

February 23, 2004

SECTION: FORTUNE EUROPE; FEATURES; Pg. 52

LENGTH: 2543 words

HEADLINE: The Chocolate War;

A rebellion in the Ivory Coast threatens the country's cash crop: cocoa beans.

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BODY:

The bearded old farmer sits in a corner of the cement lot, staring into the fading orange light of an African afternoon. Gesturing with his hands, Amadou Ouedraogo tries to conjure for a visitor an image of this place in happier times. It is autumn, and normally, he says, the lot would be filled with brown cocoa beans set out to dry in the sun. Today he has placed his measly harvest in one small patch. The problem is not blight, pestilence, bad weather, or any other natural curse but an all-too-common man-made one: war.

Ouedraogo's farm is in Za, a village in the fertile west-central region of the Ivory Coast, a West African nation long considered a bastion of peace and relative prosperity. But in September 2002, a civil war erupted that has left the country politically divided and economically devastated. Chocolate lovers everywhere ought to be paying close attention. The Ivory Coast provides 40% of the world's supply of cocoa, the key ingredient in chocolate, and war and ongoing political instability have badly disrupted the industry.

The cocoa harvest, normally about 1.3 million tons a year, was cut by more than a third in 2002. During the height of fighting in January 2003, the price of cocoa on world commodity exchanges more than doubled, surpassing \$ 2,700 a ton. While it has fallen back to about \$1,700 a ton now that a tentative peace prevails, it remains historically high. (Cocoa was trading for about \$1,000 a ton before the outbreak of war.) Chocolate companies have already passed some of the added cost on to consumers. Last year Nestle increased its chocolate prices by 10%, while Hershey and Mars raised the wholesale price of some of their most popular candy bars by a similar amount. Swiss chocolate maker Lindt, Kellogg's Keebler, and Kraft's Nabisco have also raised prices.

The war has also set back attempts by the world's large chocolate companies to curb the use of child labor and help improve the lives of the Ivory Coast's cocoa farmers by teaching them new farming techniques and business practices. Worse still for the Ivory Coast, where the incomes of six million people—about 35% of the population—are linked to cocoa farming, is that chocolate companies may begin rethinking their reliance on the country amid fears of continued political instability. "If things don't improve," says Ann Prendergast, an analyst with the commodities trading firm Refco in New York, "over the next five years one may see a gradual erosion of production from the Ivory Coast."

In recent weeks the rebels and the government have made progress toward peace. The next several months are critical. If the Ivory Coast can begin to mend its shredded political and social fabric, it may be able to undo the damage already done to its cocoa economy. But if unrest continues, the situation could become dire for both the country's cocoa farmers and the world's chocolate companies.

Cocoa comes from the brown beans found inside the oblong pods that sprout from the sides of cocoa trees. The trees, indigenous to the Amazon basin, were transplanted to the Ivory Coast by French colonists in the late 19th century. Cocoa trees are generally about 25 feet tall and grow best in the shade of larger hardwoods. A visit to a cocoa farm resembles a walk through a small overgrown forest more than a stroll through a neatly planted grove. Cocoa is harvested twice a year--a main crop in the fall and a smaller crop in the summer. It is brutal work. The thick yellow pods are hacked down with machetes, then sliced open to reveal the beans, which are covered in a sweet white pulp. The beans are removed and set on the ground in a heap to ferment and dry for five or six days. Then they are packed in burlap sacks for shipment to factories all over the world, where they will be processed into cocoa butter and cocoa powder, the basic ingredient in most chocolate.

Although the Ivory Coast has several large cocoa plantations, most of the crop is produced on small farms, typically with less than five acres of land. Planters have always depended on the help of immigrant labor. For more than three decades the country's long-serving President, Felix Houphouet-Boigny, welcomed millions of farmhands from neighboring Mali, Guinea, and Burkina Faso to work and live in the Ivory Coast. Some made enough to buy their own fields. This practice of welcoming immigrants earned the country the moniker "the land of hospitality" and helped it become the engine of economic growth for the region. During the 1970s, when coffee and cocoa prices were consistently high--the result of world demand that outstripped the number of trees--the Ivory Coast's GDP grew nearly 12% a year.

But the wealth was never evenly distributed. Government and private investment was directed primarily to the country's fertile south rather than its drier north. Overplanting eventually led to the collapse of cocoa prices in the 1980s, and the country began a long economic decline. Houphouet-Boigny died in 1993, and his successor, Henri Bedie, was hostile to immigration. Among other things he barred second-generation immigrants from inheriting land. Bedie was overthrown in a 1999 coup, but two succeeding Presidents reinforced his policies of discrimination and political violence against immigrants. And because many people living in northern Ivory Coast hail from the same tribes and ethnic groups as the immigrants, they too found themselves the targets of discrimination, hassled by police and denied government jobs. Alassane Ouattara, a leading opposition political figure who drew much of his support from the north, was disqualified for running for the presidency in 2000 on the grounds that he couldn't prove his father was born in the Ivory Coast. The current President, Laurent Gbagbo, was elected in 2000 after a campaign in which his loyalists beat up and killed hundreds of Ouattara's supporters. It was northerners in the army who rebelled in September 2002, setting off the civil war.

The war turned many of the major cocoa centers in the western part of the country into battlefields. Farmers abandoned their crops to flee the rebel advance. Liberian mercenaries fighting alongside the rebels looted and burned farms. The rebels seized the entire northern half of the country before French peacekeepers, acting under a UN Security Council mandate, intervened to separate the warring sides. The French created a buffer zone between the government and rebel troops and helped broker a peace treaty in January 2003. The treaty called for the creation of a temporary power-sharing government and new elections in October 2005. But for most of 2003 little progress was made toward implementing the peace accords, and the rebels continued to claim exclusive control of the northern part of the country.

About a quarter of the Ivory Coast's cocoa farms are in this rebel-held zone, and for a time it was uncertain whether any of the harvest from the region would make it to market. Rebels set up roadblocks and demanded money from passing trucks, making it expensive and time-consuming to bring dried cocoa beans from the north to the southern port of San Pedro, where 50% of cocoa exports are loaded. The rebels allowed some cocoa to be exported north through Guinea in exchange for extortionary "taxes" that they used to finance their activities. But many beans rotted on the trucks. Other farmers rushed to market before their harvest had properly fermented. A spokeswoman for Archer Daniels Midland, a major cocoa buyer, says the food-products company experienced "short-term disruptions."

An agreement between the government and the rebels last fall allowed most of the 2003 harvest from the rebel zone to reach southern ports. That should help, but extortion and bribes have left many farmers without enough money to pay for insecticide and other necessities. Security remains unsettled. In Korea I, a village in government-held territory, villagers complain that they are afraid to visit their cocoa groves, which lie within the nearby demilitarized zone. "The rebels are close by, and sometimes they hide on our farms," says Guede Boua, a village elder. Boua says the rebels killed two men last fall when they ventured back to their farms to inspect their trees. Since then, no one from Korea I has dared return. As a result, there is no harvest to sell. Villagers are relying on government handouts of rice to keep from starving and are trying to sell charcoal to make money.

Even in areas not directly threatened by the rebels, the cocoa industry is reeling. Government supporters in the south responded to the rebellion by launching a new wave of xenophobic violence directed against immigrants, especially those from Burkina Faso, which the loyalists accuse of supporting the rebels. Many of the immigrants fled, creating labor shortages. Ouedraogo, the old farmer in Za, is a victim of that xenophobia. He came to the Ivory Coast as a young man from Burkina Faso (then known as Upper Volta) in the late 1940s. By the early 1960s he had saved enough to buy 75 acres, growing cocoa, coffee, and maize. His children--Ouedraogo claims to have fathered 30 of them--were mostly raised here. And his farm employed 32 fellow Burkinabe as laborers. But since the war began, Ouedraogo has lived in fear. His neighbors in Za have threatened to take his farm and have twice asked him to come to a meeting to discuss special "tax payments." He has refused but now worries that villagers will simply try to take his farm by force.

Already some of the villagers in Za have attacked Burkinabe immigrants living among them and burned down their houses. Eight of Ouedraogo's workers have fled. Meanwhile, he has sent his own family to live in the nearby city of Daloa, which has seen plenty of xenophobic violence as well. With fewer workers, and his family gone, Ouedraogo has had trouble maintaining the farm. "I am so angry," he says. "Sometimes I think about burning the farm myself, just to deny them."

Native Ivorian planters also depend on immigrant labor. "All the workers I used to have--Burkinabe, Malian, and Guinean--they have all left because of the war," complains Ossohou Koffi, a planter in Offoridje, a village outside Agboville, about an hour's drive from the Ivory Coast's biggest city, Abidjan. "Sometimes I have become sick from working too hard now that the immigrants are gone."

The prospect of further political problems spooks international chocolate executives. So far no chocolate company has pulled out. "We are confident in the middle-to long-term future of the country," insists Olivier Desponds, head of Ivory Coast operations for Nestle. In private, however, cocoa executives acknowledge they have given serious thought to moving elsewhere.

Even before the civil war erupted, some chocolate makers, including Lindt and Cadbury Schweppes, had begun shifting their purchasing to Ghana, where the quality of cocoa is high and the risk of instability low. The civil war gives companies another incentive to reduce their dependence on the Ivory Coast. The country also has to contend with a new marketing strategy among high-end chocolatiers that hinges on educating customers to distinguish between chocolate made from different varieties of cocoa beans. That strategy favors exotic cocoa varieties found in Central America and the Caribbean over their coarser African cousins.

Promoting the Ivory Coast's cocoa crop is the primary responsibility of Lucien Tape Doh, president of the coffee and cocoa exchange. Dressed in a red-patterned African tunic, loose-fitting trousers, and his signature planter's hat, Tape Doh dismisses any suggestion that the war has seriously damaged the country's cocoa production. "During the war we lost some farms, but now production will be normal," he says, sitting in an office high up in one of the aging glass skyscrapers that dot Abidjan's skyline. Tape Doh predicts that the 2003 harvest will top 1.2 million tons, just 6% below prewar levels, and claims that the recent spike in the international cocoa price was caused by European commodity speculators hoarding beans, not by shortages in the Ivory Coast.

Over the longer term Tape Doh wants the Ivory Coast to start treating and processing beans in the country, an activity that currently takes place in Europe and the U.S. He believes that would allow local producers to command better prices. "Right now cocoa is cocoa, and it all gets one price," he says. "But if we can treat it, we can have many different qualities of cocoa, and each will have its own price."

Out in the fields Tape Doh's strategy gets a dubious hearing. "We are cocoa farmers, and we will always be poor," says Ntakpe Ngbesso, a grower in Offoridje. "Even if you say cocoa prices are very high on the world market, we never see those prices when the buyers come to Offoridje for our beans." Adds Moss Yago, another planter: "The government wants us to create plantations and get rich on our backs, but they don't give us the tools to develop or even transport our products and sell them."

In an effort to increase cocoa harvests and combat blight, the international chocolate industry has been trying to improve the conditions of the Ivory Coast 's 650,000 cocoa farmers. The World Cocoa Foundation--with additional funding from the U.S. Agency for International Development--is sponsoring a series of field schools to teach planters better farming practices. Known as the Sustainable Tree Crop Program, the effort also aims to strengthen the power of several large cocoa cooperatives so that they can get better prices for small planters. Already some cocoa buyers, such as ADM and Cargill, are cutting out the middlemen and purchasing beans directly from the collectives.

In addition, the Sustainable Tree Crop Program has become the chocolate industry's main weapon in the fight against child labor--and in rare cases, child slavery. When cocoa farmers attend the field schools, they are surveyed about child-labor practices and receive lessons on what kind of work is appropriate for children. A system to monitor whether they are using improper child labor or child slaves is supposed to be in place by 2005.

The program was in its pilot phase when the civil war broke out. As a result, the farmer training schools were established only in two southern regions. Despite the war, says Robert Yapo, who directs the program in the Ivory Coast, the farm schools have managed to train 2,000 planters. He hopes to expand the program to the west soon.

The schools are a start, but for farmers like Ouedraogo the most urgent need is for peace. Until that comes, the Ivory Coast's cocoa industry remains in jeopardy--and the world's chocolate lovers may be in for another year of sticker shock.

BOX STORY:

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"I am so angry. Sometimes I think about burning the farm myself, just to deny them."

"Even if cocoa prices are higher on the world market, we never see those prices."

GRAPHIC: COLOR PHOTO: PHOTOGRAPH BY EVELYN HOCKSTEIN--POLARIS, BITTERSWEET, War has sent the price of cocoa beans sky-high.; COLOR PHOTO: ISSOUF SANOGO--AFP/GETTY IMAGES, DRYING TIME, A worker in Akati prepares cocoa beans for market.; COLOR PHOTO: JEREMY KAHN, AMADOU OUEDRAOGO Living in fear in Za; COLOR PHOTO: PAXTON, CHOCOLATE LOVERS BEWARE At a Lindt store in New York City, prices have gone up.

LOAD-DATE: February 10, 2004