Asia production: can we still be optimistic?

World Cocoa Conference
Punta Cana, 24 May 2016
Asian Cocoa crop is very concentrated...

Cocoa Production (14/15)

Source: Olam Research
Grindings are less so...

Cocoa Grindings (14/15)

Source: Olam Research
... Consumption is more spread out

Cocoa Products Use, bean-equivalent
(14/15)

Source: Olam Research
Asian Cocoa mismatch (1)

Asia’s share

2004/05 → 2014/15

Global Production:
- 2004/05: 630TMT / 18%
- 2014/15: 395TMT / 9%

Global Grind:
- 2004/05: 550TMT / 16%
- 2014/15: 760TMT / 18%

Global Consumption:
- 2004/05: 315TMT / 9%
- 2014/15: 540TMT / 13%

Source: Olam Research
Asian Cocoa mismatch (2)

Asia: 5-year CAGR

- Production: -10%
- Grindings: +3%
- Consumption: +6%

Source: Olam Research
Indonesia by far the largest cocoa producer in Asia...

Cocoa Production in Asia (14/15)

Source: Olam Research
... but no longer a net exporter of beans...

Source: Indonesian trade data, Olam Research
... as production is declining

- Indo crop on a downtrend since 10/11. Increased pest & disease pressure led to poor yields and conversion to other crops
- 15/16 crop seen at 260TMT mostly due to drought and further abandonment of cocoa by local farmers
- This would be 55% below the 05/06 peak
Adverse weather conditions
Indonesia on same track as Brazil or Malaysia – but how far?

Source: ICCO, Olam Research
What to expect from other Asian origins?

- PNG crop still feeling the impact of CPB infestation that decimated farms between 2008-2013. VSD also present. Recovery unlikely.
- Indian production meets less than 50% of the domestic demand. Crop is flattish. Import duties should encourage higher crop but low farmer’s interest
- Production in other Asian origins very small and not really growing
Meanwhile, cocoa consumption in Asia is growing fast

- 10-yr CAGR at +5.5% despite 5% drop in 14/15. Consumption doubles every 13 years
- If we exclude DM, growth exceeds 9% p.a. Consumption doubles every 8 years only
- Therefore, 900 TMT by 24/25 appears conservative
Regional deficits will continue to increase

- Asia’s **BEAN** surplus vanished in 06/07. Structural deficit since 10/11.
- This deficit may stabilize in the short term, but probably not in the long term.
- Transition from a **COCOA** surplus to a **COCOA** structural deficit more recent but also faster. Going forward, this deficit will continue to increase. Eventually, Asia will become a net importer of cocoa products.
THANK YOU