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Cocoa production, marketing and positioning. Case of small producers in the zone of influence of the canton of Quevedo

Producción, comercialización y posicionamiento del cacao. Caso de pequeños productores de la zona de influencia del cantón de Quevedo

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Abstract

Cocoa and its derivatives are currently important products for commercialization, with wide demand in the international market. This fact has stimulated an increase in its production, involving the participation of small producers, who represent an important engine within the sector. The purpose of this work is to provide a current overview of the process of production and marketing of cocoa worldwide, nationally, but mainly framed in the area of influence of the canton of Quevedo, also determining the importance that today represents the positioning of the product in the market, considering the competition and the need to improve the quality of it. For the development of the research, a qualitative approach was basically adopted, which, oriented to the descriptive field, allows offering a broad perspective on the chosen topic through the bibliographic review of the existing information. Among the main findings was determined the fact of not having perceived the increase in cocoa production in the canton Quevedo compared to previous years, influenced by the current conditions of the plantations; the main drawbacks that cocoa producers have had in the area are the lack of price control of inputs; lack of irrigation systems in summer; crop damage by pests; however, there are mechanisms today to advise, teach standards, production techniques, etc.. However, there are mechanisms in place today to advise producers, teach standards, production techniques, etc., in an attempt to optimize efficiency and product quality, which will be a challenge in the future.

Key words: Marketing, production, cocoa, export, positioning.

Resumen

El cacao y sus derivados constituyen, actualmente, importantes productos para la comercialización, con amplia demanda en el mercado internacional. Este hecho ha estimulado un aumento en su producción, implicando en ello la participación de pequeños productores, que representan un motor importante dentro del sector. El presente trabajo tiene como propósito brindar una panorámica actual sobre el proceso de producción y comercialización del cacao a nivel mundial, nacional, aunque fundamentalmente enmarcado en la zona de influencia del cantón de Quevedo, determinando además la importancia que hoy día representa el posicionamiento del producto en el mercado, considerando la competencia y la necesidad del mejoramiento de la calidad del mismo. Para el desarrollo de la pesquisa, se adopta básicamente un enfoque cualitativo, lo cual, orientado al ámbito descriptivo, permite ofrecer una perspectiva amplia sobre la temática escogida a través de la revisión bibliográfica de la información existente. Entre los principales hallazgos fue determinado el hecho de no haberse percibido el incremento en la producción de cacao en el cantón Quevedo comparado a años anteriores, influyendo en ello las condiciones actuales de las plantaciones; los principales inconvenientes que han tenido los productores de cacao en la zona son la falta de control de precios de los insumos; la falta de sistemas de riego en verano; afectaciones de los cultivos por plagas; sin embargo, existen mecanismos hoy para asesorar, enseñar normas, técnicas de producción, etc. a los productores, intentando optimizar la eficiencia y la calidad del producto, lo cual supone un reto en el futuro.

Palabras clave: Comercialización, producción, cacao, exportación, posicionamiento.

Introduction

In 2018, the world cocoa market as a fundamental component of imports, reached a value of 21 billion USD, of which the main product was cocoa beans. For just over two centuries, cocoa has been a product of high importance in trade within the global arena, as this is highly valued as a raw material used to obtain a diversity of products in the food, pharmaceutical and cosmetological industries. The main ingredients used are: cocoa butter, cocoa powder and cocoa liquor or paste. These products are highly marketed, mainly in supermarkets, hypermarkets, wholesalers, and department stores. The main cocoa import markets are Europe, USA and Canada. (Development Bank of Latin America, 2019). .

In the international market, cocoa is traded according to its quality level. For this purpose, quality standards have been established based on post-harvest handling and botanical characteristics. Fine cocoa accounts for between 6% and 8% of the world production of this product, 80% of which comes from Latin America, particularly 54% from Ecuador, placing cocoa production in a top and privileged place for the countries that produce it, with the main purpose of its commercialization. The marketing of cocoa worldwide is normally carried out by three members of the chain: exporting companies, brokers (intermediaries) and international consumers (cocoa processing companies). There are institutions related to this process, such as

London Commodity-Exchange and London, Association Francaise du Comerse du Cacao (AFCC) and Ltd (LCE), the Paris Stock Exchange. (Sosa, 2018) .

Internationally established prices for cocoa beans are determined by supply and demand. To this end, the main cocoa-producing countries (Ghana, Brazil, Indonesia) have been established as markers, where prices are quoted on the various exchanges, establishing reference prices in the various transactions. At the same time, prices depend on the quality of the bean, as fine cocoa beans reach premium prices, since the supply of this type of bean is restricted. (International Trade Center UNCTAD/WTO, 2001) .

The above leads to consider the importance of rescuing Ecuadorian plantations with good characteristics and adequate post-harvest management, in order to guarantee the excellence of the bean and, therefore, establish high international prices. In Ecuador, cocoa cultivation is a good source of income for countless households in different cities of the country. The cocoa sector is considered of vital importance given the role played by farmers and traders, as it is fundamental for socioeconomic development, not only in the country, but also in the Canton of Quevedo, the particular case of study in this work. (El Comercio, 2014) .

The challenges for producers of this natural product must be based fundamentally on boosting the cocoa sector; following a cocoa development plan to obtain better results each year; raising awareness of the real urgency of ensuring compliance with sanitary and phytosanitary requirements; developing technical practices to mitigate or reduce pests and other related problems; further developing the domestic market and continuing to focus on improving quality, in addition to optimizing local cocoa processing and transformation capacity to a higher level. (El Comercio, 2014) .

The structure of this paper has been designed to provide an overview of the general situation of cocoa production in the Quevedo area of influence, the conditions of the producers of this important crop, the problems encountered in the process of marketing the product in the region, and other related aspects. In addition, this paper seeks to assess the prospects for the inclusion of cocoa from Quevedo in global value chains, based on a characterization of cocoa in the world market, and in particular Ecuador, as a country that has managed to insert this product in the global market chain.

Materials and methods

This paper develops a synthetic and reflexive exposition on production systems and their impact on environmental resources. It basically adopts a qualitative approach, which, centered on the descriptive scope, allows offering a wide perspective on the chosen topic by means of the existing information on the subject, thus obtaining a more integral vision, offering a general characterization of the topic and stating the aspects on which its importance is determined; trends and challenges to be met in the future.

This is achieved through documentary review, data collection and the use of information that enables analysis and interpretation, as well as the development of criteria that help to support the topic. The theoretical methods used are: historical-logical: to determine the trends, development and evolution of the production systems; analysis and synthesis: for the development of the whole scientific research process; abstraction-concretion: during the whole research, mainly to infer the theoretical elements and conceptions; and document analysis: to characterize the production systems, trends, etc., through the review of bibliography containing relevant information on the topic.

Result

International cocoa environment. Characterization

The international cocoa market is dominated by a small number of large companies, which control the price and distribution channels and are concentrated in the processing of the product. In this global cocoa chain, there are two types of companies: a) for by-products, in which companies such as Archer Daniels Midland Company, Bloomer Chocolate Company, and b) for processing products: Mars, Nestlé, Ferrero Rocher, Cadbury and Hershey's. (Dirección de Inteligencia Comercial e Inversiones, 2013). .

Traditionally, companies belonging to this sector have acted under certain norms of public controls or standards. However, new norms and standards have emerged: the private standards demanded by global value chains, in addition to the traditional ones, have had a major impact on the entire structure of business networks and on the competitive dynamics of industrial and agricultural producers. Private standards are determined by the companies that lead the sector and are, at present, instruments that regulate the global agricultural economy, establishing competitive criteria that decree the inclusion of those who produce locally in global value chains, as well as their entry into markets for the sale of their products. (Directorate of Trade and Investment Intelligence, 2013). .

Large companies enter into projects that promote the fulfillment of environmental and social objectives and the conservation of biodiversity. They are promoted by civil organizations and international agencies concerned with social and economic development. In the case of cocoa, some large companies propose the investment of part of their dividends for the conservation of environmental resources, such as reforestation and care of important sites to protect biodiversity. Others try to increase the livelihood opportunities of cocoa producers, who are almost always small landowners. Among those benefits provided by the companies, which are disclosed, are: access to credit, access to investment flows, information and qualification on agricultural practices, advance payments for use at harvest. (Dirección de Inteligencia Comercial e Inversiones, 2013). .

According to data released by the International Cocoa Organization (ICCO), the three largest producing countries until last year accounted for a total of approximately 70.7% of world cocoa

production. Among them were Côte d'Ivoire (39.8%), Ghana (21.1%) and Indonesia (9.8%). Another 20% is under the production of four major producers: Nigeria (5.5%), Brazil (4.8%), Cameroon (4.6%) and Ecuador (4.6%). The other relatively minor players in the world market at the moment are Colombia, Peru, Dominican Republic, Mexico and Papua New Guinea. Cocoa is produced for two different markets: the fine flavor cocoa market and the conventional non-flavored cocoa market. Production of the former is mostly concentrated in Ecuador, while conventional non-flavored cocoa has volume sales for use in the production of confectionery and commodities, with production concentrated in Côte d'Ivoire and Ghana. (International Cocoa Organization (ICCO), 2020). .

The leading exporters of cocoa beans are Ivory Coast, followed by Ghana, Cameroon, Nigeria, Togo, Ecuador and others in Central America, including El Salvador, Nicaragua, Costa Rica, Honduras and Guatemala. They are followed in importance by Holland, Belgium, Germany and France, participants mainly in the export of chocolates, since the industrial transformation is mainly carried out in developed countries. France, Holland, Malaysia, Ivory Coast and Indonesia not only commercialize, but have invested in the development of an industry that processes cocoa beans and cocoa butter products, which have the capacity to compete in the world market of processed chocolates. (Escuela Superior Politécnica del Litoral, 2016). .

According to the United Nations Conference on Trade and Development (UNCTAD), cocoa is mainly consumed in developed countries, even though it is produced in developing countries. Those companies that buy in consuming countries are the ones that further process and produce chocolate. Demand for cocoa has been increasing, particularly in Asia, given the pressure from those industries that have located in the region, which creates a very promising environment for trade. In the cocoa market, the main opportunities are based on demand and consumption figures. Considering current ICCO statistics, the European market will continue to be the largest cocoa consuming area in the world. (UN Conference on Trade and Development, 2010)

Latin America, as a producing region, generates 70% of the world's total organic cocoa. Venezuela, Ecuador and the Dominican Republic stand out as producers. Thus, organic cocoa producers in the region have the possibility of not depending to a large extent on traditional importers, inserting themselves into global production and service chains. In Ecuador, the main producer and exporter of fine aroma cocoa, many of the small producers have managed to meet the standards set by the large private companies, certifying their organic cocoa and trading fairly. (United Nations, 2008) .

Many cocoa transnationals are now located in Ecuador. However, this country also has important links with other companies that are involved as buyers in the industrialized cocoa market, although these links are less relevant, since Ecuador is not as well known for its chocolates as for its cocoa, which is due to the fact that when the product leaves the country, it is refined in countries such as Switzerland and Belgium. (United Nations, 2008) .

In 2015, 99% of total Ecuadorian cocoa exports corresponded to semi-processed beans. The finished products for shipment were chocolates, bars, chocolates, bonbons, coatings, reaching 1.1 thousand tons of exports, representing just 0.8% of exports in volumes. The main product sold in semi-processed form is cocoa powder. (Directorate of Research - INIAP Scientific Knowledge Management, 2020).

Cocoa cultivation in the area of influence of the canton of Quevedo

In the area of Quevedo, cocoa as a crop has achieved enormous popularity. The province of Los Rios, where the canton of Quevedo is located, is one of the largest production areas nationwide. The advantages of the territory are considered: water sources, agricultural and forestry crops, agro-industries. Competitive advantages: skilled labor for agricultural, forestry, industrial and environmental activities, the existence of a center of road, socio-cultural, commercial and intercultural convergence, capital for investment. (Briones, 2016) .

Previous studies and diagnostics carried out in the Quevedo area indicate that the large monoculture plantations are affecting nature and causing the dispersion of water sources and species of flora and fauna in the sector. Areas of high water contamination reach the banks of the Quevedo River, due to waste from the palm industry and water runoff from the city. Solid waste dumping is also a source of landscape deterioration and contamination that should be addressed by the Autonomous Decentralized Government of the canton of Quevedo. (Briones, 2016) .

In recent years, Quevedo's economy has grown due to its commercial and agricultural activities. This increase is due to agricultural research and investment, thanks to private and public credits. This canton, which belongs to Los Ríos, has the largest economically active population (EAP) in the province. According to the National Institute of Statistics and Census, of 255,188 jobs generated in Los Ríos, 23.39% are in Quevedo. Agricultural production has had an influence on the dynamics of the economy of the area, where sales, businesses, and companies are developed around agricultural production. (Andagoya, 2016) .

Cocoa production in this area has maintained its upward trend, although at lower levels than the increase recorded in previous years, since the plantations are not in the same vegetative conditions of previous years, as they were affected by pests (monilla and witches' broom), which affected yields to be lower or remain at the same levels, therefore, the volume of production has recorded lower percentage growth than in previous periods. (Development Bank of Latin America, 2018). .

As a result of the pests, investments increased by about 10%, because farmers have had to fumigate the plants to control the pests. Other problems faced by cocoa farmers include: low sales price (25%); unfavorable weather (24%); lack of technical assistance (17%); high labor costs (10%); lack of roads (8%); labor shortages (5%); lack of financing (2%); and high interest rates (2%). (Development Bank of Latin America, 2018). .

Other studies previously carried out in the area have highlighted some problems reported by small producers themselves, such as: lack of price control of inputs, elimination of the presence of intermediaries, lack of irrigation systems in the summer season, crops affected by fungal diseases and pests that affect productivity, low producer prices in the marketing chain, which is affecting the farmer's income. (Development Bank of Latin America, 2018).

Cocoa producers in Quevedo's area of influence

The cultivation of cocoa, known as the "Pepa de Oro", was for many years the country's main source of foreign exchange, as well as a source of employment for a large number of people in the city and the countryside. This cocoa activity in Ecuador includes nearly 100,000 families of small and medium-sized producers, with cocoa being grown in 16 provinces of the 24 existing ones, especially in the provinces of the Coast, the Amazon and those located in the Andes mountain range. (Sistema de Investigación sobre la Problemática Agraria en el Ecuador, 2016).

Quevedo is the city located in the center of the coastal region of Ecuador, in an extensive plain, which is crossed by the Quevedo River. It has a tropical rainy climate of 28°C on average and is the most populated canton in the province of Los Ríos, with more than 173,575 inhabitants. 21.1% of the economically active population, or 183.48, is dedicated to agriculture, livestock, forestry and fishing activities. (Sistema de Investigación sobre la Problemática Agraria en el Ecuador, 2016).

In the province to which the canton belongs, more than 100 000 work in the agricultural sector, out of an economically active population of almost 250 000 people at present. Of the total national production, more than 16.15% belongs to small individual producers and 1.07% to associates, which indicates that about 9.07% of producers, in this province, are organized in associations and, despite the shortcomings, they are already getting to know the processes of certification, export and marketing, a figure within which Quevedo producers are reflected. The remaining 90.93% are mostly poor farmers with little knowledge of marketing, so they hand over their road-dried cocoa to middlemen. (Sistema de Investigación sobre la Problemática Agraria en el Ecuador, 2016).

According to the Dirección de Estadísticas Agropecuarias y Ambientales (Directorate of Agricultural and Environmental Statistics) (2013) about 80% of the country's total production is carried out by small producers. According to this survey, 2'157,182 people work in the agricultural sector in Ecuador, of which more than 90,000 are small cocoa producers. A total of 55.74% of producers live in UPAs (Agricultural Production Units) and 93.25% own them. In the Quevedo area, for example, the Association of Organic Cocoa Producers (Aprocao) was created, which brings together small farmers, trying to introduce them to organic cocoa production, in order to export to international markets. This institution was created by decision of the German cooperation agency (GTZ), with which it maintained a 16-month agreement. During this time, the farmers were advised and taught the rules of the cocoa chain, which

consists of producing, certifying and marketing abroad. The guild was legally established on June 21, 2005, by ministerial agreement 033.

According to Martínez (2013) the average age of farmers is between 46-60 years old. Poor working conditions mean that few of the descendants want to work in cocoa. As a result, there is currently a shortage of cocoa farmers in relation to the increasing demand for cocoa. On the other hand, the income earned by small farmers, according to estimates from previous studies, is also only 3% of the sales price of a chocolate bar. These values are due to dependence on cocoa buyers, poor training and disorganization of farmers. However, the low income of small cocoa farmers has the advantage that it prevents farmers from using chemicals for cultivation, which makes the product more natural or organic.

Moreover, according to interviews with small-scale cocoa producers, they claim that planting fine aroma cocoa is considered an honor, since it is so highly valued nationally and internationally. Almost all members of the family participate in the planting, cultivation, fermentation, harvesting and drying process, since most of them live on the farm. However, if needed, workers are employed from Monday to Friday, working no more than 10 hours a day. (Sistema de Investigación sobre la Problemática Agraria en el Ecuador, 2016).

Producer associations

There are three types of associations in Ecuador: first-degree, second-degree and third-degree. The first, consist of the union of individual small producers; the second respond to the grouping of these first organizations and, finally, the third organizations are composed of those where there is the affiliation of the second degree associations. These producer associations are mostly groups of families dedicated to cocoa production. In the case of Quevedo, they represent only 10% of the city's population. (Rikolto Worldwide, 2019) .

In 2020, through the Prefecture of Los Ríos and the Directorate of Agricultural Management, they offered training to small cocoa producers from different rural communities of the canton and the province, including small producers from Quevedo. The topics covered were about Cocoa Management and Nutrition, aimed at achieving better productivity, because with the right knowledge, it is possible to increase production to 45 quintals per hectare of cocoa per year. (Sistema de Investigación sobre la Problemática Agraria en el Ecuador, 2016). .

Currently, cocoa production reaches a standard average production of between 15-20 quintals in this province, a production that greatly favors the Quevedo area. In addition, farmers claim that the costs of harvesting this product are high, so that on certain occasions the profit is minimal or only works to recover the capital that was invested in the production process. (Sistema de Investigación sobre la Problemática Agraria en el Ecuador, 2016). .

The Project for the Improvement of Cocoa Productivity in Los Ríos, also involving the area of influence of Quevedo, promoted by the prefecture in the territory, has gained strength in the

area, in combination with organizations of small farmers. Through its Department of Economic and Productive Development (DDEP), the Prefecture has been delivering, since 2018, more than 500 000 CCN-51 cocoa plants throughout the area, making direct delivery to farmers, in order for them to plant cocoa, making use of the current rainy season. Thus, small producers in the canton of Quevedo are part of this project, contributing to the development of the province and the production of cocoa, obtaining plants of good genetics, and receiving technical support to start production. (Al Día Magazine, 2018) .

Conclusions

Cocoa cultivation in Ecuador (one of the main exporters of the product in Latin America and the world), is a great source of income for countless families and cities in the country. The cocoa sector is considered of vital importance for farmers and traders, given the role it plays in socioeconomic development.

The production and marketing of cocoa for the Quevedo area has had a great influence on the area's economy. However, although the trend of this production has been growing, it has not seen the increase of previous years, and one of the factors that has most influenced this is that the plantations do not currently have the same favorable conditions.

The large monoculture cocoa plantations in Quevedo are affecting nature and causing the dispersion of water sources and species of flora and fauna. Areas of high water pollution reach the banks of the Quevedo River because of contamination caused by other nearby industries, which is affecting the natural environment for cocoa plantations.

The main problems faced by cocoa producers in the Quevedo area are the lack of price control of inputs to eliminate the presence of intermediaries; the lack of irrigation systems in summer; crop damage caused by pests; and low prices for production in the commercialization chain.

In Quevedo's area of influence, the Association of Organic Cocoa Producers (Aprocao) was created, which brings together small producers, through which they receive advice, training on standards, production techniques, certification, marketing, more than 500,000 cocoa plants have been delivered directly to them this year, and they receive technical support until they start production, etc.

The main challenges for cocoa producers in the Quevedo area are based on promoting the sector, ensuring compliance with sanitary and phytosanitary requirements, developing technical practices to mitigate or reduce pests, developing the domestic market and continuing to improve quality.

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