

REPORT

DISCO General Strategic meeting May 23rd, 2023 – Utrecht

Summary of the meeting

Welcome and opening notes.



Arjen Boekhold, the independent chair of the DISCO Steering Committee opened the meeting. After shortly presenting the agenda, Arjen reflected on the DISCO partnership, mentioning that DISCO is a multi-stakeholder partnership with high ambitions as well as a large scope. In the past 3 years, the partnership can look back on different key moments and outcomes: different working groups developed the DISCO Roadmaps on [Living Income](#), [Child Labour](#), and [Deforestation and forest degradation](#), which include guidelines on measurement, strategy implementation of monitoring progress. Moreover, during the [General Assembly](#) in 2022, the renewed strategic direction was discussed, with DISCO being

a market-based initiative, and therefore focusing on procurement practices, accountability within the partnership and international collaboration. Lastly, Arjen highlighted that in 2022, the partnership published the first [DISCO Annual Report](#) where partners reported on the progress towards the DISCO commitments. Arjen, however, emphasized that this showed that there was little progress reported on Living Income measurement and Living Income strategy implementation.

Arjen ended his opening remarks with the objectives for the General Strategic Meeting: brief the partnership on the current state of affairs and developments within DISCO and the sector, related to cocoa procurement practices.

Setting the scene

Arjen gave the word to Frank Joosten, Cocoa Director at IDH to provide an introduction on the business case for smallholder cocoa farmers. Frank started with the fact that to transition cocoa farmers to more profitable cocoa farming, service delivery to farmers alone does not deliver sufficient impact. Indeed, in the past years, the living income gap of cocoa farmers has not reduced significantly. Similarly, the overall production resilience and yields have not improved, and the business case for cocoa farmers to adopt recommended practices is weak in terms of profits and risks.

Turning to procurement practices, Frank provided context on what these practices entail, mentioning that procurement practices refer to the principles and frameworks based on which a business undertakes its sourcing decisions. This includes supply chain management decisions, management of risks as well as value distribution. Frank reflected on existing procurement practices, which currently are not favoring the transition by farmers to more profitable and resilient cocoa farming systems. On

the positive side, increasing volumes are becoming traceable and different promising public – private partnerships are addressing the issue. However, contractual arrangements are usually transactional, short term, with unequal division of risks. Moreover, the farmgate prices and premiums remain low, and are in some instances not paid out completely, or delayed.

Frank then sketched the desired goal, where one would move towards procurement practices which create more favorable and stable market conditions for cocoa farmers, by focusing on the following outcomes: (1) sustainable cocoa farming is profitable (2) reliable and prompt payment to farmers for the beans supplied, and finally (3) farmers have assurances for the years to come.

Lastly, Frank touched upon one of the public-private partnerships which is working towards achieving a living income for cocoa farmers in the two-leading cocoa-producing countries: the Côte d'Ivoire - Ghana Cocoa Initiative (CIGCI). The pact will develop proposals for short, medium, and long-term actions to strengthen current efforts to attain living incomes for cocoa farmers. Frank stressed the importance of taking up the CIGCI recommendations within the DISCO partnership, when published.



Debrief by the Ministry of Foreign Affairs on dialogue with senior representatives from DISCO signatories with Alex Assanvo (CIGCI) and Steven Collet (BuZa).



Arjen then gave the word to Steven Collet, representative of the Ministry of Foreign Affairs. Steven shared that on the 4th of May, senior representatives from trading & processing organizations and brands, as well as chocolate makers, who signed the DISCO declaration, met with Alex Assanvo, representative of the Côte d'Ivoire Ghana Cocoa Initiative. The meeting was organized and chaired by IDH to discuss procurement related issues in the context of the DISCO target to close the living income gap of cocoa farmers.

The meeting provided insights into the main opportunities and challenges for achieving progress on the DISCO goals at company level, but also what next steps could be to accelerate the progress of the Dutch cocoa sector towards closing the farmers' living income gap, including expectations and roles of different partners. In particular the role of brands was mentioned to drive change in the sector by vertical integration.

During the meeting on May 4th Steven concluded that the CIGCI process towards an Economic Pact on Sustainable Cocoa is supported by the different DISCO stakeholders present. The Pact will most likely result in proposals and actions that will structurally raise the farmgate price in Ghana and Côte d'Ivoire and strengthen current efforts to attain living incomes for cocoa farmers. DISCO should await the official announcements on the Pact by CIGCI later in 2023.

Steven also elaborated on purchasing practices within DISCO: companies are more and more engaged in changing business as usual and aim to align their sustainability programs and procurement related practices. It was stressed that the time of piloting is over, instead the sector should focus on scaling successful interventions and strategies that have substantial effect on farmers' incomes. It was

acknowledged that there are also challenges: for example, in ensuring long-term relationships with farmers that are temporary members of these cooperatives; but also taking into account that a large group will not reach a living income by interventions around cocoa alone.

Examples and best practices of company initiatives and procurement strategies

After setting the scene and giving participants an overview of the developments within the DISCO partnership, Arjen then introduced the different examples of initiatives and program focusing on procurement practices to transition farmers towards more profitable cocoa farming. The different initiatives were then presented by different representatives.

1. Income Accelerator Program – presented by Milan Slikker (Nestlé)



Milan introduced the Income Accelerator Program, launched in 2022, and explained that this followed the Nestlé Cocoa Plan which was launched in 2009. The program aims to tackle child labour risks and increase cocoa farming family income. As such, it rewards families for activities that increase income, benefit the environment and delivers social impact to the communities. Compared to the previous program, the Income Accelerator Program takes a household approach, and delivers the cash incentives directly to the cocoa farming families through digital payments.'

2. Cocoa procurement strategy for retailers – presented by Laura Jungmann (Albert Heijn) & Cindy Verhoeven (SuperUnie)

Arjen then introduced Laura and Cindy, to share insights into the cocoa procurement strategy which is being co-developed for retail. Laura sketched the retailers' context, mentioning that retailers usually do not have 'boots on the ground', have a large supply base, and are not the parties sourcing the cocoa directly, instead buying the end products for their shelves. To support retailers, contribute to reaching the DISCO goals, IDH is currently facilitating the development of a Basket of Standards/Programs. The basket, alongside a practical approach helping retailers to purchase cocoa in line with the DISCO ambitions should enable retailers to 'speak' with one voice to drive improvements in origins.



3. Sourcing and procurement practices in direct and indirect supply chains – presented by Marijn Moesbergen (Cargill Cocoa and Chocolate)

Arjen then asked Marijn to share this knowledge and insights on Cargill's sourcing and procurement practices. Marijn started by explaining that Cargill has identified 6 categories of best practices: supplier partnership, supply chain, farmer organization strengthening,

community improvement, payment terms & pricing as well as transparency. For each category, the practices were designed to benefit farmers and ensure security of supply, i.e., under supplier partnership, Cargill is implementing long term relationships and/or contracts to build understanding and trust across the supply chain. Marijn however highlighted that these best practices are easier to implement for their 'direct sourcing' part of their supply chain, as Cargill has somewhat less influence through their indirect supply chain.

In the latter case, greater partnership with governments and industry is needed to make changes.



4. Scaling up Open Chain Model for Delicata range – presented by Laura Jungmann (Albert Heijn)



Lastly, Arjen asked Laura to present the Open Chain Model on behalf of Tony's Choclonely (who sadly could not join). Laura, representing Albert Heijn presented the model as Tony's Choclonely mission ally. The Open Chain model is based on 5 sourcing principles to tackle the industry's main problems: poverty, illegal labour and deforestation. The principles focus on traceable beans, higher prices, strong farmers, long term, and productivity and quality improvements. By using these principles for cocoa sourcing, farmers are for example enabled to earn a living income through a Living Income Reference Price for their cocoa, 100% CLMRS coverage to

eliminate child labour and long-term contracts allow for improved cooperative decision making and increased incomes.

Closure of the meeting

After asking questions from the different participants, Arjen thanked the different presenters for their insights, and echoed the words from Steven Collet that the time of piloting is over. Instead, the sector should focus on scaling successful interventions and strategies that have substantial effect on farmers' incomes. The presentations of the day show that there is no one solution but highlight the importance of procurement practices to reach the DISCO ambitions.

Participants

Participant	Organization
Arjen Boekhold	DISCO - Independent Chair
Louis Cabouat	Agriterra
Laura Jungmann	Albert Heijn
Anke Massart	Barry Callebaut
Marijn Moesbergen	Cargill
Richard Kooge	CARE Nederland
Albéric Pottier	CSOs coordinator for ISCOs
Anouk Mulder	ETG Beyond Beans
Caroline Lubbers	Equipoise
Channa Brunt	Fairfood
Susanne Boetekees	Fairtrade Nederland
Derek Hardwick	Fairfood International
Alien Huizing	Fairtrade Nederland
Andre Lucchesi	FrieslandCampina
Frank Joosten	IDH
Mark de Waard	IDH
Marlene Hoekstra	IDH
Cedric Steijn	KIT
Steven Collet	Ministry of Foreign Affairs
Daan van der Meer	Ministry of Foreign Affairs
Isabelle van Tol	Ministry of Foreign Affairs
Milan Slikker	Nestlé
Jesse Arnon	Oxfam Novib
Susanne Folkerts	ofi
Jair de Paauw	Port of Amsterdam
Marloes Philippo	RVO
Wendy Schutte	Rainforest Alliance
Annalisa Iovieno	Rainforest Alliance
Sophie Tüllmann	Swiss Platform for Sustainable Cocoa
Boukje Theeuwes	Solidaridad
Suzan-Hermína Yemidi	Solidaridad Nederlands
Jinke van Dam	Tropenbos International
Pauline Neefjes	UNICEF NL
Sophia Bout	VBZ

General Strategic Meeting

23 May 2023



DISCO
DUTCH INITIATIVE ON
SUSTAINABLE COCOA



DISCO
DUTCH INITIATIVE ON
SUSTAINABLE COCOA

Welcome and opening notes

General Strategic Meeting

Agenda

General Assembly DISCO

12.30 Welcome and opening notes

12.45 Setting the scene by different DISCO signatories

- Introduction on the business case for smallholder cocoa farmers
- Debrief by the Ministry of Foreign Affairs on dialogue with senior representatives from DISCO companies with Alex Assanvo (CIGCI) and Steven Collet (BuZa)
- Examples and best practices of company initiatives and procurement strategies

14.30 End of the meeting, incl. possibility to stay for coffee, tea and snacks



Dutch Initiative on Sustainable Cocoa

Multi-stakeholder partnership with high ambitions and a large scope

The Dutch Initiative on Sustainable Cocoa shares the vision that in the cocoa-production regions important to the Dutch cocoa industry the following will be achieved:



Farming families with cocoa as their main livelihood activity will be enabled to earn a **living income** by 2030



Cocoa-related **deforestation and forest degradation** in producing regions where the Dutch cocoa industry and their trade partners are sourcing from will have ended in their supply chains by 2025



Effective measures and necessary actions contributing to ending all forms of **child labour** by 2025 are taken



Secretariat by: idh



Initiatives within DISCO and progress so far



ROADMAPS FOR IMPLEMENTATION DEVELOPED

- Working groups developed frameworks for implementation, including guidelines on measurement, strategy implementation and monitoring progress



RENEWED STRATEGIC DIRECTION

- DISCO's role as market-based initiative defined in General Assembly 2022
- Increased focus on procurement practices, partners' accountability and international collaboration



FIRST MONITORING RESULTS ON 2020/2021 DATA

- Partners reported on the progress towards the DISCO commitments in 2022
- Almost no efforts taken on income gap measurement and living income strategy implementation



Objective for today

General Strategic Meeting

Brief the partnership on the current state of affairs and developments within DISCO and the sector, related to cocoa procurement practices.





DISCO
DUTCH INITIATIVE ON
SUSTAINABLE COCOA

Setting the scene

General Strategic Meeting



Introduction on the business case for smallholder cocoa farmers

Frank Joosten – IDH

**Strategic meeting on
cocoa procurement
practices**

Introduction

23 May 2023



idh
transforming markets



DISCO
DUTCH INITIATIVE ON
SUSTAINABLE COCOA





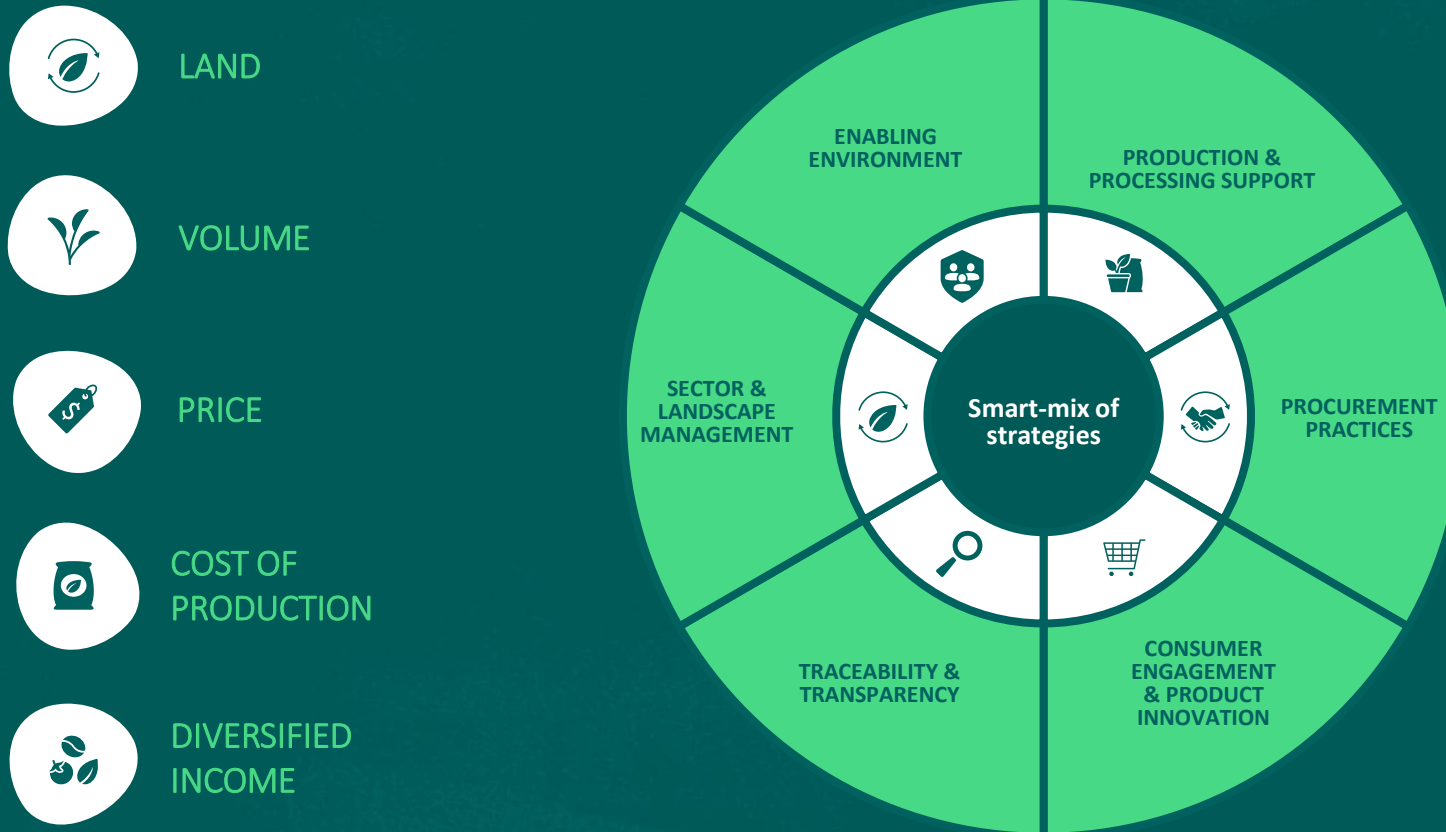
Service delivery to farmers alone does not deliver sufficient impact

Insights:

1. Two million farm families depending on cocoa as their main source of livelihood in Ghana & Côte d'Ivoire.
2. The living income gap of cocoa farmers has not reduced during the past years;
3. The business case for cocoa farmers to adopt most recommended practices is weak in terms of profits and (financial) risks
4. Overall production resilience and yields have not improved significantly



Intervention areas in the Living Income Roadmap



Stakeholders

- Cooperatives / Local buyers
- Trader / Processor
- Brands / chocolate manufacturers
- Retailers
- Governments
- Financial Institutions
- Technology providers
- Investors
- NGO/CSO



Procurement practices

The principles and frameworks based on which a business undertakes its sourcing decisions.

A dedicated procurement team manages the relationship with suppliers, their contracts, and uses other mechanisms to secure supplies.

Governed by a mix of considerations for quality, costs, and risks.



Procurement Framework

Supply Chain Management

The main aspects of managing supply - suppliers and supplier relationships, products and their specifications, and traceability & transparency between partners.

Value Distribution

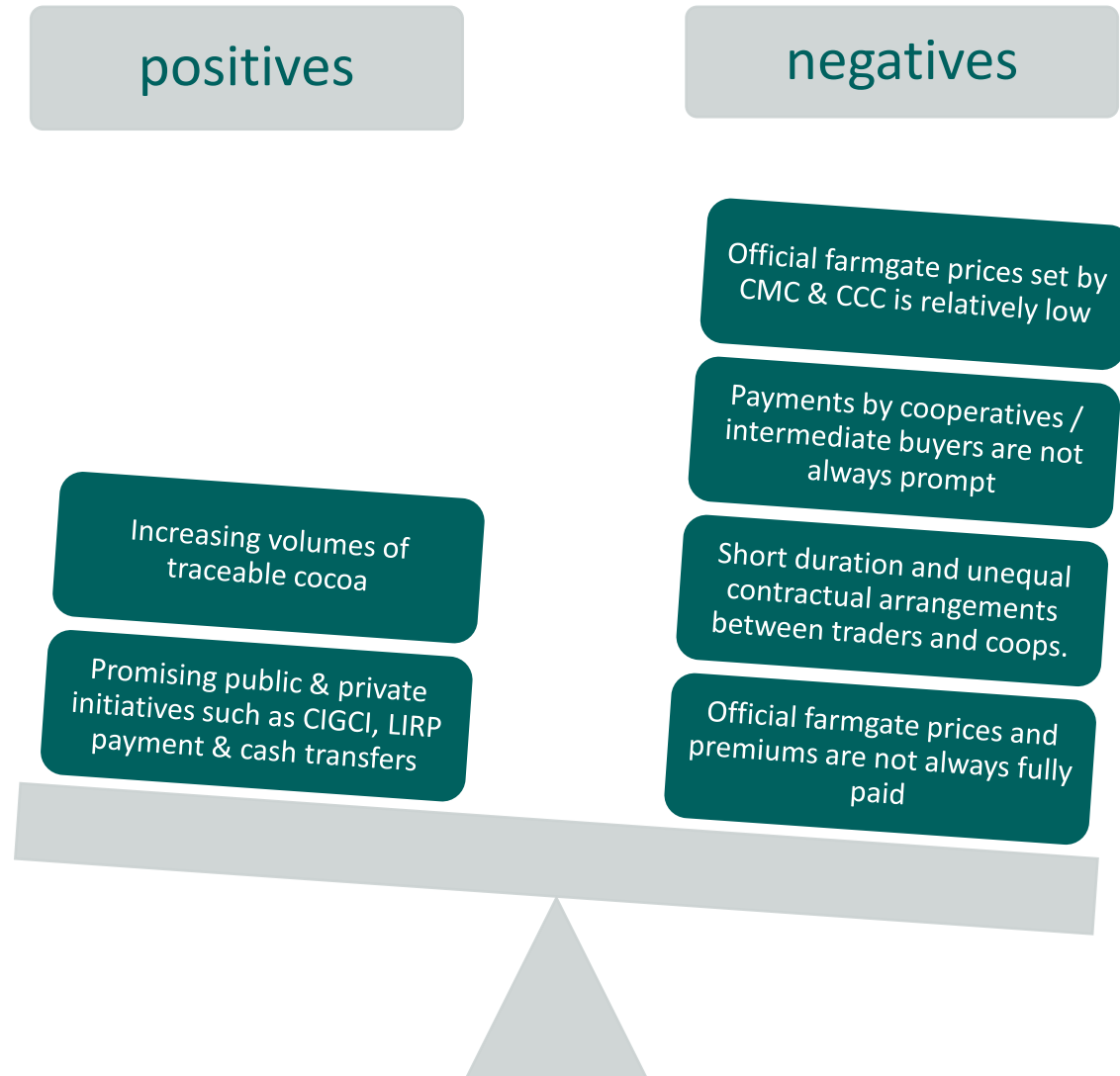
How value generated by farmers and farmer groups can be more appropriately compensated through price and other compensation, as well as how value captured by other supply chain actors can be transferred back to farmers through finance and investments upstream, including with producer groups.

Managing Risk

How risks typically absorbed by farmers, farming communities and producer groups can be mitigated or offset through contracts, payment arrangements and upstream investments.



How do cocoa procurement practices influence the livelihood development perspective of a cocoa farmer?



Overall, the existing procurement practices in the cocoa supply chain do not favour the transition by farmers to a more profitable and resilient cocoa farming system.



Market context in which cocoa farmers operate is:

- Not providing any stability
- Impossible to predict and to influence
- Institutionally and financially not very trustworthy





1. Sustainable cocoa farming = profitable



2. Reliable & prompt payment to farmers for the beans supplied



3. Farmers have assurances for the years to come

Could we change procurement practices so that they contribute to these three **outcomes** and thereby help create more favourable and stable market conditions for cocoa farmers?

Côte d'Ivoire & Ghana Cocoa Initiative (CIGCI)

- CIGCI Goal: to achieve a living income for cocoa farmers in the two-leading cocoa-producing countries
- Multinational cocoa and chocolate companies and the governments of Ghana and Côte d'Ivoire signed a joint statement of intent (Accra, July 2022) toward an Economic Pact on Sustainable Cocoa.
- The pact opens a path to develop proposals for short, medium, and long-term actions to strengthen current efforts to attain living incomes for cocoa farmers

The companies that signed the joint statement at the end of the meeting in July 2022 were:

Barry Callebaut, Blommer, Cargill, ECOM, Ferrero, GCB cocoa, Hershey, JB cocoa, Mars, Mondelez, Nestle, Olam, Puratos, Sucden, Tony's Chocolonely and Touton.



Debrief on dialogue with senior representatives from DISCO companies

Steven Collet – Dutch Ministry of Foreign Affairs



Driving impact through incentives to increase cocoa and diversified incomes to close the living income gap Income Accelerator Program

Examples and best practices of company initiatives and procurement strategies

Milan Slikker - Nestlé



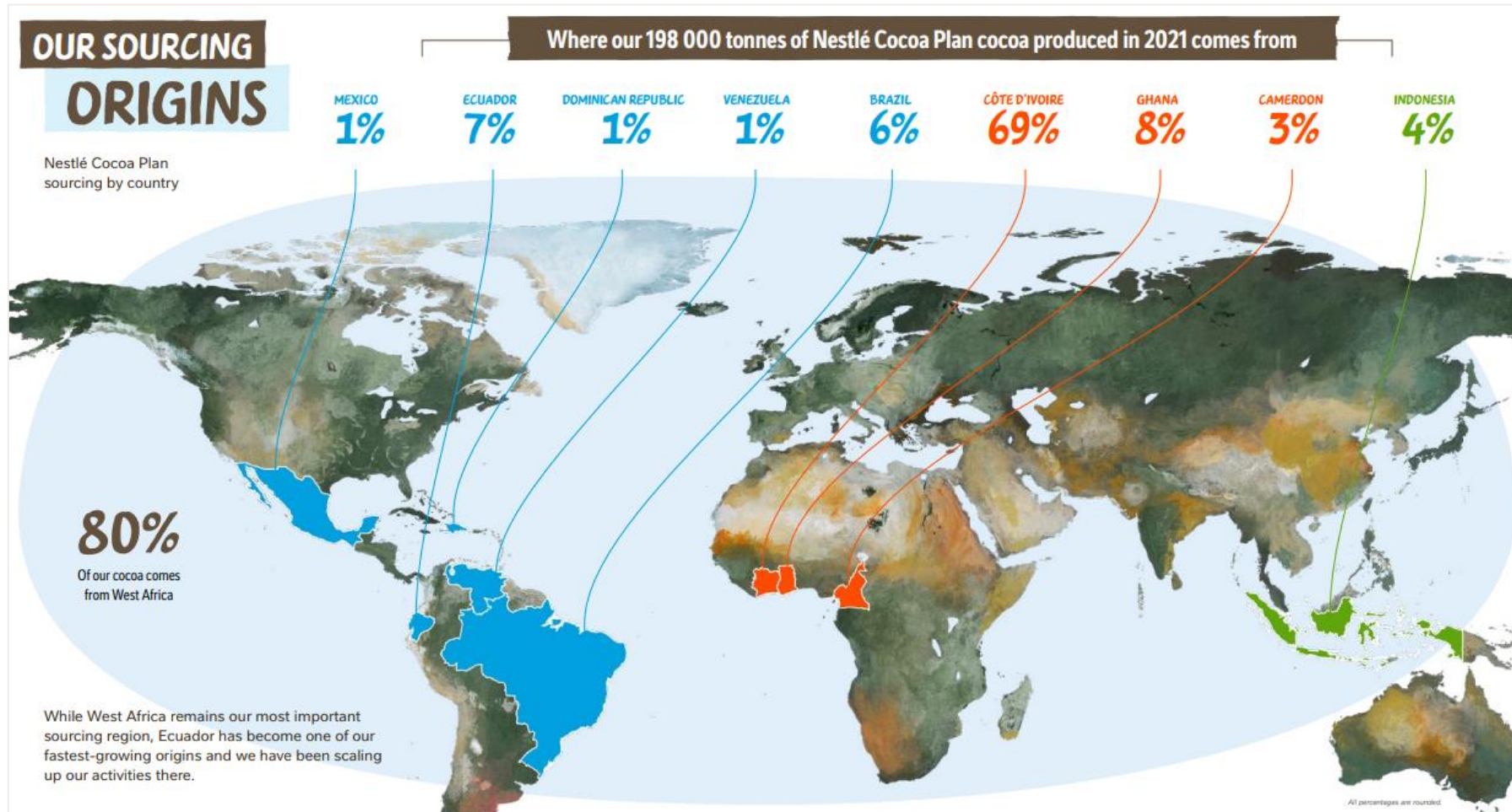
Good food, Good life



THE INCOME ACCELERATOR PROGRAM

Nestlé Cocoa Plan

West Africa as our main origin for NCP cocoa and building volumes in Latam (Ecuador, Brazil & Mexico)



2009
Launch of the Nestlé Cocoa Plan

68%
sourced via NCP in 2022

100%
In Z-EUR in 2022

The income accelerator program

Announced early 2022 an innovative approach aiming to increase cocoa-farming families income to tackle child labor risks



The income accelerator program

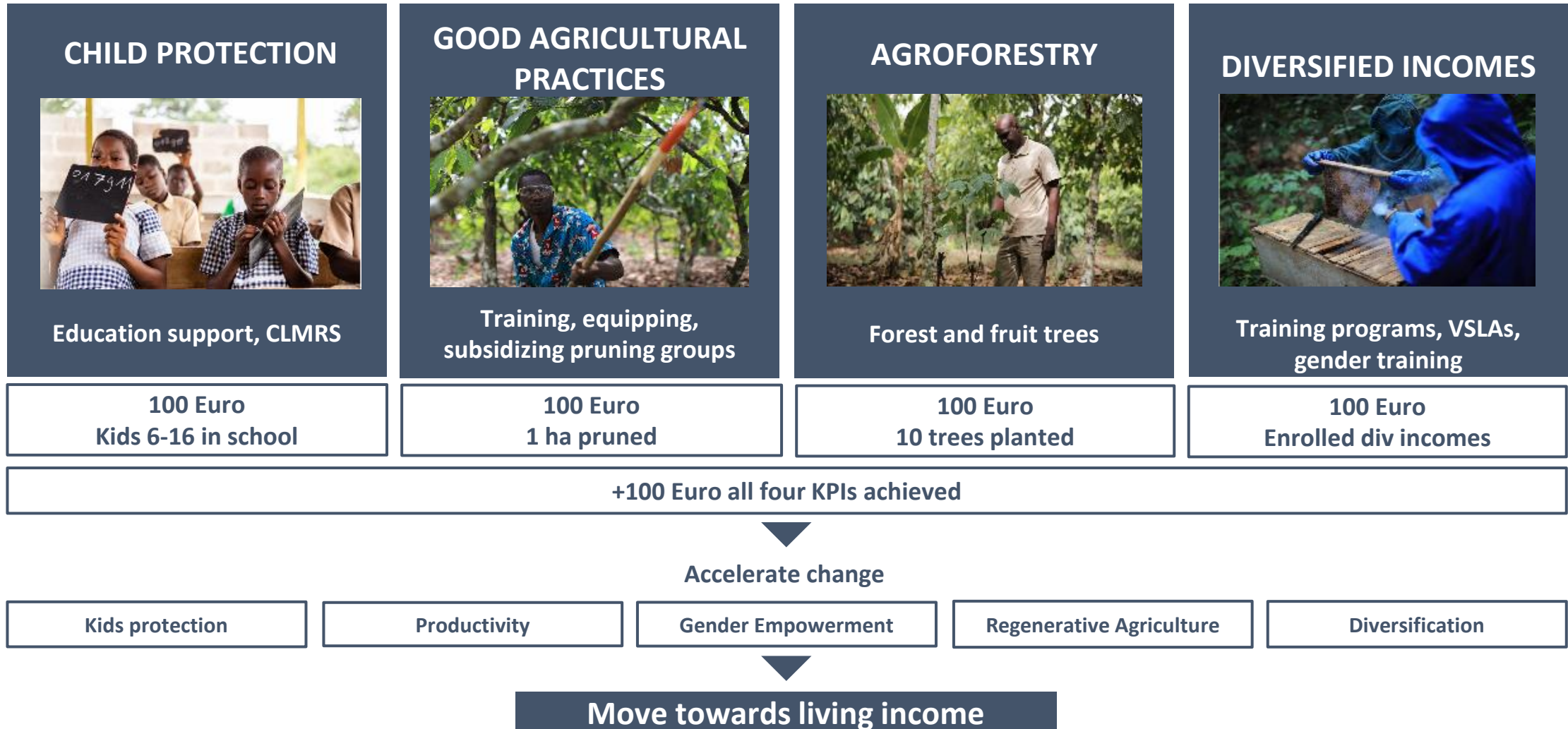
Key principles

1. It aims to **improve the livelihoods of cocoa-farming families to reduce child labor risks**
2. It **rewards cocoa-farming families for practices** that **increases income**, benefits the **environment**, and **delivers social impact** in local communities
3. It has the ambition to **impact at scale** moving from a test at scale to covering all cocoa origins where relevant
4. It moves from a **farmer centric approach to a families & household approach**
5. It delivers **incentives directly in the hands of cocoa-farming families** (households) through **mobile money**
6. It **empowers women as agent of change**
7. It **incentivize families to support that the kids stay in education**
8. It must include a **strong Monitoring & Evaluation and governance model**



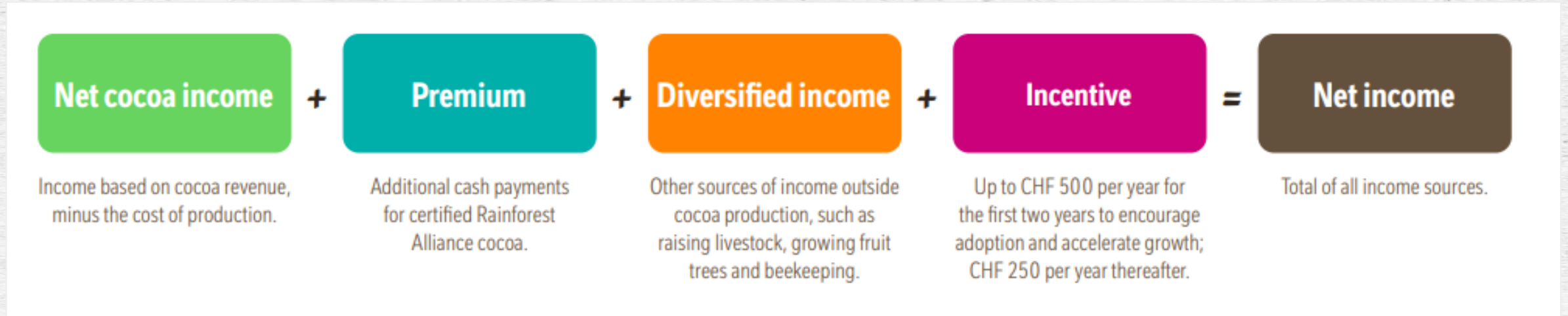
Income accelerator program: tackle the causes and accelerate change

INCENTIVIZE and SUPPORT: Conditional cash incentive for household (half for spouse) + training and services



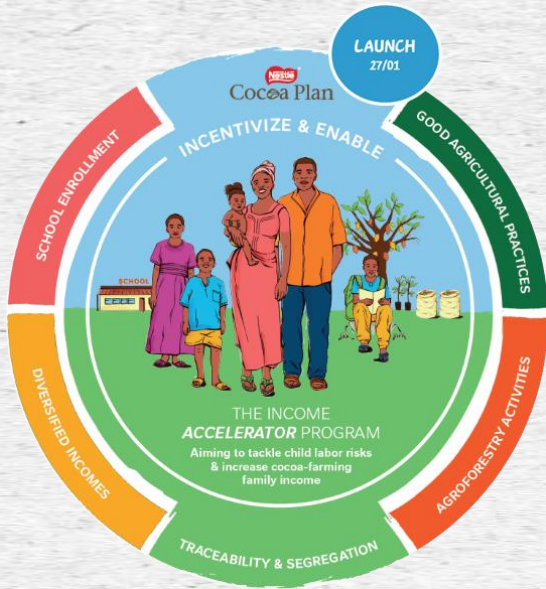
The income accelerator program

Driving impact through incentives to increase cocoa and diversified incomes to close the gap to living income



The income accelerator program

Planning to expand the program first in West Africa and then across all our origins, adapting the program to the local needs and reality



SEGREGATION & Traceability in 2027 of all our cocoa

2020	2022	2024	2030
1 000 families	10 000 families		160 000 families*
Côte d'Ivoire > Pilot	> Test at scale	> Scale up	
		Ghana > Extension	
		Global > Rollout	

* Estimation

+10'000
cocoa-farming families

18 cooperatives

6 suppliers

What differentiates the Income Accelerator program

- **Cash incentive paid directly to cocoa farming family**
 - Via mobile payment
 - Premium based on behavior change & activities
- **Increased productivity**
 - Good agricultural practices (mainly pruning)
 - Subsidizing pruning crews
 - Training
 - Equipping
- **Diversified incomes**
 - less dependence on cocoa income.
 - Focus on women empowerment as agent of change
- **Women empowerment**
 - 50% of the cash incentive paid to the spouse
 - Training & enabling the creation of small businesses (VSLAS)
- **Same impact for small farmers**
 - Relatively big impact for smaller farmers



Thank you



Developing a practical and scalable sustainable cocoa procurement strategy for retailers

Examples and best practices of company initiatives and procurement strategies

Laura Jungmann – Albert Heijn

Cindy Verhoeven – Superunie



Retail Context & Challenges

- No boots on the ground in origin countries.
- No direct sourcing of cocoa.
- Large supply base; small volumes of cocoa.
- Can't evaluate impact of standards and sustainability programs.
- Certification requirement long-standing (RFA / FT).



Proposal & Next Steps

- IDH facilitates development of 'Basket of Programmes and Standards'
- This is a practical approach that helps retailers purchase cocoa in line with DISCO ambitions.
- Speaking with one voice, and allowing market mechanisms to drive improvements in origin.





Sourcing and procurement practices in direct and indirect supply chains

Examples and best practices of company initiatives and procurement strategies

Marijn Moesbergen – Cargill Cocoa & Chocolate



Scaling up Open Chain model for Delicata chocolate range

Examples and best practices of company initiatives and procurement strategies

Laura Jungmann – Albert Heijn

Tony's Open Chain in a nutshell



To this day, cocoa industry supply chains remain some of the worst in the world.



Poverty

The majority of cocoa farmers are not able to earn a living income and live on less than \$0.78 per day.



illegal labour

More than 1,56 million children work illegally and 30,000 people are victims of illegal labour in Ghana and the Côte d'Ivoire.



Deforestation

Over 10,000 hectares of land are deforested each year for cocoa farming.

Tony's 5 sourcing principles are our solution to the industry's 3 main problems: poverty, illegal labour & deforestation



**Traceable
Beans**



Strong Farmers



A Higher Price



**The Long
Term**



**Productivity &
Quality**

Tony's Open Chain goes beyond certification

From a good start...

- Paying farmers an additional premium
- non-traceable cocoa
- Risk based approach on child labour (non-mandatory)
- Working with co-ops to efficiently reach more farmers
- No long-term buying commitments between co-ops & traders
- Good basis for productivity programs (pesticides and general training)

... to best-in-class impact in cocoa

- Enabling farmers a living income by paying the Living Income Reference Price
- 100% traceable cocoa, direct link with product & no dilution of impact
- 100% CLMRS coverage to eliminate child labour
- Building strong co-ops that execute programs on the ground and make data-driven decisions
- 5 year MoUs with co-ops, leading to longer term decision making and increased incomes
- Individual farmer development plans to increase productivity and thereby cocoa related income

Joining Tony's Open Chain means getting...



Best in class impact

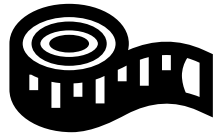
Living Income

LT commitments

Higher productivity & quality

Traceability

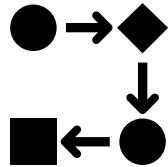
Strong co-ops



Measurable Results

Large pool of data due to close co-op relationships & traceability

Ability to analyse data into measurable results



Easy to implement

3 different solutions to meet different needs

Possibility to implement TOC within your current chain



Cocoa Expertise

Laser focused on cocoa

Community of Experts



Brand reputation

Tony's Chocolonely is a vocal impact brand

Mission Allies are associated with Tony's



Future-Proofed

Ahead of Corporate Sustainability Due Diligence and Deforestation Legislation

Interested to learn more?

We would love to set up a meeting to explain you everything about Tony's Open Chain and give you the opportunity to ask all your questions!



A woman in a green and pink striped tank top is working in a coffee drying facility. She is standing behind a large wooden tray filled with coffee beans. The facility has a wooden frame and white plastic sheeting covering the roof. The text "Reflections and discussion" is overlaid on the image in a bold, italicized font.

Reflections and discussion





THANK YOU FOR YOUR PARTICIPATION



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