

SPECIAL REPORT

How one organic cocoa cooperative in the Dominican Republic is outstripping the market

By Anthony Myers

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The Fundopo Organic Cocoa Cooperative is run along Fairtrade principles. Pic: CN

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With its link between Europe, North America, and the rest of Latin America, the tiny country on the Caribbean island of Hispaniola is set to be a significant player for premium cocoa as demand soars due to a global shortage of beans.

The Dominican Republic is growing more cocoa than ever before, most of it certified organic, grown mainly by smallholder farmers with considerable support from the private sector and international NGOs. Like in other cocoa-growing countries, farmer income fluctuates along with global prices and exchange rates. In the past six months, the price of cocoa on the markets has soared, but many farmers and farmer-based groups lack market insights to profit from opportunities. At the small producers' cooperative Fundopo, approximately 15kms north the capital Santa Domingo, things are done differently.

The cooperative was established 20 years ago with approximately 80 farmers growing organic and Fairtrade cocoa. It has grown to 3,000 farmers on smallholder plots of roughly 4,000 hectares (HA) who supply their beans to YACAO, the largest organic processor on the Caribbean island after the recent 2022-23 harvest. YACAO is a subsidiary of, and 100% owned by, Swiss organic cocoa processor Pronatec, which operates a large facility in Beringen near Schaffhausen.

Kilian Moser is YACAO's Chief Operating Officer, and he met me at the main Fundopo nursery to explain how the cocoa is grown, certified, and shipped to Europe to be manufactured into Fairtrade premium organic chocolate sold in supermarkets and bio shops.

All farmers are equal

He explained that Fundopo is a non-profit organisation run along Fairtrade guidelines. "Fairtrade demanded that we ensure that every farmer in the cooperative gets paid the same price, which, of course, is right; you need somebody to check that, and if you have 3,000 farmers and they provide one or two deliveries, you need to check 6,000 deliveries per week which is 24,000 deliveries per month.

"The process starts on paper, and then gets digitalized, but you have a ton of information that needs to be manually checked to ensure that everybody gets paid the same, and if they don't get paid the correct amount, make the correction."



Wilder Nahui, Fundopo's executive director. Pic: CN

He said the mission is to help the development of small farmers financially and in terms of knowledge and help them by providing health, housing, and food safety services.

Tapping into YACAO's market insights, Moser and his team organise weekly calls with the executive director of Fundopo along with technicians and buyers in the area, and then they decide the price for dry, wet, fermented, and unfermented cocoa. "Then, on Tuesday morning, the prices get communicated to the farmers via a WhatsApp group ... so there's transparency of information, when the farmer brings his bucket of beans to to any of the buying points organized by members of the Fundopo, for example, he can take out his phone and check what he's supposed to get paid. The same at any other buying point."

Another challenge to establishing income parity is cocoa bought by YACAO via cooperatives from different regions in the country may have a different yield. "So we have some areas where the yield is 138 kilos of fresh, wet cocoa, 50 kilos of dry cocoa, and, in other parts, it's 135 kilos. And some farmers can do 132. Finding that balance also makes it very hard to pay the same price. Of course, the yield changes during the harvest"

Cocoa shortage

Moser said (when we met in December 2023) that everybody is feeling the lift since there's a cocoa shortage. "I'm not sure how it's working in Africa - if they're getting the higher price, but for example, last year in July, we had the lowest price since I've been here, which was about 4,900 pesos (\$83.15) for quintal (qq). A qq in the Dominican Republic is equivalent to 50 kg. And now it's a 8,650 pesos, including the premiums.

Moser said the prices have gone up for cocoa in the Dominican Republic because "people are trying to buy the cocoa from wherever they can get it." He added that because parent company Pronatec is ordering more organic cocoa to feed its own demand, YACAO is unable to supply other buyers.

While the higher price for cocoa on the markets, along with the premiums paid for organic, cocoa is becoming a lucrative crop to grow, which brings its own problems for Wilder Nahui, Fundopo's executive director.

He said at current prices, there's been more demand for his plants from the nursery because people are interested in cultivating their cocoa farms again, as investing more time and money in the beans makes sense. On the downside, he said he hears reports of a lot of theft, with people stealing already harvested beans or pods from the trees in some areas.

Moser, however, believes the prices for cocoa in the Dominican Republic are not too high but still too low, considering the capital and technical requirements to buy and operate a farm in the Dominican Republic today. "If you sat down with a financial planner, for example, you would conclude that it's not worth it not even at current prices."

Support for cocoa farmers

Wilder said he wants the Fundopo cooperative to have an even stronger presence and fully support the cocoa farmers. "Using financial incentives, we encourage the farmers to grow other commercially viable crops, such as avocado or zapote, so that the farmers can establish several sources of income and support them by providing saplings."

One of his main tasks is organising an internal control system, with trained technicians regularly visiting cooperative members to check that cooperative farmers are using no pesticides. These checks are independent of the yearly inspections conducted with the organic certification bodies.



A Fundopo organic cocoa farmer. Pic: CN

On the rare occasions that batches of organic cocoa get rejected (samples are sent to a lab in Germany before before export), YACAO's own technicians can trace the cocoa from the shipping container back to the farmer plots, where they will lose their organic premium. It is Wilder's job to make sure the cooperative complies with all the various levels of certification, which, because they are growing organic cocoa, is already a bureaucratic headache. He said that dealing with the various bodies takes up over 60% of his time and almost 20% of his budget. The upside is that because of the high level of due diligence required for organic beans, cooperatives like Fundopo are already fully prepared to be compliant with the new European Union Deforestation Regulations. (EUDR).



Another essential part of Wilder's job is managing the nursery, which has a sophisticated solar-powered irrigation system, where farmers can purchase seeds at cost price (Fundopo distributed 70,000 cocoa seedlings at cost price in 2023) and have access to agroforestry techniques and plants with a provision for tree saplings, which provide shade and bear fruit.

Democratic

Wilder said that everything related to cocoa farming and the use of Fairtrade Premiums (which help with specific projects or infrastructure investment) is under the responsibility of Fundopo. The collaboration with YACAO is strong and has been formed over many years. Still, as a cooperative, Wilder stresses that Fundopo acts independently and is run along democratic principles with a committee voted in every five years. For its part, YACAO checks the quality of the beans, secures funding for the purchasing, ferments, dries, and ships the cocoa.

It's a partnership that has turned a small cocoa-growing partnership into the envy of larger organizations around the world with its agroforestry practice, traceability and supply chain transparency, and the premium beans, of course.

Pronatec will be exhibiting at Biofach – the world's leading trade fair for organic food, from 13 to 16 February at the Nuremberg Exhibition Centre in Germany.