Laurent Pipitone
Director of Economics & Statistics Division
International Cocoa Organization (ICCO)

Global grindings versus production
Structure of the presentation

Characteristics of the world cocoa economy

Cocoa prices

Market outlook

Strategic challenges facing the cocoa sector

The World Cocoa Conference
Structure of the presentation

Characteristics of the World Cocoa Economy
The size of the market

Cocoa bean production value in 2011/12: US$ 10 billion
Retail value of chocolate sales in 2012: US$ 107 billion

Sources: Euromonitor International, NCA, ICCO staff calculation

Top chocolate manufacturers, 2012, total sales in million US$

<table>
<thead>
<tr>
<th>Company</th>
<th>Net Sales 2012 (US$ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mars Inc (USA)</td>
<td>16,800</td>
</tr>
<tr>
<td>Mondelēz International Inc (USA)</td>
<td>15,480</td>
</tr>
<tr>
<td>Nestlé SA (Switzerland)</td>
<td>12,808</td>
</tr>
<tr>
<td>Hershey Foods Corp (USA)</td>
<td>6,460</td>
</tr>
<tr>
<td>Ferrero Group (Italy)</td>
<td>5,627</td>
</tr>
<tr>
<td>Chocoladenfabriken Lindt &amp; Sprüngli AG (Switzerland)</td>
<td>2,791</td>
</tr>
</tbody>
</table>

Top six global confectionery companies that manufacture some chocolate by total confectionery sales value in 2012

Source: Candy Industry, January 2013
Historical cocoa supply & demand

Source: ICCO, Quarterly Bulletin of Cocoa Statistics
World cocoa bean production, grindings and surplus/deficit
( thousand tonnes )
Cocoa production (supply)

WORLD COCOA PRODUCTION (Gross)
2012/13: 3.964 million tonnes

Latin America: 15%
(605,000 tonnes)

Asia & Oceania: 13%
(510,000 tonnes)

Africa: 72%
(2.849 million tonnes)

Source: ICCO, Quarterly Bulletin of Cocoa Statistics
Main cocoa producing countries

Top 12 cocoa producing countries (thousand tonnes)

Source: ICCO, Quarterly Bulletin of Cocoa Statistics
Cocoa grindings (demand)

WORLD COCOA GRINDINGS 2012/13: 4.010 million tonnes

Europe and Russia: 39% (1.561 million tonnes)

Asia & Oceania 21% (856,000 tonnes)

Americas: 21% (858,000 tonnes)

Africa: 18% (735,000 tonnes)

Source: ICCO, Quarterly Bulletin of Cocoa Statistics
Main cocoa processing countries

Source: ICCO, Quarterly Bulletin of Cocoa Statistics
Apparent cocoa consumption

Apparent consumption of cocoa beans (in 2011/12)

Source: ICCO, Quarterly Bulletin of Cocoa Statistics
Apparent cocoa consumption

Apparent consumption of cocoa beans per caput (in 2011/12)

Source: ICCO, Quarterly Bulletin of Cocoa Statistics
Asia as a net importer of cocoa

Net exports of beans & products (in 2011/12)
Structure of the presentation

Cocoa prices
The cocoa supply & demand factors

Source: ICCO, Quarterly Bulletin of Cocoa Statistics
Supply, demand and prices...

- Market fundamentals (characterized stocks-to-grindings ratio) explain 83% of annual changes in cocoa prices in the long term.

- A 10% increase in stock-to-grindings ratio leads to a 9.1% decline in cocoa prices.

- A 10% increase in farmer prices leads to an increase in world supply of about 0.6% in the current crop year.

- If this price increase is sustained over time, the cumulative impact on world supply would be 8.7%.

- A 10% increase in cocoa prices leads to a decline of 1.1% only in consumption.

- A 10% increase in consumers’ disposable income leads to an increase in consumption of about 10%.
Market Outlook
Projections until 2017/2018

Projections of world cocoa supply and demand

Grindings

Net production

1000 tonnes

2006/2007
2007/2008
2008/2009
2009/2010
2010/2011
2011/2012
2012/2013
2013/2014
2014/2015
2015/2016
2016/2017
2017/2018
Structure of the presentation

Strategic challenges facing the cocoa sector
### Strategic challenges (production side)

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>95% of world cocoa is produced by smallholders; only a minority of farmers are organized into groups</td>
</tr>
<tr>
<td>2.</td>
<td>Lack of access to affordable credit</td>
</tr>
<tr>
<td>3.</td>
<td>Ageing farmers / Absence of the next generation of cocoa growers</td>
</tr>
<tr>
<td>4.</td>
<td>Ageing tree stocks</td>
</tr>
<tr>
<td>5.</td>
<td>Farmers on low income / Mostly living below poverty threshold</td>
</tr>
<tr>
<td>6.</td>
<td>Outdated farming techniques; Stagnating yields / low productivity</td>
</tr>
<tr>
<td>7.</td>
<td>Depleting soils and little or no use of inputs</td>
</tr>
<tr>
<td>8.</td>
<td>Loss of production caused by pests and diseases</td>
</tr>
<tr>
<td>9.</td>
<td>Problems to adapt to new legislation / regulations on food safety</td>
</tr>
<tr>
<td>10.</td>
<td>Impact on the environment / Climate change / Land constraints</td>
</tr>
<tr>
<td>11.</td>
<td>Lack of market information and transparency</td>
</tr>
<tr>
<td>12.</td>
<td>Social standards (child labour, gender issues, etc.)</td>
</tr>
</tbody>
</table>
Yields: cocoa losing the competition

Sources: FAO, ICCO
Structure of the presentation

The World Cocoa Conference
**Objective:** to critically review the strategic challenges facing the world cocoa economy and to agree on coordinated actions to be implemented

**Outputs:**
- Conference adopted a **Global Cocoa Agenda** for a Sustainable World Cocoa Economy, outlining the key issues facing the cocoa sector and the best strategy and players to tackle them;
- signing, by 35 representatives of the cocoa sector stakeholders, including governments, producers, processors, exporters, traders, chocolate manufacturers and civil society, of the **Abidjan Cocoa Declaration**.
**Main recommendations:**
- Countries to develop and implement a **national Cocoa Development Plan** derived from a fully transparent and participatory process with all key stakeholders involved in the cocoa sector, through public-private partnerships;

- Participants to increase **transparency and coordination of development activities** implemented and planned for the future in the cocoa sector at national, regional and international levels, thereby allowing for more coherent and efficient actions to address the challenges faced by the sector; and

The ICCO **Consultative Board** to be in charge of the monitoring and coordination of the implementation of the Global Cocoa Agenda: next meeting in September 2013 in London.

Second edition of the World Cocoa Conference to be organized in Amsterdam, 9 – 13 June, 2014, will review the implementation of the Global Cocoa Agenda
The World Cocoa Conference
Announcement

ICCO REGIONAL SEMINAR ON

THE FUNCTIONING OF COCOA FUTURES MARKETS
AND
ECONOMETRIC MODELLING OF THE COCOA MARKET

Indonesia, July 2014
Terima kasih

Laurent Pipitone:  dir.econ@icco.org