"There is a possibility this development has not yet been fully factored in."

Now that Ivory Coast is moving back to relative stability, large supplies will hit the market. Jean-Marc Anga, head of the ICCO, says a lot of this is yet to be reflected in prices. **By Emile Mehmet**

RECENT violence in top cocoa producer Ivory Coast has caused some to forget that the country, like many of its cocoa-producing neighbours, is expecting its biggest crop in several years.

A healthy output increase in West Africa, which produces over half of the world's cocoa, will contribute to an 8% rise in global output this season, according to the International Cocoa Organisation (ICCO).

"We expect an increase in the world cocoa production to over 3.9m tonnes for the current season," said Jean-Marc Anga, executive director of the ICCO. This figure is up by around 300,000 tonnes compared with last season.

Similarly, demand for cocoa is expected to rise by about 100,000 tonnes (an increase of 2.8% year-on-year) to almost 3.8m tonnes, meaning a cocoa surplus this year of 119,000 tonnes.

"While the cocoa sector has suffered from a lack of beans in past months as a result of the export ban in Ivory Coast, the end of the political impasse in the country as well as the good prospect for the mid-crop in West Africa is going to significantly improve the supply situation, with large quantities of cocoa flowing into the market in the coming months," noted Dr Anga.

Ivory Coast is slowly recovering from a violent post-election power struggle, which ended two weeks ago with the arrest of former president Laurent Gbagbo.

Two main effects of unrest

Recent unrest in the country has had two major negative effects. "Firstly, it exacerbated, to some extent, the shortage of cocoa on the world market. Indeed, the cocoa market experienced three supply deficits over the past four cocoa years. However, the impact of the recent crisis in Ivory Coast would have been more dramatic if it had happened earlier in the season. At the height of the crisis in February 2011, a relatively large share of the total output had already been exported," said Dr Anga, who is Ivorian himself.

There have also been concerns over the quality of stored beans during the conflict. "This is because the industry could not properly carry out its functions – proper fermentation, drying and storage of beans – during the turmoil."

Cocoa can be stored for years before its quality deteriorates, as long as the storage conditions "follow best known practices". The real impact of the crisis on cocoa quality will become apparent in the next few months, Dr Anga predicted.

Although cocoa farmers had already sold a large share of their expected annual output, the restrictions on the country's exports have impacted Ivorian farmers' incomes. Exporting companies have been reducing their purchases of Ivorian cocoa and have also been offering a lower price to farmers "due to lower competition for purchases, quality concerns and the risk the exporters face".

"The reorganisation of the logistics and finances – tax and customs procedures, checking the quality of cocoa stocks, reopening of banks – will not take a long; maybe a few weeks. However, it is too early to evaluate the impact of the crisis on the overall production picture in the country, especially considering the displacement of rural populations in some key cocoa-growing regions in the West and in the Centre-West."

Prices on the international market have declined significantly to a four-month low, after hitting an eight-month high in March, and Dr Anga tipped the market to fall further still.

"The recent fall in cocoa prices is the reaction of the market to the lifting of the export ban that was in place in Ivory Coast and the prospect of a more stable political outlook in the country. We believe that there is still room for further reduction in prices as large quantities of cocoa start flowing into the market in the coming months.

"We have now entered the mid-crop harvest period, which is expected to be large in West Africa, and the large volume of cocoa stored in Ivory Coast during the period of the export ban will be made available to the market. There is a possibility that this development has not yet been fully factored in by the market due to remaining uncertainties."

However, this price outlook will also depend on the expectations for the next 2011/12 main crop. Although weather conditions have been favourable, at this early stage, it is not yet clear if cocoa output in West Africa will match the current one which benefited from excellent weather conditions.

Huge demand potential

Looking to the future, Dr Anga pointed to growing economies having "huge potential" for increased cocoa consumption.

"As the second largest global economy, with a population of over 1.3bn, China holds huge potential in terms of chocolate confectionery consumption. This sector in China is very dynamic, with demand in urban areas growing rapidly," he said.

According to ICCO estimates, a population of about 300m people has a purchasing power of about $10,000 per capita per year. "This is the result of the staggering economic growth which occurred in China in the past decade. This strong demand has encouraged international companies to enter or further invest in the Chinese market," said Dr Anga.

However, there is still much to be done before the country can realise its full potential, as the average price of a chocolate bar is currently comparable to the cost of a whole meal in many parts of the country. Indeed, cocoa consumption per capita is still very low in China (about 0.035kg), while most chocolate products consumed are generally of low cocoa content.

"But assuming that in five years, China has a cocoa consumption pattern similar to Japan (1.2kg per capita), consumption will reach a level of over 180,000 tonnes a year from about 50,000 tonnes presently. This is an opportunity that we believe cocoa-producing countries will be keen to tap into," concluded Dr Anga.

PEOPLE AND PLACES

THE **US Grains Council** (USGC) has appointed **Alvaro Cordero** (pictured), previously manager of international operations-marketing, as its DDGS manager, replacing Daniel Keefe who left earlier this year. **Kevin Roepke**, commodity trader at US agribusiness Archer Daniels Midland, will join the USGC to fill Mr Cordero's previous role, which focussed on sorghum.

INFORMA Economics has added **Roger Bernard**, a 25-year veteran of agriculture and trade policy having spent much of that at *Pro Farmer Newsletter* and *Farm Journal Magazine*, as policy analyst. He will be paired with Jim Wiesemeyer, senior vice president at Informa Economics, to bring a new broad-based policy orientated service called Issue Monitor to clients.

MARTIN Taylor (pictured), **Peter Thompson** and **Felix Weber** have been re-elected to the board of directors at **Syngenta** for two-year terms of office. **Rolf Watter** has been re-elected for a one-year term.

ATUL Chaturvedi, chief executive of Adani Wilmar, looks set to head up a joint venture with NK Industries to set up a castor processing plant. The new company, **AWN Agro**, will commence operations from May 1, drawing on existing infrastructure to process over 3,000 tonnes of castor per day.

MEMBERS of Kenya's **Othaya Coffee Farmers Co-operatives Society** have re-elected **Newton Mwangi** as chairman, **Andrew Githae** as vice chairman, **David Mwangi** as treasurer and **Francis Wanderi** and **John Thumbi** as committee members.

BONA Coffee Holdings said on Monday that it has appointed **Rich Cabael** as president and chief executive. Mr Cabael has broad experience in the liquor industry, most recently starting up his own firm VuQo.