



# FAIR PRICING POLICY

## **BACKGROUND and AIMS:**

According to the ICCO (International Cocoa Organization), an estimated 4.9 million tons of cocoa were produced during the 2021-2022 season. Production has increased over the past 40 years, driven by strong demand from consumer countries, particularly in Europe.

A large portion of the world's production takes place in Ivory Coast and Ghana, which account for 60% of global yields. Similarly, according to the Cocoa Barometer 2022, 92% of cocoa transits through the six largest companies, whereas Valrhona represents only 0.15% of global production.

The cocoa market is volatile because prices are liable to fluctuate due to politics, weather events, overproduction or underproduction in cocoa-growing countries, speculation, new consumer demand and so on.

By way of an explainer, we describe the cocoa industry (which includes cocoa beans and their derived powder, liquor and butter) as being structured into three parts:

- Upstream: cacao tree planting and farming, cocoa bean harvesting, fermentation and drying. Most of this takes place in the Tropics. The Cocoa Barometer 2022 estimates the average farm size in the main cocoa-producing countries at between two and five hectares.
- Primary downstream: processing of the raw beans used in the chocolate industry (cleaning, drying, roasting, hulling and grinding).
- Secondary downstream: producing chocolate and other by-products.

Valrhona is a downstream operator which has chosen to purchase the vast majority (94%) of its cocoa from producers grouped into cooperatives and associations.

The upstream sector contributes to 40 to 50 million people's livelihoods worldwide, including 4.5 million family farmers and 14 million rural workers.

Without the long-term contracts of the like implemented by Valrhona, the world market is dominated by a handful of operators and doesn't allow small producers to exert any influence on prices. Fluctuating world cocoa prices prevent these small-scale producers from being able to rely on a steady income and investing in better farming practices.

As a result, price control mechanisms have been put in place by the Ivory Coast and Ghanaian governments since the 2020/21 harvest to guarantee producers a minimum cocoa bean price. These mechanisms include a Living Income Differential (LID) of \$400 per ton paid by all cocoa buyers, including Valrhona.

Despite governments' efforts, it remains difficult to regulate prices, and they don't always guarantee a sufficient income for small-scale producers.

At Valrhona, we are aware that these minimum prices are not enough to guarantee a decent standard of living, and we are acting accordingly.

[Cocoa Barometer-2022.pdf \(cocoabarometer.org\)](https://www.cocoabarometer.org/Cocoa-Barometer-2022.pdf)

## A COLLECTIVE COMMITMENT:

### **SIGNING THE IFCD - THE FRENCH INITIATIVE FOR SUSTAINABLE COCOA**

We are part of the French Initiative for Sustainable Cocoa, which brings together 64 member companies of the Syndicat du Chocolat, the French government, NGOs and cocoa and chocolate industry research institutes. The initiative is in step with others launched in around Europe, such as Beyond Chocolate (Belgium), Gisco (Germany), Swisco (Switzerland) and Disco (Netherlands).

We are conscious of the complex and deep-rooted social, economic and environmental challenges facing the cocoa industry, so we want to work collectively and in partnership with everyone in the French cocoa industry to make our actions more effective. The initiative's signatories are jointly committed to three specific, time-limited objectives:

1. Improve cocoa farmers' income so that they can enjoy what is agreed to be a decent living by 2030.
2. Stop sourcing cocoa from deforested areas by 2025.
3. Speed up action against child labor in French supply chains by 2025.

## VALRHONA'S COMMITMENTS AND ADDITIONAL ACTIONS:

### **1. PRICES FOR A DECENT INCOME**

We will pursue and enhance our policy of paying a fair price in 100% of our purchasing contracts with all our suppliers and partners.

This price must contribute to a **decent living income** for producers.

A living income is "*the annual income required by a household residing in a given location to ensure **a decent standard of living** for all members of that household*". The components of a decent standard of living include food, water, housing, education, healthcare, transport, clothing and other basic needs.

Source: [Cocoa Barometer-2022.pdf \(cocoabarometer.org\)](https://www.cocoabarometer.org/en/cocoa-barometer-2022)

### **2. INTERNATIONAL FAIR-TRADE CERTIFICATION**

By 2030, we will be progressing our purchasing contracts with our partner suppliers to meet internationally recognized, certified Fair-Trade standards which guarantee a fair price (such as Fairtrade, Fair for Life, SPP and so on).

Fair trade certification is a process in which an independent body verifies that a product or organization complies with fair trade standards. These standards are designed to ensure that producers are treated equitably and get a fair price for their products. Certifications cover various factors, such as producers' working conditions, sustainable agricultural practices, and social and environmental criteria.

## KEY PERFORMANCE INDICATORS FOR 2030:

1. **100% of cocoa bean purchases** will be certified to internationally recognized fair trade standards such as Fairtrade, Fair for Life or SPP (Symbole des Producteurs Paysans).
2. **100% of cocoa butter and cocoa powder purchases** will be certified according to fair trade standards (e.g.: Fairtrade) or sustainability labels (e.g.: Rainforest Alliance).

3. **100% of chocolate purchases** will be certified according to fair trade standards (e.g.: Fairtrade) or sustainability labels (e.g.: Rainforest).

### **OUR PROGRESS TO DATE:**

#### **IN GHANA AND IVORY COAST**

In Ivory Coast, over the last five years Valrhona has bought its cocoa at a price averaging 34% more than the minimum guaranteed by the state. Valrhona also gives producers a premium based on quality. An independent third-party organization (JLB Expertise) checks that this bonus payment is allocated correctly.

In Ghana, in 2022, the premium per bag was increased by 40% to help producers cope with local inflation.

#### **PURCHASING FAIR TRADE CERTIFIED COCOA**

By 2024, 100% of the cocoa beans purchased from our partners in Ivory Coast, the Dominican Republic and Venezuela will be Fairtrade-certified. These beans represent 30% of our total cocoa supplies.