



Forum Nachhaltiger Kakao
German Initiative on Sustainable Cocoa

Executive Summary:

Monitoring Report German Initiative on Sustainable Cocoa Reporting Year 2022

The German Initiative on Sustainable Cocoa (GISCO) is a joint initiative of the Federal Government (represented by the German Ministry for Economic Cooperation and Development (BMZ) and the German Ministry of Food and Agriculture (BMEL)), the German confectionery industry, the German retail grocery trade and civil society. Jointly, the multi-stakeholder initiative aims to improve the livelihood of cocoa farmers and their families, to conserve and protect natural resources and biodiversity in cocoa-producing countries, and to increase the cultivation and commercialisation of sustainably produced cocoa.

Its 12 goals, flanked by a **comprehensive definition of sustainable cocoa**, reflect the Initiative's commitment to addressing the critical challenges in the cocoa sector. So as to enable measurement of progress towards the achievement of these goals, a set of supply chain and project/programme indicators linked to the specific objectives has been developed, which are monitored annually through a monitoring process.

Strengthening transparency and data integrity: Addressing obstacles and advancements in supply chain and project/programme reporting

Reporting is mandatory¹ for all members and therefore a 100% participation rate was achieved for the supply chain questionnaire.² Compared to the previous year, a 45% increase in the volumes of cocoa-containing consumer products supplied to the German market was reported in 2022. Despite the enhanced participation, the quality of data submissions varied, and this could be attributed to the intricacy of the reporting framework and changes to the data collection method. While an extensive cleaning process has improved data completeness, some challenges remain. The data indicates mixed progress in transparency and traceability indicators over the past year, with declines attributed mostly to methodological shifts rather than sector regression.

For 2022, a total of 64 project and programme questionnaires were submitted, an increase of 13 compared to the previous year. Most projects were submitted by member group D Civil Society and standard setting organisations (28 submissions) and member group A Government (18 submissions), followed by member group B Industry (15 submissions) and member group C Retail (3 submissions). While most project/programme questionnaires were submitted by member group A and D, industry and retail members were often identified as implementing partners of these projects. Industry members were identified as an implementing or financing partner in 7 projects, Retail members were identified as a financing or implementing partner in 4 projects. Despite the rise in submissions, data availability varied across topics and countries. Ghana and Côte d'Ivoire saw an increase in the number of households reached by the projects and programmes, but involvement of female cocoa growers remains low.

¹ From this year onwards, selected questions are only asked every two years, as annual changes are expected to be very limited. This means that any members who do not have a cocoa supply chain and do not submit a project questionnaire, now only participate every two years in the monitoring process.

² Industry, retail and standard setting organisations are required to submit a supply chain questionnaire.

Cocoa certification goals and challenges: Tracking progress and shaping future strategies

The goal of achieving a minimum 85% share of certified or independently verified cocoa in cocoa-containing end products sold by producing members in Germany by 2025 has encountered challenges, as the reported figure for 2022 stands at 79%, marking a decline from the previous year's³ 89%. This drop can be attributed to various factors, including changes in the data collection methods, market evolution leading to reduced demand for certified products, and adjustments made in preparation for impending regulations. The analysis reveals continued divergence between retail and industry members in their reported levels of certification. Notably, the drop in certification percentages stands in contrast to the commitments made by GISCO members, raising questions about the translation of these (individual) commitments into collective progress.

Navigating complexities: Pursuing living income goals in the cocoa sector

GISCO Goal 1, focusing on enhanced farm gate prices, premium systems and income-generating measures for cocoa-farming households, highlights the fundamental importance of improving living income for GISCO. This is complemented by Goal 2, which aims to elevate productivity and cocoa quality as levers for higher cocoa-related income. Progress against target indicators remains modest. Contextual factors such as a drop in farm gate prices coupled with inflation exacerbate challenges. It is clear from the data that current prices paid to farmers are too low. However, increasing the price paid to the farmer should be included in a smart mix of living income strategies to close the living income gap in a sustainable manner.

Challenges also arise in measuring progress towards these objectives due to limited transparency, availability and comparability of household income data, as well as variations in strategies and methodologies. Household income data on project and programme level reiterates the challenge at hand for measuring progress towards closing the living income gap. For the 6 projects that reported household income data, the living income gap ranges from 56% to 9%.

The sector's journey towards this goal remains a multi-dimensional challenge, warranting increased cooperation and a harmonised approach for a comprehensive understanding of impact and strategy effectiveness.

Traceability, regulations and challenges for deforestation-free supply chains

The aspiration of Goal 5 to cease deforestation while championing forest preservation and biodiversity brings to light the pivotal role of traceability within the cocoa sector. Traceability means that the journey of cocoa beans is documented, fostering transparency and accountability throughout the value chain. The new EU Regulation on deforestation-free products compels companies engaged in the import of specific commodities to demonstrate the deforestation-free nature of their products. Our data underscores the imperative for improved traceability, revealing that a significant percentage of cocoa in the German market still lacks clear origin information. 38% of the volume of cocoa sold on the German market is traceable to farm level, whereas only 8% of the cocoa sold on the German market is reported to be deforestation-free. At 54%, the absolute volume of cocoa supplied to the German market that is traceable to farm level, however, has increased significantly (77,973MT-BE in 2021 and 119,844 MT-BE for 2022).

The last section of the report outlines other monitoring topics that were not selected as a focus topic for this year's monitoring round.

³ As part of a review process, data collection methods are revised and adjusted annually.