

COCOA
NECT.

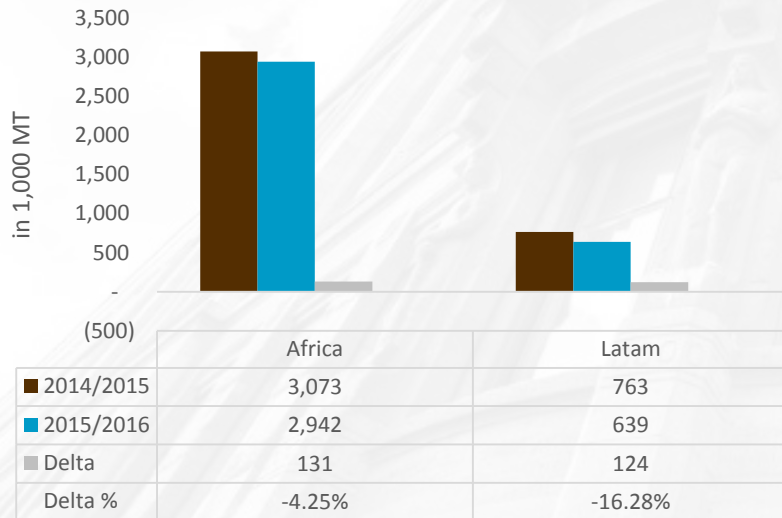


Current and future developments of
cocoa production in Latin America
September 2016

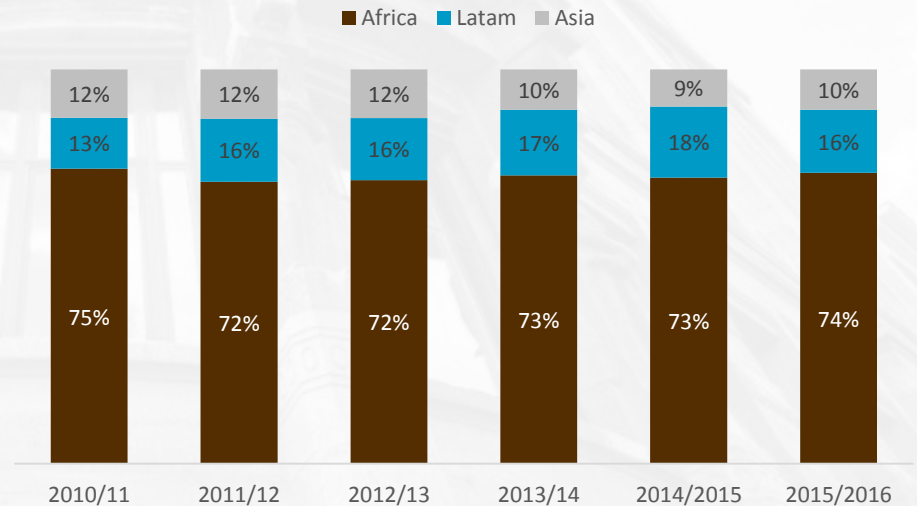
Intro: Blame it on Latin America

Despite accounting for only around one sixth of world production Latin America was responsible for almost half the deficit during the current season.

Who was responsible for 2015/16 deficit?

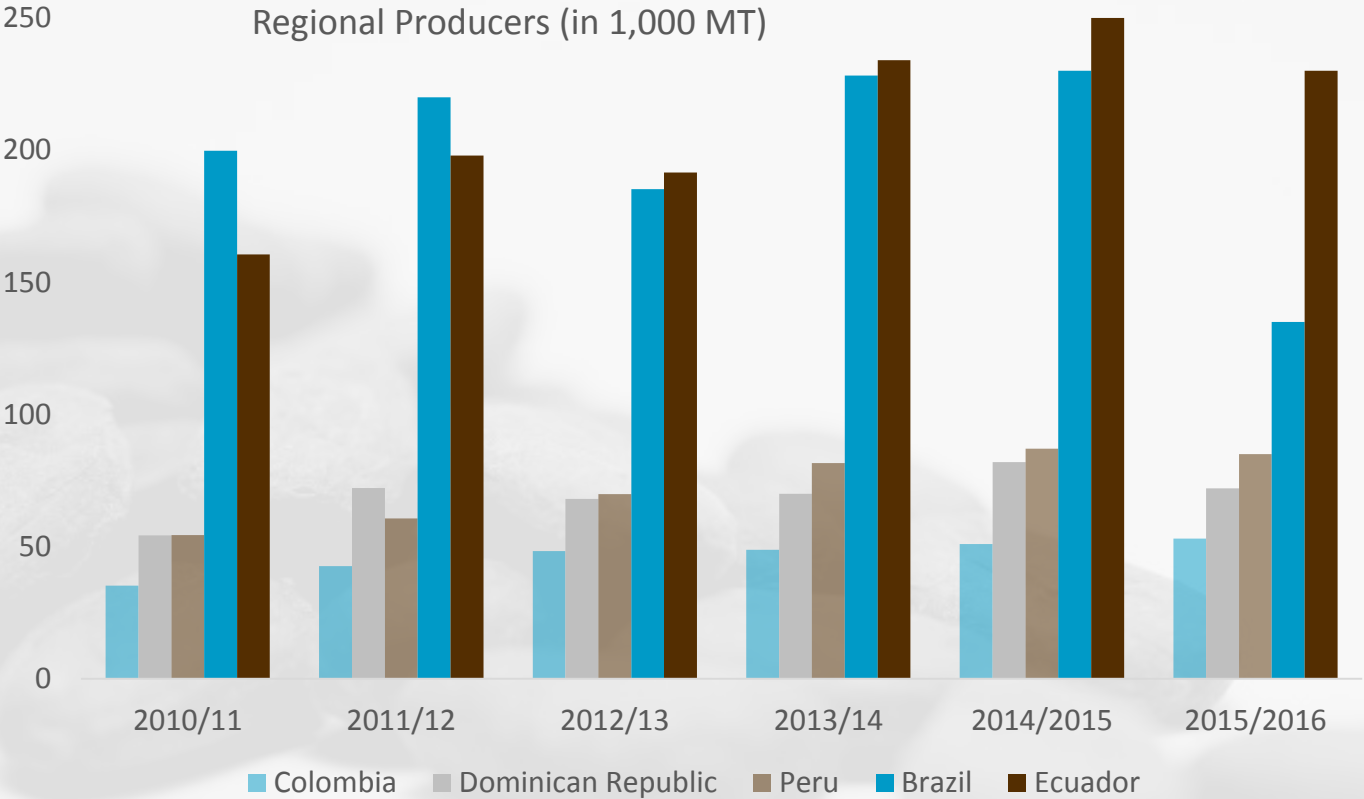


Regional Distribution of Production



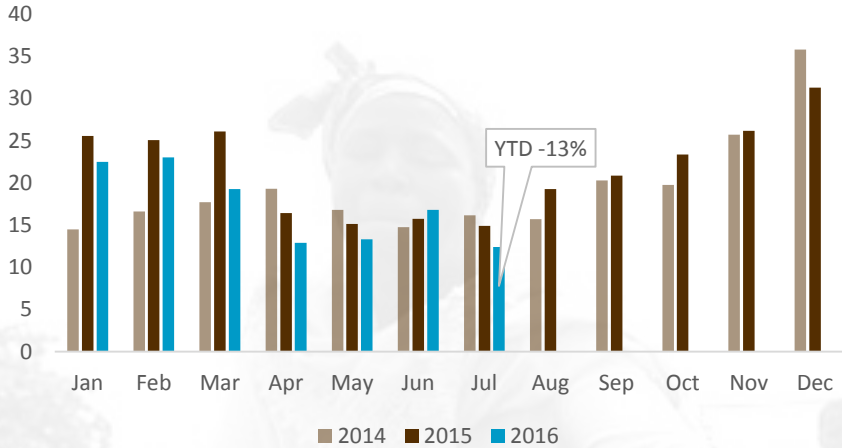
Top 5: Growing at different speeds

Peru and Ecuador have seen fastest increases



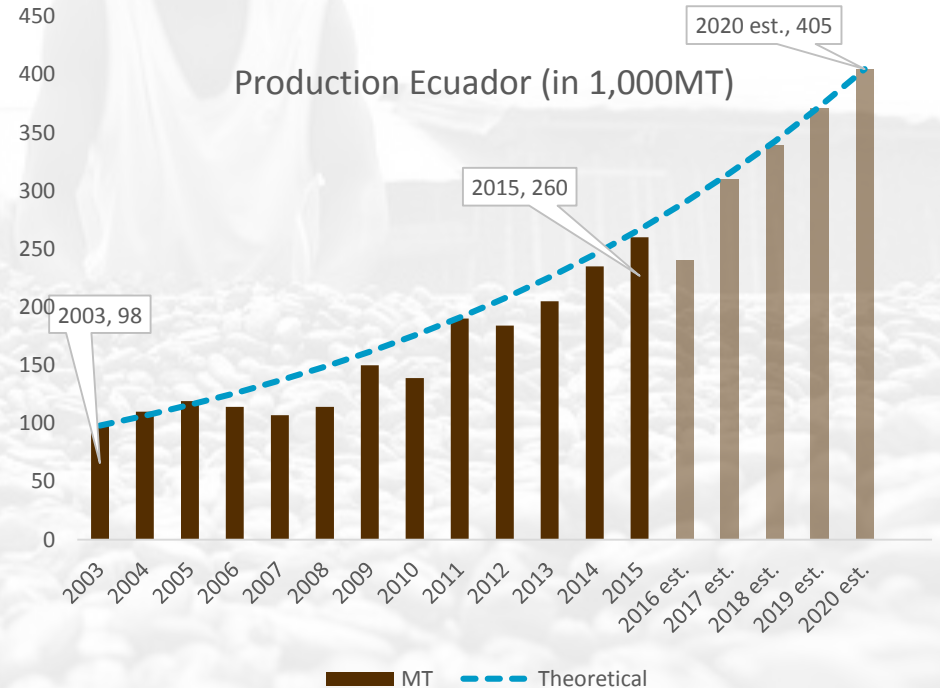
Focus on Ecuador: Exceptions confirm the Rule

Cocoa Exports (in 1,000 MT bean equivalent)



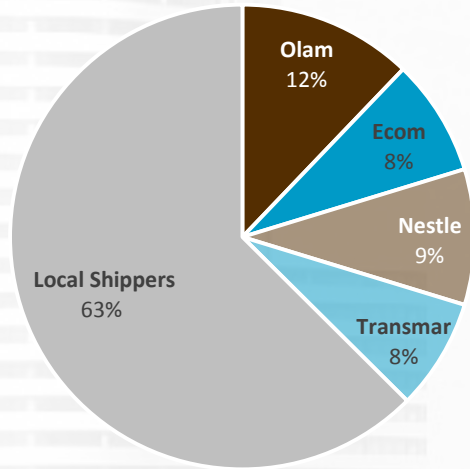
- Trend growth over past decade has been around 9%
- Expect trend to continue and to reach 400,000 MT production by 2020, from less than 100,000 MT in 2003

Expect 240,000 MT production for 2016 crop
Down 8% from 2015 due to El Nino and Monilia



Ecuador: Many Exporters, few Internationals and Processors

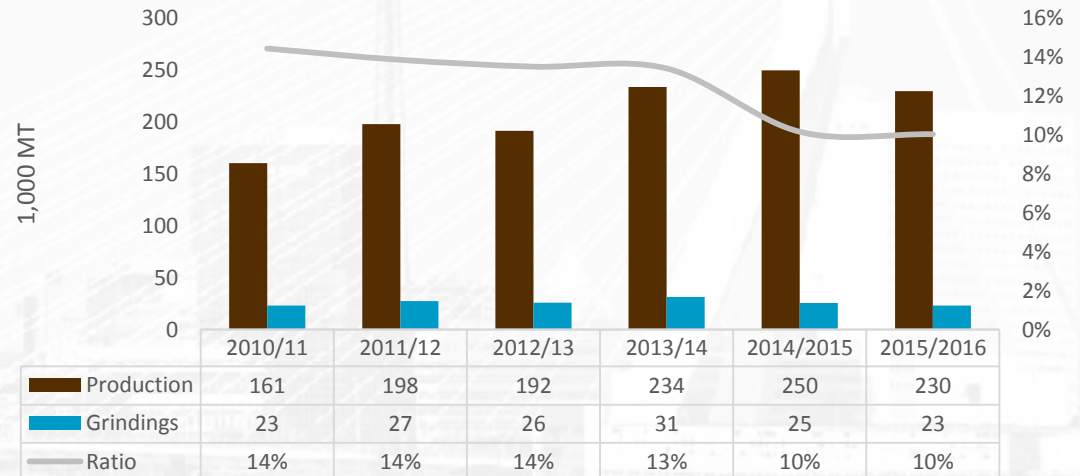
Market Shares in 2015
(Bean & Product Exports in bean equivalent)



Local Shippers are dominating the market
More than 50 active local shippers

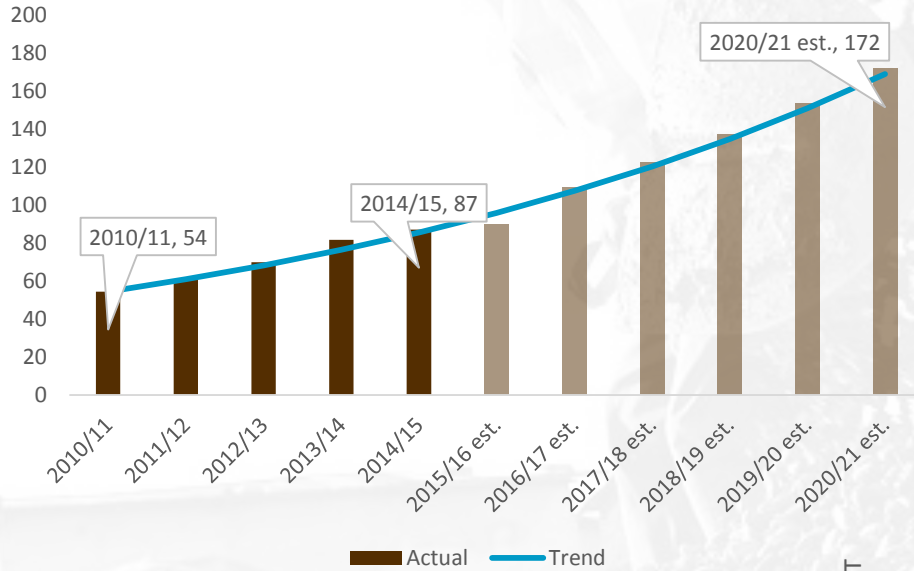
Local grind is falling despite
production growth
No major processors active locally

Local Grindings vs Production



Focus on Peru: Small but Rising

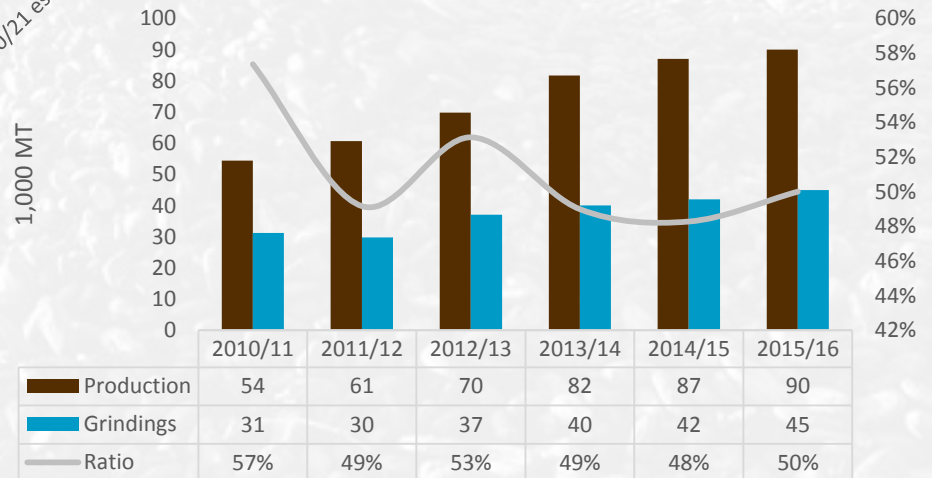
Production in Peru (in 1,000 MT)



Trend growth of around 11% per year
From 54,000 MT in 2010 to 170,000 MT in 2020

Much higher local consumption of around 50%
Cocoa products for regional market

Local Grinding vs Production



Peru: Exporters, Plantations and Initiatives

Exporters & Processors

- Except for Ecom (< 10% market share) none of the big cocoa players are present in the country.
- Processing is done by local players (Romex, Machu Picchu Foods)

Plantations

- United Cacao Limited: 1,800ha recently planted and total of 3,760ha available land
- Grupo Palmas: 1,300ha, most of it in production
- Mars: Hacienda La Chola, 485ha in Ecuador

Initiatives

Alianza Cacao Peru

- USD 61 million of funding by USAID
- 22,000 ha already planted, goal is to reach 28,000 ha of high yielding cocoa farms
- Productive phase by 2018/19



Ecuador & Peru: Opportunities & Challenges

Opportunities

- High yielding varieties (CCN51 makes up majority of new plantings)
- Professional farming: dense and grafted plantings
- Liberalized system and competition ensure high relative farm gate prices
- Cocoa industry has critical mass for innovation and investment
- Availability of land

Challenges

- Uncertainty over land rights (Ecuador)
- Disease & weather
- Lack of major sustainability projects
- Absence of major cocoa companies



Latin America: Solution to the Structural Deficit?

With around 10% annual growth Peru & Ecuador have capacity to add around 40,000 MT per year.

-> this is equal to 1% of global production

Colombia and Brazil also have potential but high local consumption.

Cocoa industry can learn from Latin American producers and might still be too focused on West Africa alone.

A pile of white, oval-shaped pills is scattered across the bottom half of the image. The pills are out of focus, with some in the foreground appearing sharper than others. The background is a plain, light gray.

Questions?

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