

# Benefiting from Objective Observations

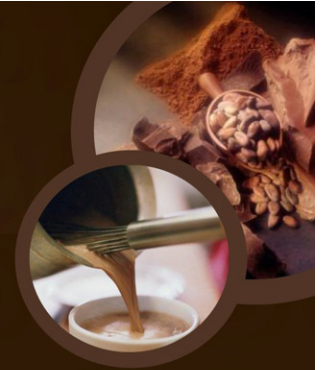
Judith Ganes  
President  
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World Cocoa Conference  
Nov. 19-23, 2012



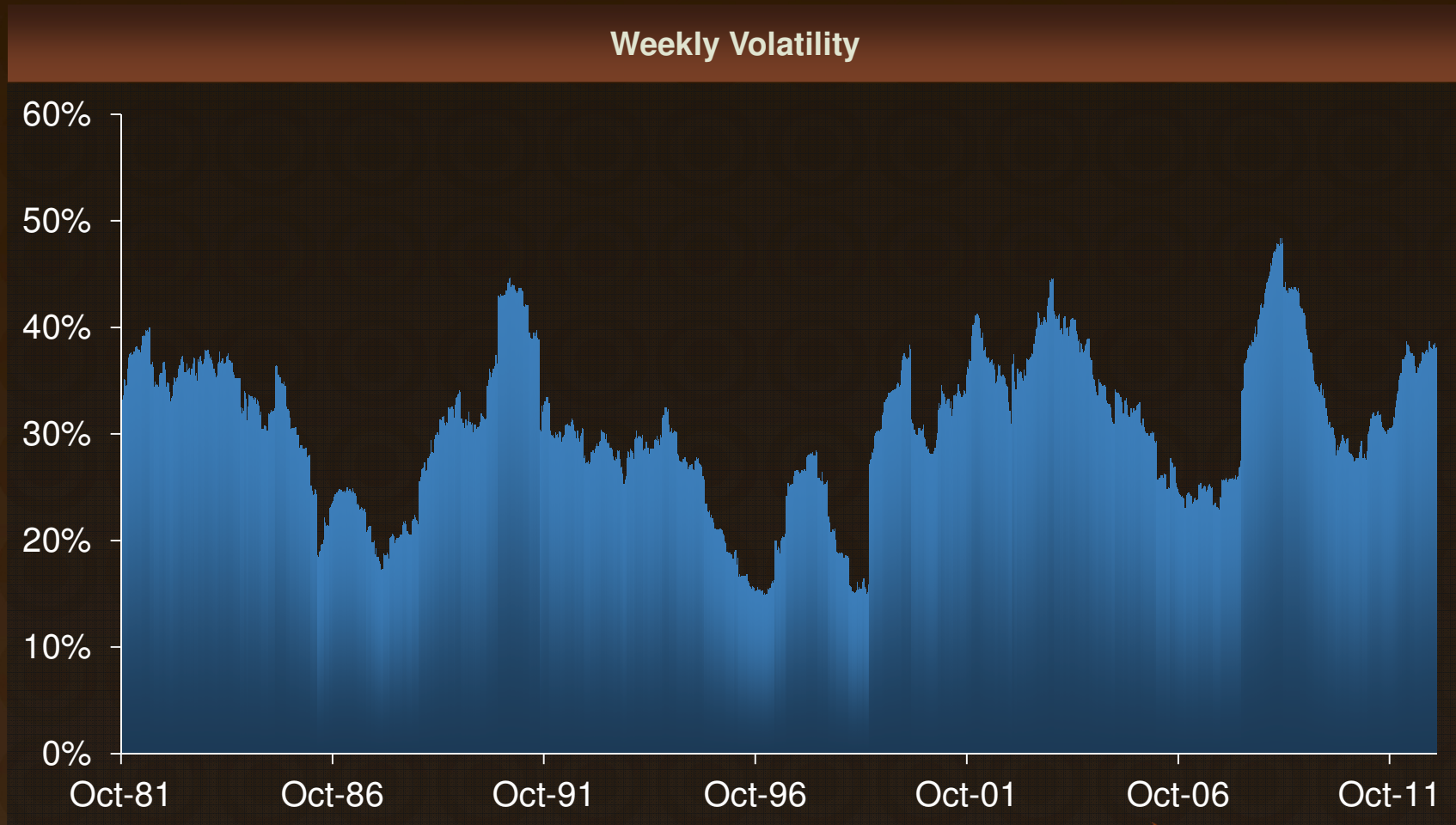
 J. GANES CONSULTING, LLC

# How Justified are Fears of a Supply Shortfall?



- **Fear of a major supply shortfall of 100,000 or 200,000 tons remains an almost yearly concern due to underestimating output and / or overstating demand**
  - **Supply shortages of this magnitude are relatively rare**
    - **In the past 60 years:**
      - **11 years have had supply deficits which exceeded 5% of use (Equivalent to 200,000 for 12/13)**
      - **15 years have had supply deficits which exceeded 2.5% of use (Equivalent to 100,000 for 12/13)**
- **The impact will primarily be felt in continued volatility**
  - **Estimates continue to show similar margins of error to 30 years ago**
  - **Increased concentration of production in west Africa will elevate weather worries**

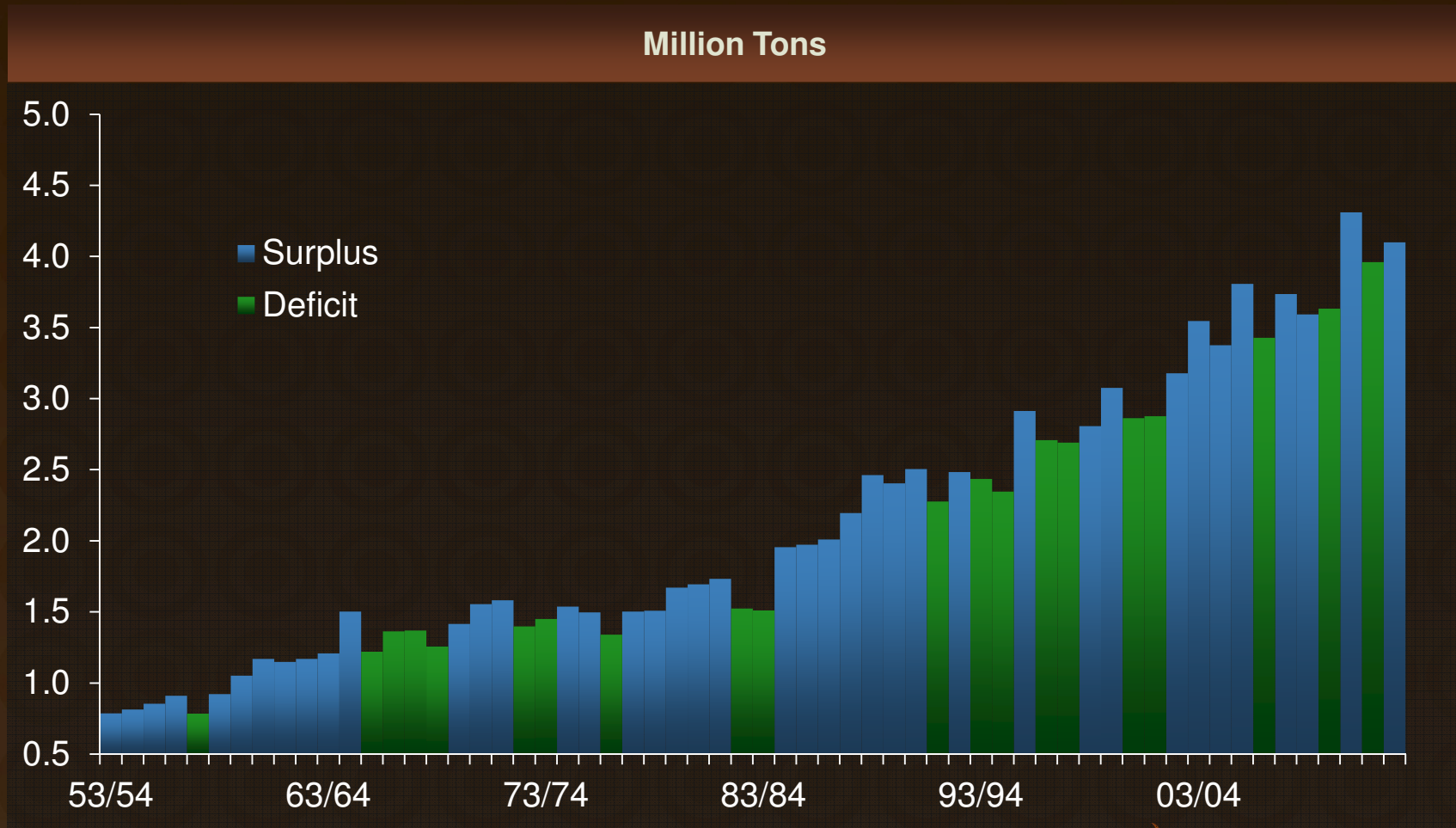
# Volatility Has Remained In A Tight Range For The Past 30 Years



Source: Futuresource

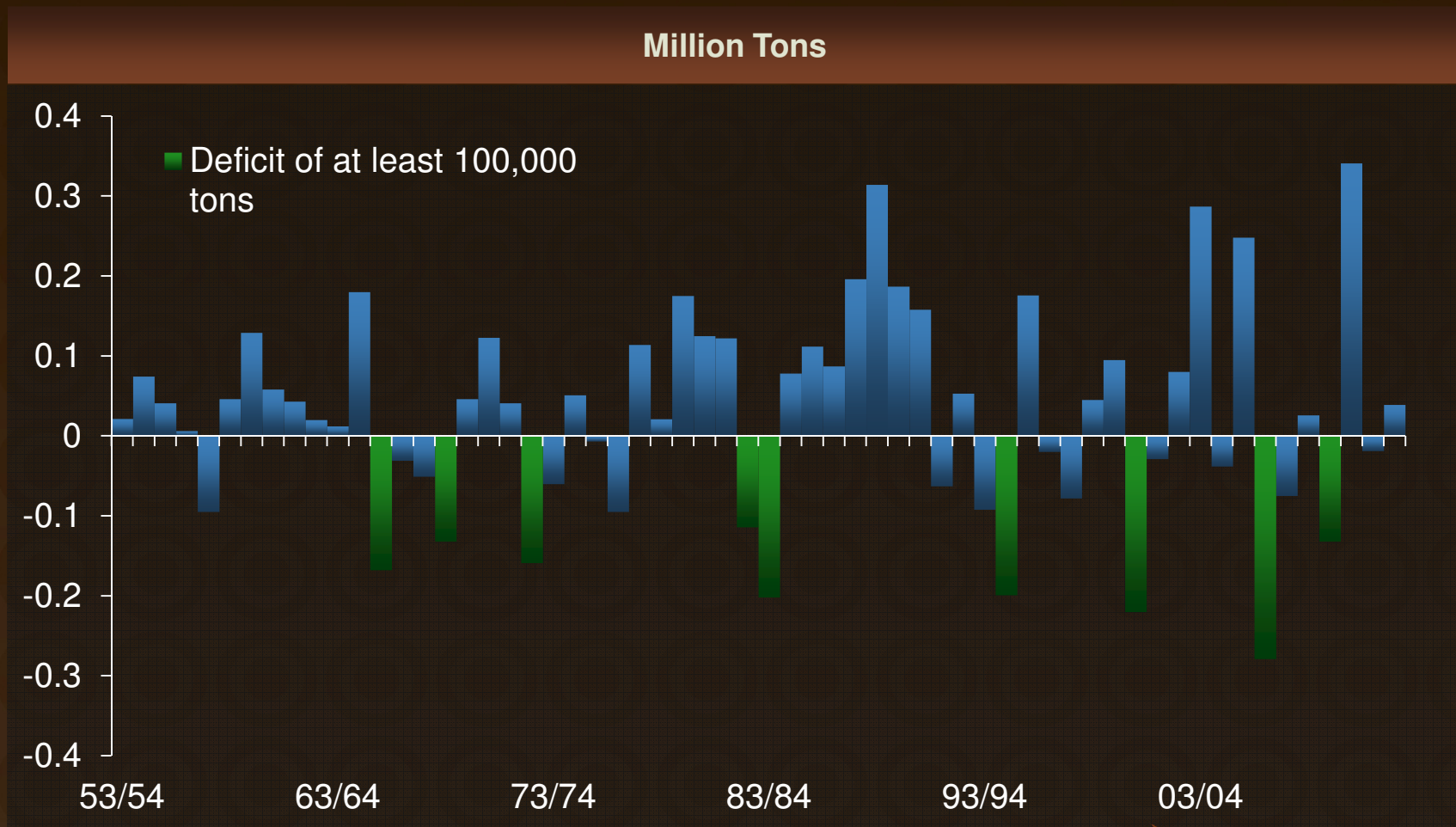


# Only 20 Of The Past 60 Cocoa Crops Resulted in Deficit Years



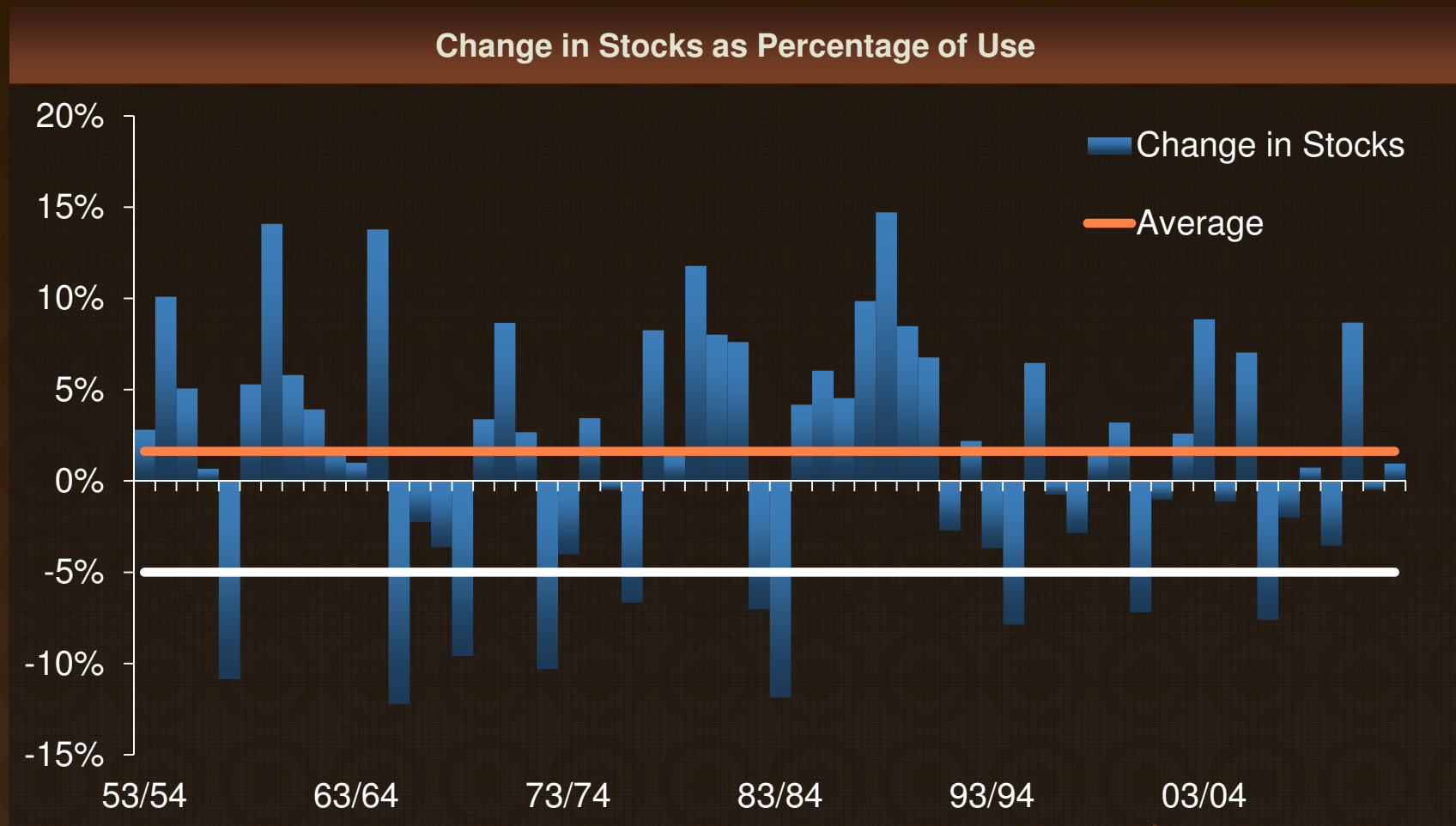
Source: USDA, J. Ganes Consulting

# And In Only 9 Years Did The Deficit Exceed 100,000 Tons



Source: USDA, J. Ganes Consulting

# Shortfalls Of Above 5% Of Use Are Infrequent



Source: USDA, J. Ganes Consulting



# Refocusing on Grind Data and Commercial Use

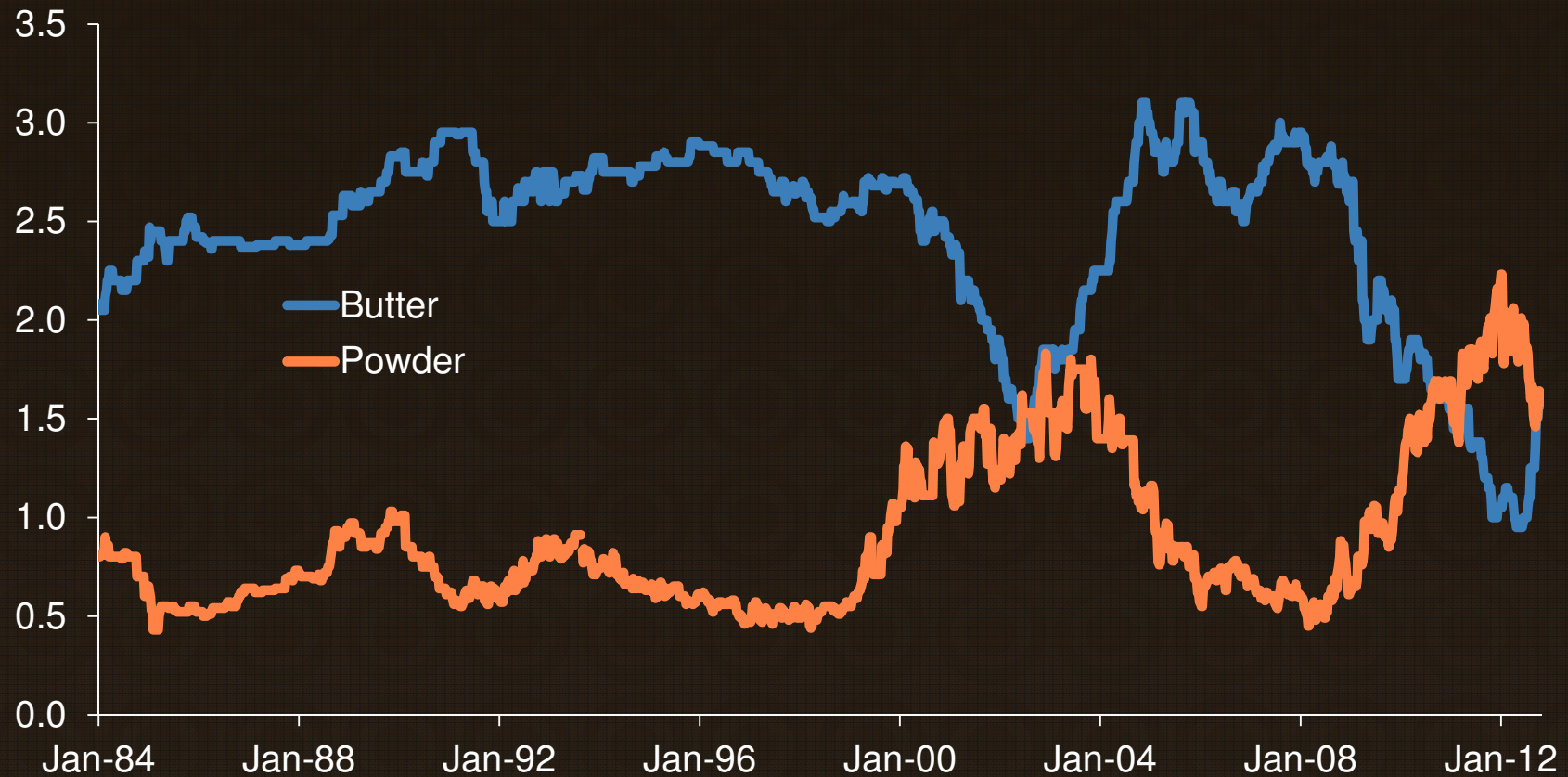


- **Emphasis continues to be placed on anything from package size, fat content, to health concerns to address growth in demand**
- **Ingredient product pricing may be a better indicator of the direction of demand**
  - **A combined ratio of cocoa powder and cocoa butter of 3.0 to 3.2 should be sufficient for commercial users to continue to grind**
  - **Grind profitability has drifted from its highs in 2004 and 2005 and the floor which would spur demand has dropped from 3.2 to around 3.0**
  - **Large decrease in grindings, such as in 01/02 and 08/09, at times of combined ratios around 2.8.**
  - **Current combined ratios have rebounded from a low of 2.72 in September to 3.17 in October**

# Cocoa Butter Supply Weighed On Price Ratio But Recovering in Late 2012



Cocoa Butter and Powder Ratios



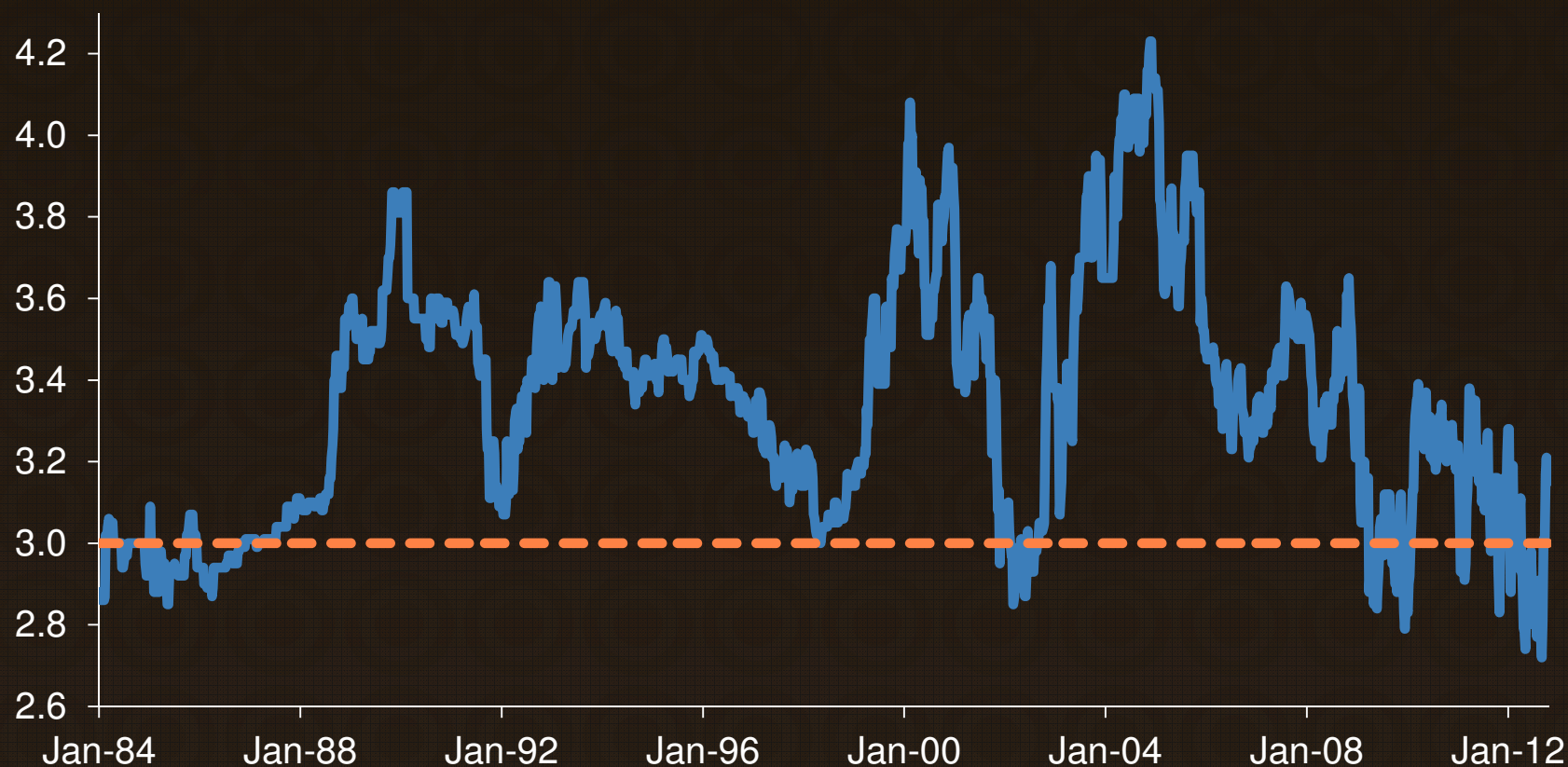
Source: Milling & Baking News



# A Combined Ratio of 3 Should Be a Floor For Grinding Growth



Combined Cocoa Butter and Powder Ratio

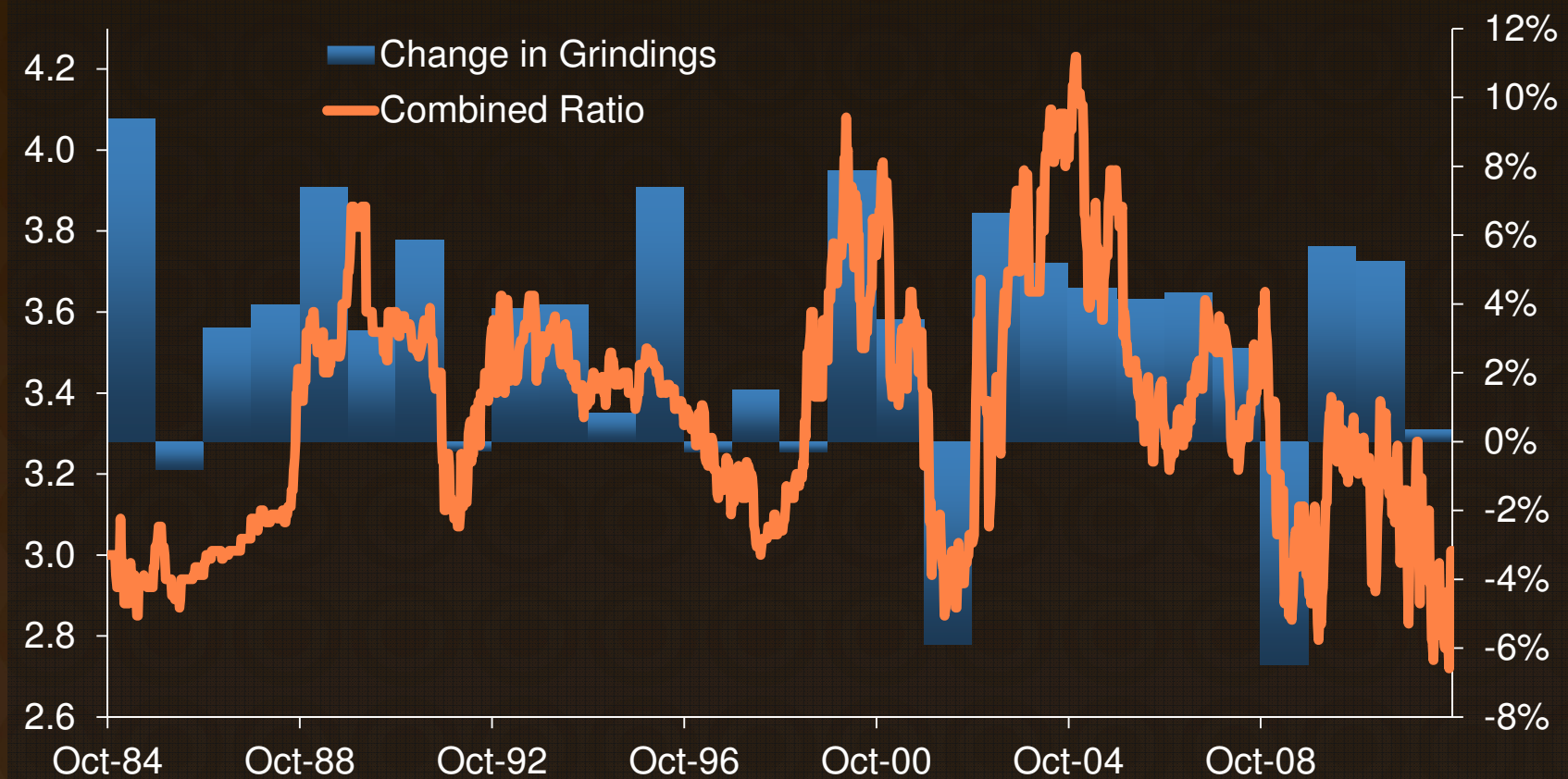


Source: Milling & Baking News

# Largest Grind Declines in 01/02 and 08/09 Coinciding With Dip of Combined Ratio



Cocoa Butter and Powder Ratios with Percentage Change in Grinding



Source: Milling & Baking News, ICCO



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