada (through both land and water routes).

Cocoa beans, paste, powder, and butter (HS 1801–1805) could be supplied to grinders and processors through distribution channels including international firms based on Liberia, or through Liberian exporters to wholesalers and distributors in the United States. On a relatively minor scale, Liberian exporters could also start exporting chocolate to wholesalers and distributors aimed at end consumers, which would include the large Liberian diaspora in the United States.

CANADA

As discussed above, the Canadian market could become more accessible for Liberian cocoa once exports to the United States market have scaled up.

WEST AFRICA

With the rise in processing capability, Liberian processors could start manufacturing and supplying chocolate to West African wholesalers and distributors aimed at end consumers. The chocolate manufacturing capability could be developed in country as a result of joint ventures with international chocolate firms.

As demand for cocoa in higher income countries shifts towards certified and sustainable products, some countries have been quicker in adjusting their production to exploit this new business opportunity. Box 9 shows the distribution of the production of different types of certified cocoa among Latin America, Africa and Asia and Oceania.

CERTIFIED LIBERIAN COCOA TO THE EU (THE NETHERLANDS, GERMANY AND BELGIUM) AND NORTH AMERICA (THE UNITED STATES AND CANADA)

The global cocoa and chocolate industry is fast moving towards certification, and markets such as Germany, Belgium, France, the United Kingdom and the United States pay high premiums for certified cocoa:

- Germany is the largest consumer of organic produce in the EU and among the top four consumers of organic chocolate within the EU;

Source: © jbdodane

- The Netherlands is also a significant consumer of certified cocoa-based products;
- The Belgian market has exhibited impressive growth trends in terms of consumption of organic and fair trade chocolate products;
- Growing awareness and demand for certified cocoa in the large United States and Canadian markets.

Liberian cocoa is de facto organic due to the lack of chemical fertilizers and pesticides used. It is expected that once the overall quality levels increase, marketing this cocoa to international markets would be feasible, however this is dependent on a high degree of value chain improvements taking place.

As certification levels in neighbouring competitors such as Ghana and Côte d'Ivoire are still ramping up, developing a strong reputation as a supplier of certified cocoa (be it organic, Rainforest Alliance, UTZ or fair trade) would allow Liberian cocoa to develop a strong differentiating attribute against its regional competitors.

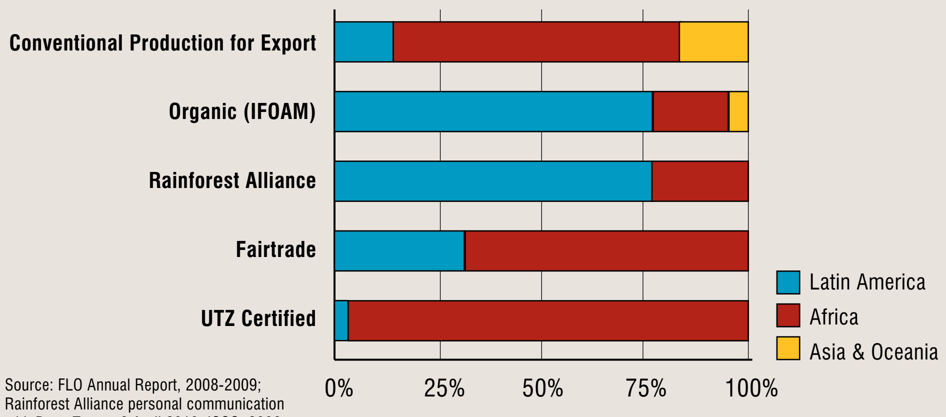
Additionally, certification in the cocoa sector is quickly taking the shape of a necessary requirement rather than a value driver. For instance, Mars chocolate (operational in Liberia) has announced that it will only procure certified beans after 2020. As indicated in Box 9, other manufacturers are following suit.

This presents an opportunity – to be realized over the medium-long term – for Liberian exporters to keep engaged with existing market segments and gradually start to penetrate the certified cocoa segment in the country.

Box 13: Trends of growth in sustainable production

- As demand for cocoa in higher income countries shifts towards certified and sustainable products, some countries have been quicker in adjusting their production to exploit this new business opportunity.
- The figures of sustainable production stand in stark contrast to the overall supply of conventional cocoa on the global market, of which 70% is produced in Africa. Both Rainforest Alliance and organic cocoa have driven this trend with 76.2% and 75.7%, respectively, of their total supply provided by Latin America. Fair trade represents the exception to this rule, being predominantly supplied by African producers.
- The trend for sourcing is likely to change, not only as the field for certified cocoa is fairly new, but also as West African producers start to certify their production. Organic cocoa is the only sustainable cocoa with sourcing (4.9%) from Asia.

Figure 15: *Regional distribution of cocoa production by production system 2008-2009*



Source: FLO Annual Report, 2008-2009; Rainforest Alliance personal communication with Petra Tanos, 6 April 2010; ICCO, 2006; Liu, 2008; FAO, 2010; UTZ Certified Annual Report, 2009.

Source of text below: Hütz-Adams, F. and Fountain, A.C. (2012). Cocoa Barometer 2012.

- The following are the certification commitments of major chocolate makers:
- Cadbury was the first major chocolate company to start using certified cocoa, for their Dairy Milk chocolate in 2008.
- In 2009, Mars was the first major global chocolate company to commit to using 100% certified cocoa for their entire range by 2020. They are following this up with regular public disclosure on progress.
- Ferrero will source 100% of their cocoa ‘sustainably’ by 2020, and have released a timeline, but it does not specify comprehensively what level of assurance the sustainability will be measured to.
- Nestlé does not name a specific date when all their cocoa will be compliant to renowned standards, although in certain countries and on certain sub-brands they have now committed to 100% certified sourcing, communicating future targets only at regional level.
- Hershey has made a commitment to 100% certification by 2010, although there is some doubt over the mechanisms for backing up this commitment.

Source: Potts, J., van der Meer, J. and Daitchman, J. (2010). The State of Sustainability Initiatives Review 2010: Sustainability and Transparency, p. 100. International Institute for Sustainable Development (IISD) and the International Institute for Environment and Development (IIED).

HOW TO GET THERE

Strategic objective	Operational objective
The first strategic objective is to strengthen the overall trade support network in the sector.	• Undertake a comprehensive revitalization of the extension services division under MoA. • Strengthen the research base in the sector. • Ensure that the sector has access to a strong base of support service providers. • Improve the capacities of cooperatives and related associations of producers to cater to the needs of the sector. • Ensure that key pending reforms in the main policymaking institutions for the sector are completed. • Improve the quality management infrastructure. • Improve access to finance for operators in the sector.
The second strategic objective is to improve access to infrastructure and services.	• Ensure adequate access to inputs at the production phase. • Improve centralized infrastructure for use by sector operators.
The third strategic objective is to comprehensively augment skills and influx of best practices, and enable product diversification in the sector.	• Improve the quality and efficiency of LBAs through an overhaul of their recruitment and training mechanisms. • Support cooperatives and FFS in the cocoa sector to impart relevant training components to their constituents. • Use a variety of media to disseminate information on best practices. • Increase the level of organization in the sector. • Enable product diversification in the sector, especially in certified cocoa.
The fourth strategic objective is to facilitate increased access to, and strengthen the ability of enterprises to utilize, trade information.	• Ensure that adequate support for exporters exists, relative to key international markets. • Encourage involvement of diaspora networks towards investment and sector regeneration efforts. • Develop a strong Liberian cocoa brand – especially leveraging the future potential for exporting certified cocoa.

STRATEGIC OBJECTIVES

Four strategic objectives are considered necessary for realization of the sector vision. Accompanying each of the strategic objectives are operational objectives that will support the realization of the strategic objective and the overall vision.

IMPORTANCE OF COORDINATED IMPLEMENTATION

The broad range of activities, together with the complex nature of integrated intervention, requires careful implementation that efficiently directs resources and monitors results at both the micro and macro levels. To this end, a Liberian Export Council (LEC) will be established in order to facilitate the public-private partnership in elaborating, coordinating, and implementing the NES. In particular, LEC will be tasked with coordinating the implementation of activities in order to optimize the allocation of both resources and efforts across the wide spectrum of stakeholders. Within this framework, implementation of the cocoa strategy also falls within the purview of LEC.

Such efforts will involve directing donor, private, and public sector organizations towards the various NES priorities in order to avoid duplication and guarantee maximum impact. Responsibilities will also include monitoring the results of activities and outputs, while at the same time recommending policies that could serve to enhance realization of the strategic objectives. With a 360 degree view of progress the Council will be best placed to manage funding and provide regular reports to donors and stakeholders. Moreover, LEC will play a key role in recommending revisions and updates to the strategy so that it continues to evolve in alignment with the country's evolving needs.

Source: © jbdodane

IMPLEMENTATION PARTNERS – LEADING AND SUPPORTING INSTITUTIONS

In addition to LEC, a variety of stakeholders will be critical to the successful implementation of this strategy. These include public sector actors such as MoA (including the extension services), LPMC/LACRA, CSTWG, CDA, MoCI and MoFA, and also private sector / civil society organizations such as ACDI/VOCA that have a successful track record in the sector and are well positioned to assist.

CONCLUSION

This sector export strategy represents a major step forward in realizing the export potential offered by Liberia's cocoa sector. There is a clear need to transform Liberian cocoa from the subsistence crop that it is currently, to a carefully planned, market engine of equitable growth and value distribution.

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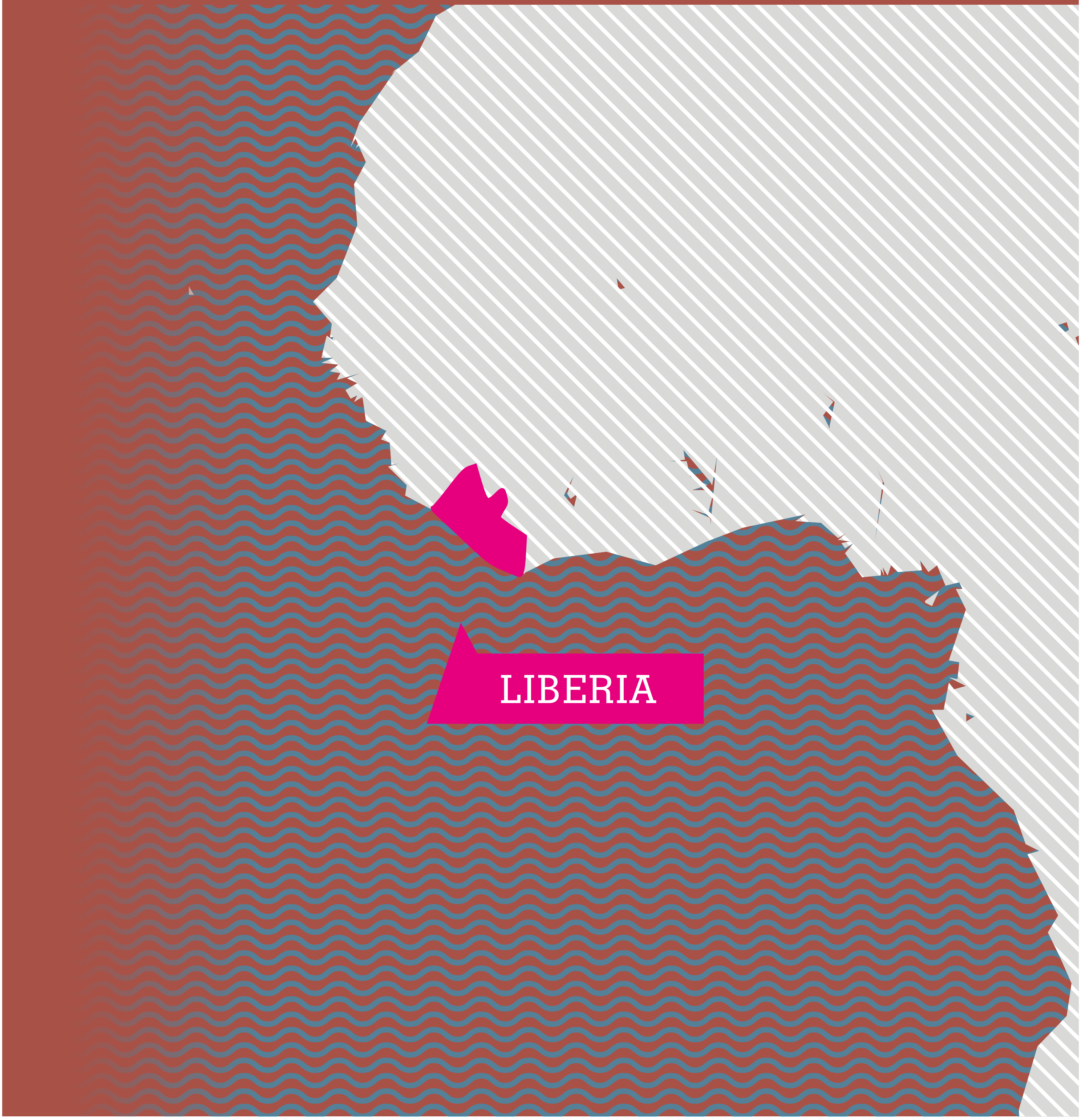
THE **REPUBLIC OF LIBERIA**
NATIONAL EXPORT STRATEGY

STRATEGIC PLAN OF ACTION



Strategic objective 1: Strengthen the overall trade support network in the sector.

Operational objectives	Activities	Priority 1=low 2=med 3=high	Entry point of intervention (immediate, medium term, long term)	Primary beneficiaries	Target measures	Leading implementing partners	Supporting implementing partners	Estimated costs (High, Medium, Low)
1.1 Undertake a comprehensive revitalization of the extension services division under MoA.	1.1.1 Undertake a comprehensive gap assessment of the extension services division in MoA in the technical, financial and human capital dimensions. Based on the identified gaps, develop a strategic roadmap for the development of these services.	3	Immediate	MoA – extension services	Gap assessment completed by mid-2014 Strategic roadmap / action plan for extension services developed by the end of 2014	MoA,LPMC	CARI, CSTWG, IITA,WCF	L
	1.1.2 Conduct a gap analysis of the extension services required in the main cocoa producing and processing counties, on topics such as the number of extension officers required and the type of services needed in the division.	3	Immediate	Producers	Needs assessment completed by end of 2014	MoA, LPMC	CARI, CSTWG, IITA, WCF	M
	1.1.3 Launch a recruitment campaign to hire and impart training (through fast-track courses) to extension service officers on key aspects of GAP, GMP and other best practices related to the cocoa value chain, in order to offset the significant shortage of extension service officers (in the short term).	3	Immediate	MoA – extension services, private sector	Initial batch of 50 to 100 extension officers trained and deployed by end 2014. Targets to be revised in early 2015.	MoA, LPMC	CARI, CSTWG, MoCI	M
	1.1.4 Establish and strengthen linkages between extension services and national research institutions such as CARI by regularizing knowledge sharing sessions and establishing a two way feedback loop between identified needs in the field and research updates.	2	Medium term	CARI, MoA – extension services, private sector	Quarterly meetings starting early 2014	MoA / CARI, LPMC	CSTWG	L
1.2 Strengthen the research base in the sector.	1.2.1 Develop infrastructure for grafting and cloning at CARI, in collaboration with the university of reading (United Kingdom): » Transplantation of clean plant material from University of Reading (the only temperate zone quarantine station in the world), » Collection and verification of cocoa planting materials » Development of local capacity (CARI) in developing high yield varieties.	2	Immediate	CARI / entire value chain	MoU signed in early 2014 Site visits / modalities of collaboration finalized by end 2013 Active collaboration to start mid-2014	CARI / University of Reading	CSTWG, IITA, MoA , LPMC, ACDI/VOCA	H
	1.2.2 Set up a cocoa TVET centre as a centre of excellence in cocoa-related vocational trades and related skills, in close collaboration with international buyers (grinders and manufacturers).	2	Medium term	Entire value chain	Terms of Reference for centre completed by end 2014 Centre developed and operational by the end of 2015	CARI/IITA, LPMC	MoA, IITA, CSTWG and other relevant national and international partners	H
	1.2.3 Develop educational instruments aimed at increasing cocoa specialization in Liberia: » Inclusion of major universities within CSTWG or a separate working group to discuss TVET needs of the sector including curricula overhaul etc.; » Develop educational programmes (masters and postgraduate certificate levels) in collaboration with Liberian universities as well as potential international partners in the Netherlands, Ghana and Côte d'Ivoire.	3	Medium term	Entire value chain	Working group set up, or alternatively CSTWG expanded by mid-2014 Degree programmes set up and recognized by the end of 2014 with curricula details / instructor requirements identified	CSTWG, LPMC	MoA / MoCI / University of Liberia / Tubman University / World Cocoa Foundation and other national and international educational or research institutions	H

Strategic objective 1: Strengthen the overall trade support network in the sector.								
Operational objectives	Activities	Priority 1=low 2=med 3=high	Entry point of intervention (immediate, medium term, long term)	Primary beneficiaries	Target measures	Leading implementing partners	Supporting implementing partners	Estimated costs (High, Medium, Low)
1.2 Strengthen the research base in the sector.	1.2.4 Develop a volunteer programme for regional and international experts to engage with the Liberian cocoa sector, and in the process transfer and increase adoption of best practices among sector operators.	2	Medium term	Entire value chain	First round of volunteer intake with initial batch of 20 experts initiated by the end of 2014	International agro-based NGOs such as ACDI/VOCA, TechnoServe	MoA, CSTWG, WCF	M
	1.2.5 Draft MoUs for technology transfer initiatives between Liberian research Institutes, and regional (Côte d'Ivoire, Ghana) and international partners (including international cocoa firms in Liberia).	2	Immediate/ Ongoing	Entire value chain	MoU finalized by the end of 2014	MoA	CARI, IITA, WCF	L
1.3 Ensure that the sector has access to a strong base of support service providers.	1.3.1 Develop a supply base of service providers who will cater to the cocoa sector: 1. Establish a cocoa business services support programme; 2. Compile a cocoa business services providers directory; 3. Establish a cocoa business services providers association; 4. Train business service providers to create business plans based on revenue forecasts and signed contracts so as to be able to borrow against receivables and booked orders; 5. Establish an incubator programme for agribusinesses that will provide services related to: » Extension services; » Pest management; » Nursery services; and » Seed management.	2	Medium term	Entire national value chain	Deliverables for a - d to be finalized by mid-2014 e – Incubator programme launched by end 2014, first batch of agribusinesses inducted in early 2015	MoA, MoCI, Liberia Better Business Forum (LBBF)	Liberia Chamber of Commerce (LCC), Liberia Business Registry, CSTWG, CDA	H
	1.3.2 Support increased access to and use of light-medium level farm based implements: » Introduce (and increase access to) modern farm implements at a cooperative level to enable enhancements at the production and post-harvest stages. Specific focus will be on sorting, grading and bagging processes; » Develop equipment leasing options led by the private sector and supported by the government; » Impart training to producer groups on light / medium mechanization to ensure optimal use of farm and post-harvest equipment.	2	Medium term	Producers	Equipment leasing schemes active / expanded in the major cocoa producing counties	CDA, MoA	MoCI, National Investment Council (NIC), LPMC/LACRA, CSTWG	M
	1.3.3 Establish a sorting and grading fee-based service (run by cooperatives) that will immediately enhance the profitability of farmers / cooperatives by eliminating the losses caused by unnecessary downgrading of superior quality beans because of mixing.	3	Immediate	Producers / cooperatives and other FBOs	Sorting and grading fee-based services set up in five cooperatives / FBOs on a pilot basis by mid-2014	CDA, LPMC/ LACRA	MoA	M
	1.3.4 Promote local expertise on scale manufacturing through a pilot donor initiative aimed at developing the scale manufacturing ability of local manufacturers.	2	Long term	Producers / cooperatives and other FBOs	Identify production ready firms by mid-2014, after which production targets will be set Production of scales to begin post mid-2014	MVTC, BWI	MoA, LPMC/LACRA, MoCI, CDA	M

Strategic objective 1: Strengthen the overall trade support network in the sector.

Operational objectives	Activities	Priority 1=low 2=med 3=high	Entry point of intervention (immediate, medium term, long term)	Primary beneficiaries	Target measures	Leading implementing partners	Supporting implementing partners	Estimated costs (High, Medium, Low)
1.3 Ensure that the sector has access to a strong base of support service providers.	1.3.5 Train truckers / motorcycle union members and other transport and logistics service providers on issues related to efficient supply chain management and leveraging opportunities for integrating agro-logistics in the sector.	2	Immediate	Truckers / motorcycles and other unions	Initial study (gap analysis, needs assessment)	MoT, Transport Unions	MoA, MoCI, CDA, LPMC/LACRA	L
1.4 Improve the capacities of cooperatives and related associations of producers to cater to the needs of the sector.	1.4.1 Develop and implement a multiyear support programme for CDA based on the following components: » Financial, technical and human capital support to the CDA, which is the main cooperative development / certification agency in the country; » Establish a cocoa cooperatives and associations support unit at the CDA; » Develop CDA capacity to provide advisory services to cooperatives and other farmer-based organizations related to: » Adoption of GAP, best practices; » Assistance with certification (organic, UTZ, Rainforest Alliance, fair trade).	3	Immediate	CDA	Support programme developed by the end of 2014	CDA, MoA	MoCI, IITA, LPMC/ LACRA, CSTWG	H
	1.4.2 Develop a programme to train the administrative staff of cooperatives / FBOs in improving their technical and administrative abilities.	3	Immediate	Cooperatives and other FBOs	Curriculum developed and programme set up by mid-2014 First batch of training sessions conducted between middle and end of 2014	CDA	MoA, MoCI, LPMC	M
	1.4.3 Develop and launch a train-the-trainers programme for focal points at selected cooperatives in the main cocoa producing counties. Main thrust of the trainings will be on production (GAP) and post-harvest (GAP and GMP) techniques. In addition to the trainings, case studies and guidebooks will be also developed and disseminated.	3	Immediate	Cooperatives and other FBOs	Train-the-trainers programme developed and launched in mid-2014. Recommend 8–12 week programme sessions with batches of 20–30 trainers	CDA, LPMC	MoA – extension services, CSTWG	L
1.5 Ensure that key pending reforms in the main policymaking institutions for the sector are completed.	1.5.1 Support the ongoing initiative to restructure LPMC to LACRA (possibly through consulting services support to LPMC and MoA): » Rationalize mandates and internal organizational structure based on the new role; » Establish guidelines on various aspects including standards for exporting Liberian agricultural goods; pricing in line with international trends; and licensing of agents / exporters in cocoa and other agricultural commodities; » Establish a monitoring and enforcement section within LACRA when it is established; » Formulate, together with industrial buyers and smallholder representatives, an integrated operational response to institutional support needs of the sector; » Reinforce enforcement and monitoring capacities of LACRA through recruitment and training of monitoring and enforcement staff.	3	Immediate	LPMC/LACRA	Ongoing LPMC to LACRA restructuring is completed by mid-2015	MoA, LPMC	MoCI, CSTWG and other relevant ministries	M

Operational objectives	Activities	Priority 1=low 2=med 3=high	Entry point of intervention (immediate, medium term, long term)	Primary beneficiaries	Target measures	Leading implementing partners	Supporting implementing partners	Estimated costs (High, Medium, Low)
Strategic objective 1: Strengthen the overall trade support network in the sector.								
1.5 Ensure that key pending reforms in the main policymaking institutions for the sector are completed.	1.5.2 Provide support for strengthening and transforming CSTWG into a permanent and sustainable body: » Support to the development of the CSTWG strategic multiyear plan, including resource mobilization and human capital requirements; » Strengthen the cocoa working group with broader representation across the value chain, including buyers and investors; » Support setting up a permanent secretariat for CSTWG; » Delineate a well-defined division of responsibilities within LPMC/LACRA.	2	Immediate	CSTWG	Strategic multiyear plan for CSTWG developed by the end of 2014. Delineation of responsibilities complete by the end of 2014. Permanent secretariat set up by the end of 2014.	MoA, CSTWG	MoCI and other relevant ministries	M
	1.5.3 Reduce tax paid on cocoa exports to help offset the cost of expanding production, primarily grown by individual farmers on small plots that need upgrading after years of neglect. By improving the price that can be paid to farmers, along with current efforts to raise quality through proper processing, the measures will increase income at the farm level. (Originally an ACDI-VOCA suggestion.)	2	Medium term	Producers	Tax regime simplified by the end of 2014	MoA, LPMC/ LACRA	MoCI, ACDI/VOCA	L
	1.5.4 Fast-track ICCO membership for Liberia, and strengthen the relationship with ICCO.	3	Immediate	Entire value chain	ICCO membership completed in early 2014 Areas of proposed collaboration / ideas deliberated upon and finalized by mid-2014	ICCO, MoA	CSTWG, MoCI, LPMC/LACRA	L
	1.5.5 Review and negotiate import agreements among all Mano River Union countries to facilitate ease of seeds imports.	2	Medium term	Entire value chain	Finalize / refine import agreements by the end of 2014	MoCI, MoA, Mano River Union representatives	LPMC/LACRA	L
1.6 Improve the quality management infrastructure.	1.6.1 On the basis of studies already conducted by NSL in 2012, develop the capacities of the NSL to test and certify cocoa based on international standards.	3	Immediate	NSL / entire value chain	Go live for NSL capabilities in testing and certifying cocoa based on international standards by mid-2015	NSL, MoCI, MoA	CARI, LPMC/LACRA	M
	1.6.2 Expand the network of testing labs in the country through: 1. Expansion of players already present in the country; 2. Development of local capacity and a network of testing / calibration / metrology labs.	3	Medium term	Entire value chain	Network expanded based on set targets	NSL, MoA	LPMC/LACRA, BIVAC/SGS, MoCI, CSTWG	H
	1.6.3 Ensure that previous directives to harmonize Liberian quality standards and requirements based on international quality standards are being followed.	1	Immediate	Producers / LBAs, Exporters	Harmonization is complete and verified through audits	LPMC/LACRA	MoA, MoCI, CSTWG	L
1.7 Improve access to finance for operators in the sector.	1.7.1 Develop a provision at lending institutions for extending lines of credit based on demand notes issues by exporters.	2	Medium term	Entire value chain	Tangible increase in credit extended based on demand notes.	CBL	Financial institutions dealing with agro-sectors	L
	1.7.2 Extend agri-specific credit lines for facilitating greater access to inputs for producers based on existing support provided by CBL to lending institutions. Also, assess the extent to which support is being used and whether additional financial resources are required.	2	Medium term	Producers	New agri-credit lines reaching a wider spectrum of cocoa value chain stakeholders seeking funding	CBL	Financial institutions dealing with agro-sectors	M

Strategic objective 2: Improve access to infrastructure and services.

Operational objectives	Activities	Priority 1=low 2=med 3=high	Entry point of intervention (immediate, medium term, long term)	Primary beneficiaries	Target measures	Leading implementing partners	Supporting implementing partners	Estimated costs (High, Medium, Low)
2.1 Ensure adequate access to inputs at the production phase.	2.1.1 Develop seedling distribution supply chain originating from CARI (and private institutions developing seed gardens) to cocoa farmers.	2	Long term	Producers	Efficient supply chain set up by mid-2015. Survey to be administered thereafter to gauge efficacy.	CARI / MoA-extension services, private sector based suppliers	Liberia Institute of Statistics and Geo-Information Services (LISGIS), CDA, CSTWG	M
	2.1.2 Increase access to packaging material – especially export quality bags – through identification of promising suppliers and provision of financial and technical support.	2	Medium term	Producers / LBAs	Efficient and ready access to packaging material by the end of 2015. Survey to be administered thereafter to gauge efficacy.	MoCI, MoA	LISGIS, LPMC/ LACRA	M
	2.1.3 Assist in the development an efficient supply chain of imported scales (from regional suppliers in Ghana and Côte d'Ivoire). To make the scales affordable to producers, the costs can be partially offset by donors.	2	Medium term	Producers / LBAs as well as downstream actors in the value chain	Efficient supply chain setup by the end of 2014 through contracted regional suppliers of scales. Survey to be administered thereafter to gauge efficacy.	MoCI, regional suppliers	LISGIS,, LPMC/ LACRA, MoA	M
2.2 Improve centralized infrastructure for use by sector operators.	2.2.1 Speed up rehabilitation efforts on abandoned cocoa farms, specifically in terms of old stand replacement: » As a first step, determine the scope of rehabilitation; » Develop a phased plan of initiating rehabilitation efforts; » Contract partners to launch rehabilitation efforts.	3	Immediate/ ongoing	Entire value chain	Rehabilitation completed by 2017	MoA	CARI, LISGIS, MoCI, CSTWG	H
	2.2.2 Develop a pilot programme for developing processing ability in the sector aimed at product diversification. This will be achieved through a two pronged approach: » Setting up of a pilot processing hub for grinding Grade A Liberian cocoa. This will be accompanied by an outreach programme to ensure wide participation and use of pilot facilities. Nimba and Lofa are primary candidates and potential product options are black soap, coca dust and cocoa butter. » Incubation programme at the cooperative level involving identified and already well-positioned cooperatives. Over time, the technology and expertise will flow to individual operators.	2	Long term	Entire national value chain	Pilot processing hub set up in Nimba and Lofa (as well as other major cocoa producing counties) by the end of 2016 Incubation programme deployed and running by the end of 2017	MoA, LPMC/ LACRA	LISGIS, MoCI, CSTWG, IITA, ICCO	H
	2.2.3 Refurbish Lofa (and others) seed bank and develop new local seed banks and nurseries of the hybrid varieties now being imported from Ghana and Cote d'Ivoire.	3	Immediate	Producers	Annual increase in Lofa seed bank reserve of 15% annually between 2014 and 2018	MoA, CARI	CSTWG, research partners in Côte d'Ivoire and Ghana	M
	2.2.4 Develop a centralized warehousing infrastructure in Gbarnga for storing beans, accompanied by infrastructure for basic processing and packaging of cocoa beans.	2	Medium term	Producers / processors	Centralized warehouses setup in Gbarnga by the end of 2016	MoA, MoCI	IITA, MoCI, LPMC/ LACRA, ICCO	M
	2.2.5 Establish processing infrastructure in major cocoa producing counties for storing beans, accompanies by infrastructure for basic processing and packaging of cocoa beans	2	Long term	Producers/ processors	Establish processing plants in major cocoa producing counties by the end of 2016	MoA	IITA, MoCI, LPMC, ICCO	M
	2.2.6 Create new, or upgrading existing, networks of local and regional buying stations / centres. New buying centres will be set up in regions of the country where the network is weak.	2	Medium term	Producers / LBAs	Significantly improved network set up by mid-2015	LPMC/LACRA, MoA	MoCI, CDA, CSTWG	H

Strategic objective 3: Comprehensively augment skills and the influx of best practices and enable product diversification in the sector.

Operational objectives	Activities	Priority 1=low 2=med 3=high	Entry point of intervention (immediate, medium term, long term)	Primary beneficiaries	Target measures	Leading implementing partners	Supporting implementing partners	Estimated costs (High, Medium, Low)
3.1 Improve the quality and efficiency of LBAs through an overhaul of their recruitment and training mechanisms.	3.1.1 Perform a comprehensive review of the salary and benefits package offered to LBAs in a bid to incentivize and attract talent. Support LPMC to set standards for selection and operationalization of LBAs.	3	Immediate	LBAs	Review conducted by mid-2014	MoA, LPMC/ LACRA	MoCI, CSTWG	L
	3.1.2 Develop an outreach programme to attract fresh graduates to become LBAs.	3	Immediate	LBAs	Outreach / recruitment programme begins in mid-2014	MoA, LPMC/ LACRA	MoCI	L
	3.1.3 Launch a recruitment campaign to attract new graduates from Liberian universities.	3	Immediate	LBAs	Outreach / recruitment programme begins in mid-2014	MoA, LPMC/ LACRA	MoCI, universities and training institutes	L
	3.1.4 Overhaul curriculum and training for LBAs provided by MoA-extension services, and LPMC/LACRA staff.	3	Immediate	LBAs	Curriculum development / overhaul completed by the end of 2014 Training loop initiated by early 2015	MoA-extension services, LPMC/ LACRA	MoCI, universities and training institutes, CARI	L
	3.1.5 Implement strict initial and interim testing as well as certification for LBAs to ensure compliance and quality of services.	3	Immediate	LBAs	Regular testing loop integrated in operational practices of LPMC/LACRA	MoA, LPMC/ LACRA	MoCI	L
3.2 Support cooperatives and FFS in the cocoa sector to impart relevant training components to their constituents.	3.2.1 Training will be conducted focusing on the following components: » Improved sorting at the farm-gate level; » Improved negotiation skills based on ability to gauge cocoa bean grade levels, interpret international cocoa prices and recommended LPMC price list; » Conservation, as well as hygienic handling methods during the harvest and post-harvest seasons; » Pest management (including organic pest management) during pre- and post-harvest processes to avoid any inadvertent losses; » Hold trainings related to GMP (strategic goal setting, and general operational management, financial management, record keeping, good labour practices); » Training producers on sustainable land use principles / techniques and incorporate curriculum within FFS interventions across the board; » Providing technical assistance with certification (organic, UTZ, Rainforest Alliance, fair trade).	3	Immediate	Producers / LBAs	Progress gauged based on initial / multidimensional targets set prior to commencement of programme. Bi-annual surveys administered to participants and recipients of programme support	CDA, MoA-extension services,	FFS, cooperatives, LPMC/LACRA, MoCI, BIVAC/SGS, CSTWG, international and national civil society actors active in the field	M
	3.2.2 Increase adoption rates of scales at the farm-gate level by: » Leveraging cooperatives to pool resources and house scales at co-op premises; » Educate cooperatives and community-based organizations on the proper use of scales so as to increase adoption rates. The role of cooperatives will be especially important in this regard; » Train LBAs on mandatory usage of scales and incorporate into their workflow.	3	Immediate	Producers / LBAs	Programme initiated in mid-2014 Increase in scale usage by 30% at the end of 2014	LPMC/LACRA, CDA	MoA, FFS, cooperatives, MoCI	M

Strategic objective 3: Comprehensively augment skills and the influx of best practices and enable product diversification in the sector.

Operational objectives	Activities	Priority 1=low 2=med 3=high	Entry point of intervention (immediate, medium term, long term)	Primary beneficiaries	Target measures	Leading implementing partners	Supporting implementing partners	Estimated costs (High, Medium, Low)
3.2 Support cooperatives and FFS in the cocoa sector to impart relevant training components to their constituents.	3.2.3 Incubate logistics / transport businesses owned and operated by young individuals that provide crucial feeder networks connecting the most geographically remote farms to the nearest nodes: » Identify promising candidates/groups; » Develop programme and training curricula in collaboration with the Ministry of Transport and other actors; » Pilot training initiative for first batch of candidates.	2	Medium term	Producers / LBAs, logistics / transport businesses	Pilot initiative launched by the end of 2014	MoCI, MoA, Ministry of Transport	LPMC/LACRA	M
	3.2.4 Develop a specific competencies development programme for women involved in cross-border trade, focusing on: » Raising awareness of their rights and recourse mechanisms in case of grievances; » Negotiating fair prices; » Improved sorting and grading practices.	2	Medium term	Women traders	Pilot initiative for first batch of trainees launched by the end of 2014	MoCI, Ministry of Gender Development,	MoA, CSTWG	L
3.3 Use a variety of media to disseminate information on best practices.	3.3.1 Develop radio broadcast programmes to disseminate and educate cocoa producers in best practices / extension services and advice involved in cocoa cultivation and effective management of specific varieties.	2	Medium term	Producers	Radio broadcast programming begins in early 2015	Radio stations / MoA-extension services	CSTWG, CDA	L
	3.3.2 Develop an information campaign to disseminate information on recommended cocoa prices and other information on sector specific rules / regulations via radio, newspapers and public service text messages.	3	Immediate	Producers / LBAs	A well-defined, scheduled campaign by mid-2014	MoA-extension services / various information providers (newspapers, radios)	CSTWG, CDA, MoCI	L
3.4 Increase the level of organization in the sector.	3.4.1 Develop a pilot initiative (developed in collaboration with CDA) for a quarterly networking event that brings together cocoa cooperatives and other community-based organizations and FBOs that are interested in forming cooperatives. The main goal of this initiative would be to facilitate cross-pollination of ideas and networking among cooperatives.	3	Medium term	Cooperatives and other FBOs	Event held quarterly, commencing in mid-2014	CDA	MoA, MoCI, CSTWG	M
	3.4.2 Support existing women's groups (such as Women in Cross-Border Trade) in their existing networking and awareness-raising efforts by organizing a regular networking event in hubs close to the main border crossings with Sierra Leone, Guinea, and Côte d'Ivoire.	2	Immediate	Women traders	Quarterly events organized in three hubs	MoA, Women in Cross-Border Trade group	MoCI, CDA	L
3.5 Enable product diversification in the sector, especially in certified cocoa.	3.5.1 Undertake a study to identify possible product diversification options for Liberian cocoa in a phased context over the mid to long term, and assess the associated necessary infrastructural needs.	3	Long term	Current / aspiring exporters	Study undertaken and released by mid-2015	CARI, MoA	CSTWG, MoCI	L
	3.5.2 Organize and hold a conference involving international buyers, international grinding firms with a presence in Liberia and local stakeholders to identify the scope for product diversification. Facilitate deal-making for processed cocoa produced in Liberia.	3	Long term	Entire value chain	Conference held as a pilot event in early 2015	ITC, MoCI, MoA	International firms / buyers	M

Strategic objective 3: Comprehensively augment skills and the influx of best practices and enable product diversification in the sector.								
Operational objectives	Activities	Priority 1=low 2=med 3=high	Entry point of intervention (immediate, medium term, long term)	Primary beneficiaries	Target measures	Leading implementing partners	Supporting implementing partners	Estimated costs (High, Medium, Low)
3.5 Enable product diversification in the sector, especially in certified cocoa.	3.5.3 Provision of technical assistance program for cocoa enterprises related to certification: » Create an audit report of the various voluntary standards / certification options available. » Partner with appropriate international certification body. » Co-design a comprehensive technical assistance package to accompany the sector through the certification process.	3	Long term	Entire value chain	Audit report completed by the end of 2014 Partnership and technical assistance package starts in 2015	BIVAC, SGS and other private sector service providers	MoA, MoCI, CSTWG, LPMC/LACRA	M
	3.5.4 Develop capacity of local quality management institutions such as the NSL to undertake certification work.	3	Long term	NSL and other quality management institutions	NSL accredited to certify cocoa-based institutions	MoA, ISO	CSTWG, MoCI, international certification firms	M

Strategic objective 4: Facilitate increased access to, and strengthen the ability of enterprises to utilize, trade information.								
Operational objectives	Activities	Priority 1=low 2=med 3=high	Entry point of intervention (immediate, medium term, long term)	Primary beneficiaries	Target measures	Leading implementing partners	Supporting implementing partners	Estimated costs (High, Medium, Low)
4.1 Ensure that adequate support for exporters exists, relative to key international markets.	4.1.1 Set up a comprehensive in-market support programme for the sector at Liberian overseas missions in the United States, Europe, Asia and Africa.	3	Medium term	Current / aspiring exporters	Programme defined and operational by mid-2015	MoFA, MoA	MoCI, LBBF, CSTWG	M
	4.1.2 Leverage existing trade and investment office in Philadelphia to host international business to business meetings with international clients to encourage potential international business.	3	Immediate	Current / aspiring exporters	First round of business to business meetings hosted by investment office by the end of 2015	MoFA, MoA, Liberia trade and investment office in Philadelphia	CSTWG, MoCI, LCC, LBBF	M
	4.1.3 Develop a feedback mechanism for continuously monitoring demand and preferences in target markets through Liberian foreign service officers trained to follow demand patterns in target markets and feed back to the relevant MoA and MoCI contacts.	3	Medium term	Current / aspiring exporters	Feedback mechanism in place by mid-2015 Specific training components integrated in foreign service officers' training curricula	MoFA, MoA	CSTWG, MoCI	M
	4.1.4 For key markets, conduct detailed market research to structure market segment identification (current, growing, and emerging) and disseminate to potential and interested exporters in the sector.	3	Medium term	Current / aspiring exporters	Market research commissioned and concluded by the end of 2014	LCC, LBBF, MoA	MoCI	L
	4.1.5 Develop a comprehensive information dissemination campaign aimed at regularly updating potential and current exporters on the following: » Market-specific consumer trends; » In-country marketing opportunities such as trade fairs, exhibitions etc.; » Import / export requirements at customs / port authority etc.	3	Medium term	Current / aspiring exporters	Campaign active by early 2015	MoA, MoFA	MoCI, CSTWG	L

Strategic objective 4: Facilitate increased access to, and strengthen the ability of enterprises to utilize, trade information.

Operational objectives	Activities	Priority 1=low 2=med 3=high	Entry point of intervention (immediate, medium term, long term)	Primary beneficiaries	Target measures	Leading implementing partners	Supporting implementing partners	Estimated costs (High, Medium, Low)
4.1 Ensure that adequate support for exporters exists, relative to key international markets.	4.1.6 Organize a business development event for delegations of buyers from key target markets to interface and meet cocoa exporters from the smallholder sector in Liberia, deal-making being the key aim of the event.	2	Medium term	Current / aspiring exporters	Pilot event held at the end of 2014	MoCI, MoA, MoFA, LCC	LBBF, CSTWG, LPMC/ LACRA	M
4.2 Encourage involvement of diaspora networks towards investment and sector regeneration efforts.	4.2.1 Conduct an opportunity study against benchmarks from successful diaspora investment programmes in other countries (Israel, India and China).	2	Medium term	Current / aspiring exporters	Study launched and conducted by the end of 2014	NIC	MoA, MoCI,	L
	4.2.2 Develop a business case (in collaboration with the LBBF and prominent diaspora groups) to explore the feasibility of floating a government investment bond aimed at overseas Liberians to finance specific projects in the cocoa sector.	2	Long term	Diaspora groups	Business case developed by the end of 2014 and presented to the legislature for approval	LCC, LBBF, CBL	Diaspora groups, CSTWG, leading banks	M
	4.2.3 Develop and launch an incentive programme aimed at connecting cocoa-based businesses led by the Indian diaspora to opportunities in the Indian market.	2	Medium term	Indian diaspora businesses	Scope for developing such a programme examined by mid-2014. If the decision is to go ahead, incentive programme will be developed and implemented by early 2015	NIC, MoA	MoCI, MoFA, CSTWG, diaspora groups	M
4.3 Develop a strong Liberian cocoa brand – especially leveraging the future potential for exporting certified cocoa.	4.3.1 Support branding and promotion efforts of Liberian cocoa through a consultancy effort to design and implement a branding campaign for Liberian cocoa. Formulate a systematic 'sourced in Liberia' campaign / brand to leverage co-branding opportunities for products (targeted to end-consumers) in premium markets.	2	Medium term	Current / aspiring exporters	Brand campaign launched in 2016	MoFA, MoA	MoCI, CSTWG	M
	4.3.2 Establish a 'sourced in Liberia' certification / traceability programme for certified Liberian cocoa: » Conclude agreement on traceability criteria and reporting mechanism; » Conclude agreement on conditions of use of the 'Sourced responsibly in Liberia' label; » Commission a creative agency to develop collateral around the label, including logo, tagline, communication material, style manual; » Roll out campaign in key markets.	3	Long term	Entire value chain	Brand campaign launched in 2016	MoFA, MoA	MoCI, CSTWG	L
	4.3.3 Commission co-branding opportunity study for alternative Business to Consumer uses for Liberian certified (sustainably sourced) cocoa.	3	Long term	Current / aspiring exporters	Brand campaign launched in 2016	MoA	ICCO, World Cocoa Federation	L

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(Footnotes)

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