

**SUSTAINABLE TREE CROP PROGRAM**  
**Trade and Information Systems Project (TISP)**  
Draft Proposal for a Regional Support Project to  
Pilot STCP Field Activities in West Africa  
(April, 2003)

**PROJECT SUMMARY**

The STCP Trade and Information Systems Project (TISP) is one of three regional support projects to the cocoa/tree crop sector in West Africa and specifically to seven pilot projects in five countries: Ivory Coast, Ghana, Nigeria, Cameroon, and Guinea. Its overriding objective is to introduce a commercial framework and modernize agricultural marketing with the aim of improving the standing of small farmers. TISP will serve to backstop marketing functions among the farmer organizations (cooperatives) in each of the pilot projects and to carry out regional level functions where economies of scale give it a comparative advantage, including addressing policy and infrastructure issues. It will operate throughout the three-year initial phase of field activity.

Activities of the TISP will include capacity building of producer cooperatives, research and lobbying on cocoa policy and the development of cocoa marketing infrastructure and institutions, experimentation with new identity preservation marketing initiatives, and evaluation of marketing activities of the pilot projects. TISP will address four substantive problem areas:

(1) *Information* – the development of information systems providing timely diffusion to farmers, cooperative leaders and consumers on market conditions, real-time input demands among cooperative members, and crop availability within the cooperative and through web-based services and local information networks.

(2) *Marketing Capacity and Trading System Development* – The development of marketing capacity as needed in relation to the existing internal and international marketing systems and legal frameworks including emphases on physical market functions (search and assembly, transportation, warehousing, storage, and grading/conditioning of export lots), market financing, and risk management.

(3) *Farmgate Quality Incentives* – The development of incentive/reward systems for differentiating farmer cooperative cocoa on the basis of quality and process attributes.

(4) *Certification and Identity Preservation* – The development of cost effective systems of third party verification of the process attributes of cocoa, particularly related to socially responsible production methods, and of the systems to insure that identity of certified cocoa is marketed, with related premiums accruing to farmers.

Activities of the TISP fall into three distinct categories – capacity building of pilot project producer organizations, experimentation with innovative marketing channels, and system wide institutional development activities. Specific activities under each of these broad categories would include:

*Producer organization capacity building*  
Marketing activity backstopping

- Logistics (transportation, storage, conditioning) management
- Provision of marketing services
- Negotiations, bulk (group) sales
- Quality testing and control
- Information Management – maintain and interpret databases
  - About farmers – production forecasts, input demands
  - About markets – farm gate, exporter, and international cocoa prices
- Financial management (critical, but not directly TISP related)

*Innovative marketing channels – identity preservation*

- Establish infrastructure within cooperatives (backstop pilot projects)
- Establish market systems (software, hardware not within pilot projects)
  - e.g. smart tags and Web based tracking software
- Certification requirements
  - National, regional or pilot project certification?
- Elicit demand for product and process attributes of cocoa beans
- Partnerships with exporters, processors and chocolate manufacturers

*Market institution development*

- Cocoa policy evaluation
- Infrastructure evaluation
- Pilot Project evaluation and impact assessment

Highest priority needs to be given to producer organization capacity building and market institution development. Without improvement in these areas, innovative market institutions are unlikely to succeed. Moreover, those innovative market solutions may well be expensive, especially relative to small scale sales of a few producer organizations. Without industry support and encouragement, including both financial support, partnering with pilot projects, and expressing demand for differentiated cocoa beans, the proposed innovative marketing institutions are unlikely to thrive.

The intention of the pilot phase is to test alternative interventions addressing a wide range of market failures under various institutional and political settings. To achieve this, a framework to assess the impact of the interventions has been developed. The assessment of impacts will include analysis of change at the worker, household, community, national and international levels. The STCP Regional Impact Specialist in conjunction with partners (e.g. Purdue University) will provide a framework to guide overall impact within the structure of the STCP Results Framework.

Since the STCP project will address cocoa policy issues and issues of marketing infrastructure development, the regional project will also need to collect information on existing policies and their problems. It will need to conduct studies to examine the consequences of policy alternatives. Special attention will need to be given to policies influencing the development of marketing institutions.