Financing cocoa agroforestry: Insight from Economic modeling
Background

Modelling cocoa farm economics helps to assess the viability of various agroforestry scenarios, based on the socio-economic and agronomic characteristics of cocoa farms

Through the 1 for 20 Partnership, the United Nations Environment Programme (UNEP) and the European Forest Institute (EFI) work together to promote the wider adoption and investment in cocoa-agroforestry systems in Côte d’Ivoire.

The Partnership promotes using economic analysis of agroforestry models to inform cocoa and forest stakeholders about the potential for scaling-up sustainability initiatives.

An economic modelling tool was developed based on agroforestry pilot experiences.
Economical analysis example 1/2

Agroforestry in an existing old cocoa plantation

- In the early years, revenue is lower than the baseline due to space created to introduce non-cocoa trees and investment.
- The profitability of cocoa agroforestry is only significant after 10 years.

Given the initial low revenue of the farmers, the time and resources needed to be invested in agroforestry seem too high compare to potential return and time horizon.
Cocoa regeneration and food crop significantly improve the farmer’s revenue streams over baseline and allows for optimizing agroforestry models.

This results in greater profitability and options for structuring financial solutions to cover the initial investment needs.
Main outcomes

• Cocoa-farm economic modelling is an essential first step towards sustainable cocoa production, ensure agroforestry adoption by cocoa farmers and the design of bankable business cases, capable of attracting the necessary capital that will be needed to scale-up agroforestry implementation through financing the farmer, the value chain or landscapes more broadly.

• The financing solutions or combination of solutions are diverse and case specific to the agroforestry model, scale, region, etc. Therefore, economic modelling is needed.

• The combination of financing solutions is dependent of the source: Impact Fund, DFI, Green Bond, Carbon finance etc. as well as the farmer need: microcredit, grant, capacity building, input, etc.