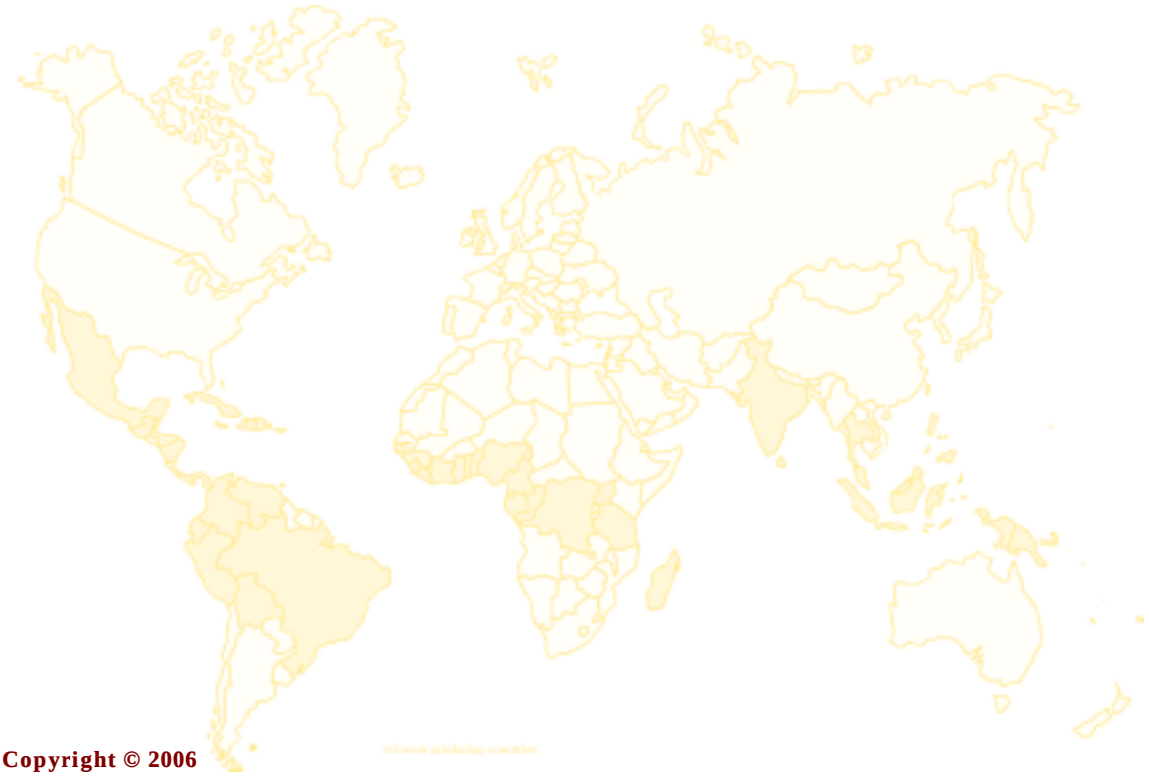
International Cocoa Organization

Annual Report

2004/2005



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Contents

1. OBJECTIVES

The International Cocoa Organization (ICCO)

The International Cocoa Organization (ICCO) was established in 1973 under the auspices of the United Nations to administer the provisions of the International Cocoa Agreement, 1972 and its successor Agreements of 1975, 1980, 1986, 1993 and 2001. The Agreements were concluded among the Governments of the vast majority of cocoa-producing and cocoa-consuming countries at conferences convened by the United Nations Conference on Trade and Development (UNCTAD). In March 2001, the Sixth International Cocoa Agreement was concluded in Geneva, Switzerland, and came into force on 1 October 2003.

Since the International Cocoa Agreement, 2001 came into effect, the Organization has had an explicit mandate to work towards a "sustainable cocoa economy". For the ICCO, "sustainability" has the dimensions of an economic, environmental and social nature. The concept thus encompasses all major areas of interest and concern to the participants in the world cocoa economy, from the provision of good planting material to the payment of remunerative prices to farmers. All major areas of policies in the 2003/04 cocoa year can be considered under the umbrella of sustainability.

The primary objective of the International Cocoa Organization is to foster international co-operation for cocoa by providing a world-wide forum, contributing to market stabilization and assurance of supplies at reasonable prices, promoting transparency in the cocoa market and promoting scientific research and development and acting as an independent credible source of information with authority.

The designation of the ICCO as the International Commodity Body (ICB) for cocoa by the **Common Fund for Commodities** (**CFC**) provides an additional means of promoting the long-term stabilization aims of the International Cocoa Agreement, 2001.

The ICCO has also developed its role as a centre of information, thereby facilitating the exchange and dissemination of data, emphasizing its function as the most appropriate forum for discussion between producer and consumer governments and the trade and industry, regarding all matters concerning

The Common Fund for Commodities (**CFC**) is an autonomous intergovernmental development and financial institution, established within the framework of the United Nations. The objective of the Fund is to enhance the socio-economic development of commodity producers.

www.common-fund.org

cocoa, cocoa products and chocolate products. An important part of this role is the production of the 'Quarterly Bulletin of Cocoa Statistics' and the 'World Cocoa Directory'.

Under a renewed provision, the ICCO will enhance its co-operation with other international organizations and research institutions to encourage and promote scientific research and development in areas of cocoa production, processing and consumption.

In pursuing the objectives of the International Cocoa Agreement, 2001, Members shall, within the appropriate framework, encourage greater participation of the private sector in the work of the Organization. To that effect, the latest Cocoa Agreement provided for the establishment of a Consultative Board on the World Cocoa Economy, consisting exclusively of private sector representatives from both the cocoa producer and cocoa consumer countries.

2. STRUCTURE AND FUNCTIONING OF THE ICCO

Membership

The International Cocoa Council is the controlling body of the International Cocoa Organization. It is composed of all the contracting parties to the International Cocoa Agreement, 2001. It directs the secretariat in the implementation of the new Agreement and oversees the operation of its subsidiary bodies. A detailed organizational chart is contained in **Annex I**.

As at 30 September 2005, the Council consisted of 13 producer/exporter Members and 27 consumer/importer Members.

Membership of the International Cocoa Agreement, 2001
(as at 30 September 2005)

EXPORTING COUNTRIES	IMPORTING COUNTRIES			
Brazil	European Community			
Cameroon	*Austria*	*Germany*	*Poland*	Russian Federation
Côte d'Ivoire	*Belgium*	*Greece*	*Portugal*	Switzerland
Dominican Republic	*Luxembourg*	*Hungary*	*Slovakia*	
Ecuador	*Cyprus*	*Ireland*	*Slovenia*	
Gabon	*Czech Republic*	*Italy*	*Spain*	
Ghana	*Denmark*	*Latvia*	*Sweden*	
Malaysia	*Estonia*	*Lithuania*	*United Kingdom*	
Nigeria	*Finland*	*Malta*		
Papua New Guinea	*France*	*Netherlands*		
Togo				
Trinidad and Tobago				
Venezuela				

Council and Subsidiary Bodies

During the 2004/05 cocoa year, the **International Cocoa Council** held three regular and two special sessions. The Council was chaired by Mr. Simon Pierre Essomba Abanda (Cameroon). The spokesman for Producers was Mr. St.-Cyr Djikalou (Permanent Representative of Côte d'Ivoire to International Commodity

Organizations, based in London, the United Kingdom). The spokesman for Consumers was Mr. Hagen Streichert (Representative of the Federal Ministry of Consumer Protection, Food and Agriculture, based in Berlin, Germany).

The special sessions of the Council dealt mainly with the issue of relocation of the Organization and the selection of a new Executive Director.

In March 2005, the Government of Ecuador hosted the 71st regular session of the International Cocoa Council and subsidiary bodies in Guayaquil (Ecuador). The Council thanked the Government of the Republic of Ecuador for its generous hospitality and expressed its profound appreciation for the active participation of its Ministers at the highest level during the meetings. Delegates had the opportunity to visit the *Instituto Nacional Autónomo de Investigaciones Agropecuarias* (INIAP) in Quevedo and plantations along the Guayas river.

The **Executive Committee**, which deals mainly with financial and administrative matters, held four meetings during the 2004/05 cocoa year. Mr. Brendan Nevin (Ireland) was the Chairman of the Executive Committee.

One of the striking innovations of the International Cocoa Agreement, 2001 was the establishment of the **Consultative Board on the World Cocoa Economy.** The programme of the Board covers the areas of cocoa consumption, processing of cocoa beans into intermediate cocoa products, marketing of cocoa beans, post-harvest treatment of cocoa beans and training, and cocoa farm establishment and cultivation.

The **Consultative Board of the World Cocoa Economy** developed a very ambitious work programme for the 2004/05 cocoa year. Among other issues, the Board discussed European direct taxes on cocoa and worldwide customs tariffs on cocoa beans, cocoa semi-finished products, and chocolate. The Board emphasized the high level of indirect taxes in the selected countries but highlighted the progress made during the past years by the international community in reducing the level of customs tariffs on cocoa-related products. The Board also reviewed the Market Information Systems (MIS) in the major cocoa-producing countries, the “fair-trade” market and the methodology to collect information on the cost of production and commercialization of cocoa beans in selected countries.

Another important innovation of the new Agreement was the creation of the **Market Committee.** The main objective of the Committee is the achievement of a balanced development of production and consumption to secure a sustainable equilibrium between supply and demand. To this end, the Committee held two meetings during the cocoa year and deliberated on the cocoa market situation, annual forecasts of production and consumption, indicative production levels, remunerative prices, cocoa substitutes, and the global supply and demand of cocoa. The **Market Committee** also reviewed in detail the guidelines for the annual collection of information on all relevant measures related to the production and processing of cocoa beans as well as on all relevant measures related to cocoa and chocolate consumption in member countries.

The **Promotion Committee** was established under the International Cocoa Agreement, 2001**.** During its fourth meeting, one of the Committee's actions was to re-establish the Promotion Fund. Côte d'Ivoire was the first Member country to make a contribution to the Fund.

The secretariat, with the support of the ICCO **Expert Working Group on Stocks**, conducted successfully its fifth regular annual survey on European warehouse stocks of cocoa beans and published its regular assessment of world stocks of cocoa beans identified by locations. It also decided to scrutinize the quality of ICCO estimates of statistical cocoa bean stocks through the establishment of a panel of experts.

The **Expert Working Group on Quality** met to consider several issues and possible action on cocoa quality, including progress in the development and implementation of the Total Quality Project; and the implementation of the Resolution on International Standards for Jute Bags used for exporting cocoa beans. Dr. Martin Gilmour of Masterfoods made a presentation on the changing pesticides legislation, the potential effects of such legislation on EU cocoa imports and the work and objectives of the Joint Pesticides Working Group, composed of representatives of CAOBISCO, the European Cocoa Association and the Federation of Cocoa Commerce Ltd.

Article 46 of the International Cocoa Agreement, 2001 stipulates that the International Cocoa Council shall, following entry into force of the Agreement, review Annex "C" of the Agreement. To this end, the Council decided to seek expert advice.

The Acting Executive Director invited specialists in the production and trade of fine or flavour cocoa beans, and production of chocolate to participate in an ***Ad hoc* Panel of Experts on Fine or Flavour Cocoa**. The Chairman of the Panel reported to the Council on the findings and recommendations of the Panel and the Council accepted these recommendations, adopting a revised list of countries contained in Annex "C" of the International Cocoa Agreement, 2001. The countries included in this revised list are Colombia (100%)*, Costa Rica (n.a.)*, Dominica (n. a.)*, Ecuador (75%)*, Grenada (100%)*, Indonesia (1%)*, Jamaica (100%)*, Madagascar (100%)*, Papua New Guinea (25%)*, Peru (n.a.)*, Saint Lucia (100%) *, São Tome and Principe (35%)*, Trinidad & Tobago (100%)* and Venezuela (75% or 100%)*.

(*) Percentage of total export considered Fine Flavour.

Secretariat

The secretariat of the ICCO assisted the Council throughout the year in implementing the International Cocoa Agreement, 2001. As at 30 September 2005, there were nine Professional and Higher category staff members and nine General Service category staff members. During the year, one new staff member in the Professional and Higher category and three General Service category staff joined the Organization (see **Annex II**). The Organization reduced the number of temporary staff members by two.

Administrative Budget and Accounts for 2004/05

At its 70th regular session held in September 2004, the Council approved the Administrative budget for the 2004/2005 cocoa year (see **Annex III**).

Total expenditure of £1,764,729 was projected for 2004/2005. This was to be financed by Members' contributions of £1,696,153, representing a contribution per vote of €1,272.11 (£848.08), interest on the Special Reserve Fund, bank interest, sale of publications and other income.

Actual expenditure for the 2004/2005 cocoa year was £1,763,968. Members' contributions amounted to £1,699,333. This resulted in income exceeding expenditure by £146,639, after including interest earned, the sale of publications, foreign exchange gains and other income.

Net assets of the Organization amounted to £2,300,647 as at 30 September 2005, financed by £1,431,747 from the Special Reserve Fund and £868,900 from the Revenue Reserve Fund. The audited balance sheet as at 30 September 2005 and the audited income and expenditure account for the year ended 30 September 2005 are shown in **Annexes III and IV** of this report.

ICCO Publications

During the 2004/2005 cocoa year the following ICCO titles were published:

Quarterly Bulletin of Cocoa Statistics
Volume XXXI No.'s 1-4

World Cocoa Directory 2005/06

The 2003/2004 Annual Report

Major events in the 2004/05 Cocoa Calendar

The following is a list of the major events that took place in the 2004/05 cocoa year:

Major Events in the 2004/2005 Cocoa Year		
October	*Eurochocolate Festival*	Perugia (Italy)
October	*Salon du Chocolat*	Paris (France)
December	*Meetings of the International Cocoa Council (29th special session) and subsidiary bodies*	London (UK)
January	*Köln Confectionery Fair (Süsswarenmesse)*	Cologne (Germany)
March	*Chocoa Fair*	Brussels (Belgium)
March	*Meetings of the International Cocoa Council (71st regular session) and subsidiary bodies*	Guayaquil (Ecuador)
March	*Consultative Board on the World Cocoa Economy (4th meeting)*	Guayaquil (Ecuador)
June	*Meetings of the International Cocoa Council (30th special session) and subsidiary bodies*	London (UK)
June	*Consultative Board on the World Cocoa Economy (5th meeting)*	London (UK)
July	*Malaysian International Cocoa Conference*	Kuala Lumpur (Malaysia)
September	*Meetings of the International Cocoa Council (72nd regular session) and subsidiary bodies*	London (UK)
September	*Consultative Board on the World Cocoa Economy (6th meeting)*	London (UK)

3. THE WORLD COCOA MARKET

Production

After successive increases in production during the previous two cocoa seasons, world production of cocoa beans declined by seven per cent to 3.3 million tonnes in 2004/05 compared to the all-time high of 3.5 million tonnes produced in 2003/04. Most of the decline in global output resulted from lower production in the two leading cocoa producing countries – Côte d'Ivoire and Ghana which suffered from poor growing conditions generally experienced in West Africa during the development of the main crop in the summer of 2004.

However, the final West African output was improved by the inclusion of beans from the 2005/06 main crop harvested during the tail end of the 2004/05 cocoa year. Production in Côte d'Ivoire fell from 1.41 million tonnes in 2003/04 to 1.27 million tonnes in 2004/05. In Ghana, cocoa bean output declined from 740,000 to 590,000 tonnes in 2004/05 despite a continued Government backed mass spraying programme to limit losses from pests and diseases. In addition to the weather induced setback in production, low farmgate prices in Côte d'Ivoire affected levels of husbandry and fertilizer inputs.

Production of cocoa beans (thousand tonnes)

	2000/01		2001/02		2002/03		2003/04		2004/05	
Africa	**1948**	**68.2%**	**1952**	**68.1%**	**2229**	**70.4%**	**2544**	**72.2%**	**2309**	**70.2%**
Cameroon	133		131		160		162		180	
Côte d'Ivoire	1212		1265		1352		1407		1273	
Ghana	395		341		497		737		586	
Nigeria	177		185		173		175		190	
Others	31		30		47		63		80	
America	**423**	**14.8%**	**378**	**13.1%**	**428**	**13.5%**	**461**	**13.1%**	**445**	**13.5%**
Brazil	163		124		163		163		171	
Others	260		254		265		298		274	
Asia & Oceania	**487**	**17.0%**	**539**	**18.8%**	510	**16.1%**	**516**	**14.7%**	**534**	**16.3%**
Indonesia	392		455		410		420		435	
Malaysia	35		25		36		34		33	
Others	60		59		64		62		66	
World total	**2858**		**2868**		**3167**		**3522**		**3289**	

Notes : Totals and differences may vary due to rounding.
Source: ICCO Quarterly Bulletin of Cocoa Statistics. Vol. XXXI No. 4. Cocoa year 2004/05

Consumption

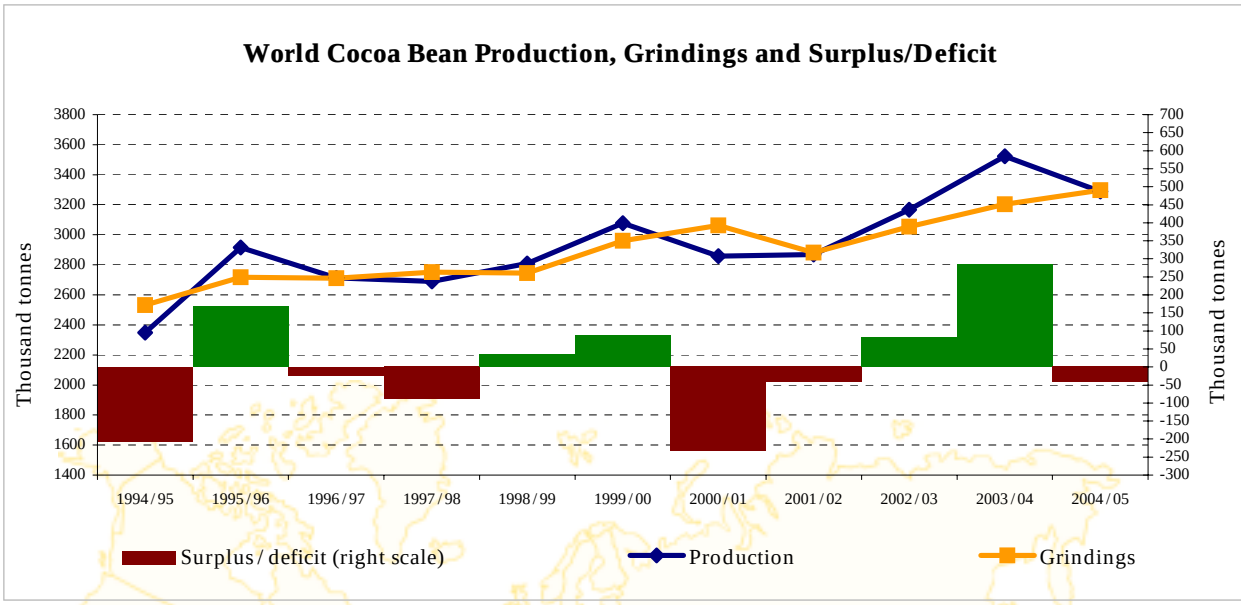
World consumption of cocoa beans, as measured by grindings, increased by three per cent to 3.3 million tonnes in the 2004/05 cocoa year, compared to an increase of five per cent in 2003/04 and six per cent in 2002/03. Strong demand for cocoa butter increased growth in processing during 2002/03 and 2003/04.

However, the comparatively low demand for cocoa powder during this period compelled companies to adjust their rate of processing in 2004/05 to accommodate the resultant build-up of cocoa powder stocks, low powder prices and reduced processing margins. In regional terms, Europe remained the largest cocoa-processing region with its share increasing moderately from 42% in 2003/04 to 43% in 2004/05.

The share of the America's and Africa remained unchanged at 26% and 14% respectively in 2004/05. By contrast, grindings in Asia and Oceania fell slightly from 18% in 2003/04 to 17% in 2004/05. Grindings at origin are estimated at 1.18 million tonnes in 2004/05, representing a nominal growth of 22,000 tonnes from 2003/04. Côte d'Ivoire and Malaysia remained the top processing countries among the cocoa producing countries and accounted for more than 46% of origin grindings. Grindings in the cocoa importing countries were estimated at 2.12 million tonnes. The Netherlands and the United States were the principal processing countries, each processing over 400 thousand tonnes during the year.

Consumption / Grindings of cocoa beans (thousand tonnes)										
	2000/01		2001/02		2002/03		2003/04		2004/05	
Europe	**1377**	**45.0%**	**1282**	**44.5%**	**1323**	**43.3%**	**1350**	**42.1%**	**1405**	**42.6%**
Germany	227		195		193		225		235	
Netherlands	452		418		450		445		460	
Others	698		669		680		680		710	
Africa	**421**	**13.7%**	**422**	**14.6%**	**446**	**14.6%**	**452**	**14.1%**	**469**	**14.2%**
Côte d'Ivoire	285		290		300		320		330	
Others	136		132		146		132		139	
America	**845**	**27.6%**	**762**	**26.5%**	**804**	**26.3%**	**838**	**26.2%**	**852**	**25.8%**
Brazil	195		173		196		205		211	
United States	456		403		410		410		419	
Others	194		186		198		223		222	
Asia & Oceania	**419**	**13.7%**	**415**	**14.4%**	**481**	**15.8%**	**563**	**17.6%**	**573**	**17.4%**
Indonesia	87		105		115		120		115	
Malaysia	125		105		135		200		210	
Others	207		205		231		243		248	
World total	**3063**		**2881**		**3053**		**3203**		**3298**	
Origin	**991**	**32.4%**	**965**	**33.5%**	**1062**	**34.8%**	**1156**	**36.1%**	**1178**	**35.7%**

Notes : Totals and differences may vary due to rounding.
Source: ICCO Quarterly Bulletin of Cocoa Statistics. Vol. XXXI No. 4. Cocoa year 2004/05.



Source: ICCO Quarterly Bulletin of Cocoa Statistics. Vol. XXXI No. 4. Cocoa year 2004/05

Stocks

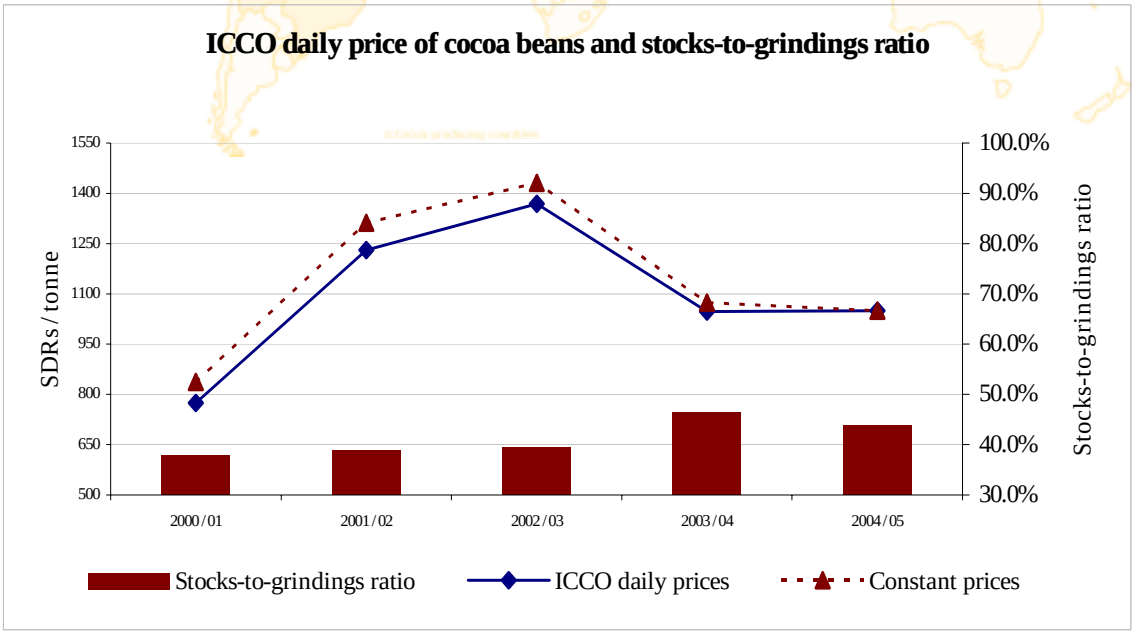
The production surplus in 2002/03 and the exceptionally large crop in 2003/04 had raised world stocks from 1.20 million tonnes in 2002/03 to the highest accumulation of world stocks since 1992/93 at 1.49 million tonnes in 2003/04. The corresponding stocks-to-grindings ratio increased from 39.4% to 46.4%. Following a production deficit in 2004/05, world stocks of cocoa beans have declined to 1.44 million tonnes and reduced the stocks-to-grindings ratio to 43.8%.

Prices

The significance of the stocks-to-grindings ratio is its inverse relation to prices, so that when it is high, prices are low and vice versa. Following the drastic decline in world production in 2004/05 and the consequent reduction in the stocks-to-grindings ratio, the average price of cocoa increased from US$1,534 in 2003/04 to US $1,571 per tonne in 2004/05.

Price movement during 2004/05 was characterized by a large degree of volatility. Political and social events which threatened to disrupt cocoa supplies in Côte d'Ivoire early in the season pushed price to US$1,824 in November 2004. The disruption failed to materialize and prices dropped to US$1,507 in January 2005. However, an expected production deficit in the 2004/05 season combined with renewed tensions in Côte d'Ivoire inspired speculative buying which pushed prices to the highest level recorded since May 2003 at US$1,884 in March 2005.

However, improvement in mid crops in West Africa and renewed hopes of a production surplus put a downward pressure on prices, which fell to US$1,449 in June. Prices remained volatile for the rest of the cocoa year but by end of September, the price of cocoa had returned close to its level at the beginning of the year at US$1,488 per tonne.



Source: ICCO Quarterly Bulletin of Cocoa Statistics. Vol. XXXI No. 4. Cocoa year 2004/05

4. ICCO AND THE WORLD COCOA ECONOMY

Towards a Sustainable World Cocoa Economy

The 2004 / 2005 cocoa year witnessed a concerted effort by the International Cocoa Organization towards the achievement of a sustainable world cocoa economy. Through its subsidiary bodies and committees, the Organization focused on matters related to sustainable cocoa production and sustainable cocoa consumption. In June 2005, the ICCO Consultative Board on the World Cocoa Economy took the initiative to develop a practical framework for the achievement of a "**Sustainable Cocoa Economy: A Comprehensive and Participatory Approach**". This effort would attempt to provide answers to questions such as the definition of "cocoa sustainability"; why it is important to achieve sustainability; how to achieve sustainability; and how to measure the achievement of sustainability. In this connection and as a practical first step, the ICCO has started to establish an inventory of global ongoing projects, programmes and other activities to achieve a sustainable world cocoa economy. A questionnaire was developed to make an inventory of ongoing activities, innovative approaches and successful partnerships to achieve a sustainable world cocoa economy. The questionnaire can be completed from the ICCO website. Through these activities, ICCO wishes to provide the leadership in the debate on a sustainable world cocoa economy by co-operating with other stakeholders to provide the best possible guidance on the ways and means of improving the sustainability of the cocoa sector.

Cocoa semi-products are cocoa butter, cocoa powder, cocoa cake and cocoa paste.

The "**Costs of Cocoa Production**" is an important area of activity which is aimed at improving the understanding of cocoa production and at making it more sustainable. In March 2005, the ICCO secretariat developed an outline of a study to investigate the cost elements and approach to determining the total cost of producing and exporting cocoa in the major cocoa growing regions in the world. The objective of the proposed study is to enable the stakeholders in cocoa producing countries to systematically and uniformly establish the inputs used and the costs incurred to produce and trade cocoa in different areas and under different typical cultivation practices in their respective countries. This study will improve the insight into the net income derived by farmers from cocoa cultivation and our knowledge on the use of farm resources in cocoa production, with a view to enhancing the sustainability of the cocoa economy. It is only when the costs of production are known that a more accurate estimate can be made of the incomes of farmers from cocoa cultivation at given levels of world market

prices and internal taxation. The proposed study will be conducted in Cameroon, Côte d'Ivoire, Ghana, Nigeria, Brazil, the Dominican Republic, Ecuador, and Papua New Guinea. The ICCO secretariat has, since then, worked out the modalities for conducting the study and initiated the sourcing for the funds required to implement the study.

The production of good quality cocoa has always been a top priority issue for the International Cocoa Organization. This has been demonstrated over the years through projects aimed at ensuring that the cocoa produced meets the quality requirements of the industry. With legislative controls on foods becoming ever tighter in many countries, the ICCO has identified a need to provide farmers with advice for them to standardize their post-harvest treatments (fermenting, drying and storage), and to observe best practice in the use of basic technology, so that their produce meets legislative and consumer expectations as a high quality food ingredient. It was in this connection that in March 2005, the ICCO conducted an "**Overview of "Best Practices" in Cocoa Production**". The overview outlined known best practices in cocoa production as related to weed control, insect pest control, disease control, tree pruning, shade control, harvesting of pods, post-harvest handling, fermentation, drying, bagging and storage and finally, quality control. The overview represents a first step in bringing together best practices for producing high quality cocoa in a useful practical format.

Cocoa production and consumption generate considerable revenue for governments in the form of taxes and levies. Taxes have a direct impact on consumption of cocoa and cocoa products and consequently on the sustainability of the cocoa sector. ICCO recognized taxes as a mechanism through which governments can influence the consumption and production sides of the market. As the governments of cocoa consuming countries derive significant tax revenues, including VAT/sales tax, from the chocolate sector, ICCO observed that there would seem to be a case for these taxes to be taken into account in the development of donor strategies for aid programmes to cocoa producing countries. In the first part of 2005, ICCO conducted a review of "**Indirect taxes on Chocolate and Cocoa Products**" faced by chocolate consumers in Europe and in the European Union in particular. The review also considered the major financial flows in the cocoa chain, related to European chocolate consumption, so as to better assess and prioritize any action to improve the welfare of cocoa farmers. It was estimated that about €2.9 billion in indirect taxes were collected by European governments in 2004. It was also estimated that €1.6 billion of ODA (Official Development Assistance) was received by the four West African countries – Cameroon, Côte d'Ivoire, Ghana and Nigeria – which supply about

The survey of initiatives on sustainability in the cocoa sector can be found in the ICCO website under: **http://www.icco.org/projects/survey.html**

90% of the European cocoa imports. ICCO has suggested two possible ways to reduce or eliminate the negative impact of indirect taxes on farmers and producer countries. One option would be to reduce or abolish VAT on chocolate and the second to aim at a "reverse flow" of taxes i.e. increased aid flows to cocoa producing countries and to cocoa farmers.

Closely related to indirect taxes and with similar implications for a sustainable cocoa economy, is the issue of import duties on cocoa and cocoa products, which could reduce consumption and therefore have a negative impact on cocoa prices. High levels of import taxes on cocoa products in developed economies would also constitute a disincentive to the processing of cocoa beans in cocoa producing countries. During the 2004/2005 cocoa year, the ICCO conducted a comprehensive overview and analysis of "**Customs Tariffs on Cocoa Beans, Cocoa Semi-products and Chocolate**" with the aim to collate information on the current levels of import taxes/duties in major markets for an informed debate by the Consultative Board on the World Cocoa Economy, possibly leading to an action plan to solve any problems identified. The analysis gave special attention to the phenomenon of "tariff escalation", so as to establish to what extent this negatively impacts on the efforts of cocoa producing countries to increase the value added element of their exports. The analysis concluded that in the USA, tariff escalation for the African cocoa producing countries is zero, as all tariffs are zero. The same applies in the USA for Mexico and for the semi-products with respect to the other Latin American cocoa producers. In the USA, tariff escalation is zero for Indonesia, but quite significant for Malaysia. In the EU, tariffs are zero for most cocoa producing countries. However, there is high tariff escalation for Brazil, significant escalation for chocolate products from Mexico and significant escalation for all product categories from Malaysia and Indonesia. In the case of Japan, there is significant tariff escalation for all products (except cocoa butter, for which the tariff is zero) from all cocoa producing countries, with the exception of Togo. In the 2005/2006 cocoa year, the ICCO would attempt to estimate the amounts of money collected in the EU, the USA and Japan from the application of these tariffs. It was noted that the likely trade distortions for exports from Malaysia and Brazil as a result of high tariff escalation needed to be considered in more detail.

"Tariff escalation" refers to a situation where tariffs increase with the level of processing of the product.

The availability of market price information is highly important for cocoa producers to achieve economic sustainability of cocoa production. Since 1999, an ICCO project on the Improvement of Cocoa Marketing and Trade in Liberalizing Cocoa-producing Countries has been assisting in the enhancement of the cocoa market information systems in Cameroon, Côte d'Ivoire and

Nigeria. In March 2005, the Consultative Board reviewed a document on "**Market Price Information for Cocoa Producers**". The objective was to assess whether and how cocoa farmers presently receive prices information on cocoa. The review indicated that, while the current market information system in a few cocoa producing countries could be considered as satisfactory, in most countries it would be necessary to improve the existing situation. It was suggested that for a strong and sustainable market price information system, the governments of cocoa producing countries would need to be committed to providing market information as a public service to farmers.

To support the work of the Market Committee, the ICCO secretariat, in September 2005 conducted a study on "**Determinants of Cocoa Prices and the Functioning of the World Cocoa Market**". The aim of the study was to review the determining factors of the supply of cocoa, demand for cocoa and cocoa products and price formation in the world market. The study concluded that the supply of cocoa beans at a certain point in time depended on the number and characteristics of trees planted many years earlier. Changes in production capacity are the result of new plantings, which, in a number of cases are related to migratory movements. For annual decisions on the use of inputs and harvesting, the impact of prices is clear and strong. Short-term supply elasticities are positive, but do not exceed 0.25 in the major cocoa producing countries, for reasons of generally limited use of inputs. Although cocoa bean prices are only a small portion of the final consumer price of many products, demand for cocoa is still sensitive to prices, due to the considerable substitution possibilities of ingredients and products. Final consumer demand for cocoa displays a price elasticity of around –0.2 at world aggregate level; the income elasticity is a substantial 0.85. And finally, there is a stable relationship between prices of cocoa beans on the world markets and the stocks-to-grindings ratio at a global level. Although some years have shown divergences from this pattern, including recent years, the relationship re-emerges time and again after such events.

The 2004/2005 cocoa year also witnessed the establishment of a "**Promotion Fund**" to promote the consumption of cocoa and cocoa-based products. The rules and regulations of the Promotion Fund were agreed upon and the *Bourse du Café et du Cacao* (BCC) in Abidjan announced a contribution of US$ 150,000 from Côte d'Ivoire to the Promotion Fund. During 2004/2005, the ICCO continued its efforts to develop and implement a full-scale generic promotion campaign in the Russian Federation.

In September 2004, the Promotion Committee started

The objectives of the **Bourse du Café et du Cacao** (BCC) in Cote d'Ivoire are to improve the profits of the farmers and to regulate the cacao commercialisation.

www.bcc.ci

active discussions on promotion activities, including a programme of action to counter the negative claims about chocolate and obesity and to promote the positive image of cocoa and chocolate. To provide the Promotion Committee with the basis for developing an action programme for consumption promotion, the ICCO secretariat prepared an "**Inventory of the Health and Nutritional Attributes of Cocoa and Chocolate**". The inventory presented an overview of the health and nutritional properties of cocoa and cocoa products and outlined the main perceived negative concerns regarding cocoa and chocolate.

In August 2005, cocoa producing member countries of ICCO took an important step towards the achievement of sustainable cocoa production. At a workshop held in Accra, Ghana from 2-3 August 2005, cocoa producing countries discussed "**Production Policies for a Sustainable Cocoa Economy**". The deliberations at the workshop resulted in a statement, which articulated strategies for cocoa production and highlighted areas in which further work was required by producing Member countries to achieve a sustainable cocoa economy. These areas were: cocoa consumption, market information, cocoa production programmes and cocoa resources inventories. This initiative has been commended by the consuming Member countries of ICCO.

Sustainable Cocoa Production has, implicitly, always been a principal focus of projects sponsored by the International Cocoa Organization (ICCO). The ICCO has, in co-operation with and support from many institutions and the cocoa private sector, developed and supported a number of projects aimed at promoting a sustainable cocoa economy. In 2004/2005, implementation activities continued in the following projects being supervised by ICCO: Cocoa Productivity and Improvement: A Participatory approach; the Study of the Chemical, Physical and Organoleptic Parameters to Establish the Difference between Fine and Bulk Cocoa; the Pilot Project to Process Cocoa By-products in Ghana; and the Project for the Improvement of Cocoa Marketing and Trade in Liberalizing Cocoa-producing Countries. These projects recorded good progress during the year under review and they are all at different levels of completion.

It is further significant to note that the project on "**The Use of Molecular Biology Techniques in a Search for Varieties Resistant to Witches' Broom Disease of Cocoa**" was successfully completed during the 2004/2005 cocoa year. The project was designed to apply molecular genetics to accelerate the breeding of improved and resistant planting material. Project implementation started in April 2000 and was completed in September 2005.

Crinipellis perniciosa is a fungus that causes **Witches' Broom**, when cocoa trees produce branches with no fruit and ineffective leaves. It has been the cause of production losses in Bahia and some other cocoa growing areas in South America. The pathogen causes a hypertrophic growth of buds to give the characteristics "witches" broom.

2005. Project implementation was carried out in Brazil, Ecuador and Peru. The final project evaluation workshop was conducted at CEPLAC, Brazil from 25 - 29 July 2005. The workshop was attended by representatives from the ICCO, CFC and project stakeholders from Brazil, Ecuador and Peru. The workshop reviewed the results of project implementation and evaluated the efforts at combating the Witches' Broom Disease since its appearance in Brazil in 1989. It is recalled that the Witches' Broom Disease of cocoa appeared in 1916 in Ecuador, in 1930 in Peru and in 1989 in Bahia in Brazil. The disease is caused by the fungus *Crinipellis perniciosa*. Bahia suffered very severe damage from the disease. Early attempts were made to control the disease but it soon became clear that the most effective method was to develop resistant varieties to the disease through breeding. However, conventional breeding methods have two limitations in breeding for new cocoa varieties which needed to be addressed. Firstly, there was a need for a reduction of the long period of time necessary for cocoa breeding, and secondly, there was a need to precisely identify the sources of resistance to ensure that the resistance of the material released to growers was not short-lived. The solution to these limitations rested in molecular biology, a technique applied by the project. Using this technique, molecular markers for resistance to Witches' Broom were identified at the seedling stage, rather than waiting for a lengthy period for the evaluation to be conducted after the trees reach maturity. The techniques that were developed offered high precision in the selection of resistant planting material.

The project resulted in a revival of cocoa production in Brazil. Before the project, the Witches' Broom Disease had caused cocoa production to decline from about 380,000 tonnes to 90,000 tonnes within a decade. The total area under production also declined from 600,000 ha to about 300,000 ha as many farms were abandoned. Cocoa shade trees were felled and farms were turned into pastures. However, after fives years of project implementation, good results had been achieved in all the six technical components of the project. In Brazil, production has, in the meantime, increased from 90,000 tonnes in the pre-project period to more than 160,000 tonnes. Abandoned cocoa farms have been reactivated and the cocoa-grindings industry has recovered. Cocoa farm labourers are being re-employed and there is an increased commercial activity in cocoa farming communities.

Although not initially part of the Witches' Broom project design, the project enhanced preventive research in breeding and pathology before the arrival of a pathogen in a country. Molecular genetics enables a country to conduct preventive research on a pathogen even before

CEPLAC is an organization which is responsible for the economic wellbeing of the cocoa zone in Brazil. It aims to promote competitiveness and sustainability of the agricultural industry and the development of the cocoa growing regions.

www.ceplac.gov.br

it arrives in the country. This was demonstrated in Brazil where scientists have used the techniques in the project to develop resistant varieties to cocoa frosty pod disease caused by *Moniliophthora roreri*. This disease is already causing devastation in Ecuador and Peru and is spreading across the region. The disease has not yet reached Brazil, but Brazil is fully prepared for it.

2004/2005 also witnessed the resumption of the "**Price Risk Management Project**" after preparations for the start of the project had remained "dormant" for a while. To counteract negative repercussions of price fluctuations for farmers, the World Bank took the initiative in the late nineties of searching for systems of price risk management for farmers. In this context, the ICCO drafted a project proposal for training and pilot transactions in price risk management for financing by the Common Fund for Commodities. The budget for the project was almost US$ 1 million and the project was to be implemented in Cameroon, Côte d'Ivoire and Nigeria, over a period of three years. The project proposal was approved by the Common Fund for Commodities in the year 2000.

However, several problems delayed the implementation of the project. Fortunately, in September 2004, the Executive Board of the Common Fund for Commodities decided to explore various avenues to implement the project, in consultation with ICCO. As a result, the Executive Board of the Fund appointed the *Bourse du Café et du Cacao* (BCC) as Project Executing Agency (PEA) and decided to start implementation of the project in Cote d'Ivoire. Towards the end of the 2004/2005 cocoa year, the ICCO secretariat had started to formulate a comprehensive work programme and budget for the implementation of Price-Risk Management activities in Cote d'Ivoire.

It is finally noted that, during the 2004/2005 cocoa year, good progress was made in the formulation of a project on the "**Development of Sustainable Agroforestry Systems through Multiple Land Use: the *Cacau Cabruca* Model**". This project was initiated by the *Comissao Executiva do Plano da Lavoura Cacaueira* (CEPLAC) in Brazil and is based on the old *cacau cabruca* agroforestry system. The main objective of the project is to establish a sustainable cocoa cultivation system that enables farmers to increase and maintain farm productivity at levels that are economically viable, ecologically sound and in tune with the cultural practices of the people. The project will identify an intensive and diversified cropping system that combines cocoa agro-forestry for tree and food crops with the application of adequate soil maintenance and pest and disease control. The main ultimate beneficiaries of the project will be the smallholder cocoa farmers. The concept of cocoa agro-forestry has been identified as a promising form of a sustainable cocoa production system which remains the corner stone for achieving a sustainable cocoa economy.

Health & Nutrition

In recent years, consumers from all over the world have become increasingly conscious of the health and nutritional aspects of what they eat and drink. The increasing attention of consumers to health and nutrition has partly been related to a number of food safety problems, including BSE (mad cow disease). Another factor of major importance has been the alarming growth in the problem of obesity, particularly among children.

Based on World Health Organization (WHO) figures, obesity among adults varies from five per cent to 25% in 22 European countries, ranging from five per cent to over 20% in men and from seven per cent to 30% in women. If the prevalence of obesity in Europe continues to increase at the same rate as in the 1990s, it is estimated that about 150 million adults will be obese by 2010, compared to about 130 million at present. Overweight and obesity among children (7-11 year age group) in Europe ranges, according to WHO figures, from 10% in the Russian Federation to over 35% in Italy. Unhealthy diet and physical inactivity are the main contributors to overweight and obesity, which are among the leading risk factors for cardiovascular disease, diabetes and certain types of cancer.

In the meantime, a number of public health initiatives have been launched, which could be instrumental in accelerating action to counteract obesity. In May 2004, the World Health Organization (WHO) General Assembly endorsed a "Global Strategy on Diet, Physical Activity and Health", recognizing the importance of a global strategy and recommending a prevention-oriented approach. The strategy emphasizes the need to limit the consumption of saturated fats, salt and sugars, and to increase consumption of fruit and vegetables, as well as the levels of physical activity. The strategy also addresses the need for national strategies, involving the relevant stakeholders in society, to create a supportive environment that stimulates healthy behaviour among individuals towards diet and physical activity.

The European Union, on its part, recently launched a platform on Diet, Physical Activity and Health. Under the leadership of the European Commission, the platform brings together industry associations, consumer groups, health NGOs and political leaders to take voluntary action to halt and try to reverse the increase in obesity, particularly among

Diet, Physical Activity and Health - EU Platform for Action

The purpose of the platform is not primarily to deepen our common understanding of the challenge but to create a platform for concrete actions designed to contain or reverse current trends. The platform is for actors **at European level**, for those who can **commit their membership to act**.

EU Platform on Diet, Physical Activity and Health

children. At national level, several countries have started to implement strategies and action programmes to counteract overweight and obesity.

In the past, chocolate has been appreciated as a high-calorie food to boost energy, for example for athletes and soldiers. Recently, more and more research has been conducted on the health and nutritional attributes of cocoa and chocolate. Research findings indicate that some components in cocoa help to prevent cardiovascular disease and reduce the risk of cancer. These positive findings seem, however, often to be overshadowed by the blame on chocolate as a cause of obesity. Certain people easily classify chocolate as "junk food" because of its high calorie content.

As attention to the health and nutritional aspects of cocoa and chocolate have continued to increase, the ICCO secretariat took the initiative, through the support of its Council, to become involved in the on-going debate, with the aim to convey to the public an objective picture of the impact of cocoa and chocolate consumption on the health and nutritional status of consumers. As a result, the secretariat produced a first draft of an "**Inventory of Health and Nutritional Attributes of Cocoa and Chocolate**", as well as a first draft of an Action Programme on the Health and Nutritional Aspects of Cocoa and Chocolate.

The Inventory on Health and Nutrition presents an overview of the benefits of cocoa and chocolate identified in the latest research and scientific studies. It noted that cocoa is a plant-based food that contains carbohydrates, fats, protein, natural minerals and some vitamins. The fats in cocoa are “good” fats (i.e palmitic acid, stearic acid and oleic acid). These fats do not increase blood cholesterol levels. In fact studies have indicated that stearic acid has a cholesterol-neutral effect and oleic acid has mild cholesterol-reducing effects. Some of the essential minerals in cocoa include magnesium, copper, potassium, manganese, sodium, calcium, iron, phosphorus and zinc, which perform important roles in the physiology of the human body.

The inventory elaborates on the evidence of the cardiovascular benefits of cocoa. These benefits are not only due to the fats in cocoa (cocoa butter), but, even more importantly, because cocoa beans contain a large number of phytochemicals. These are physiologically active compounds found in plants, for example grapes, apple, tea, fruits, vegetables, etc. One group of these compounds is called flavonoids. There is a growing body of evidence about the health benefits of cocoa flavonoids.

“**Bad fats**”, meaning saturated and trans fats, increase the risk for certain diseases while “**good fats**”, meaning monounsaturated and polyunsaturated fats, lower the risk.

They are powerful anti-oxidants and are believed to help the body's cells resist damage by free radicals, which are formed by numerous processes including when the body's cells utilize oxygen for energy. Laboratory and human studies have indicated that cocoa flavonoids can inhibit the oxidation of the low-density lipoprotein (LDL-cholesterol) associated with heart disease.

There is also emerging evidence which suggests that cocoa and chocolate may be able to contribute to reducing the risk of certain types of cancer. This beneficial property also originates from the phytochemicals in cocoa, other than flavonoids.

The inventory on health and nutritional attributes of cocoa and chocolate has clearly demonstrated that chocolate consumption can be truly beneficial to human health. The greater the proportion of cocoa solids, the greater the benefits seem to be. The evidence backing the health benefits of chocolate continues to become stronger as researchers learn to understand better the positive health and nutritional attributes of cocoa and chocolate. There seems to be an urgent need to bring this information to the attention of consumers to increase their knowledge and awareness of the positive health attributes of cocoa and chocolate. The most important message to be transmitted to consumers at present seems to be that chocolate, when consumed in moderation, can form part of a wholesome, well balanced diet.

With regard to the first draft of a Programme of Action on the Health and Nutritional Aspects of Cocoa and Chocolate, it was suggested to organize an international conference at which the latest research on the health and nutritional aspects of cocoa and chocolate consumption would be presented.

Low-density lipoproteins (LDL) carry cholesterol from the liver to the rest of the body. When there is too much LDL cholesterol in the blood, it can be deposited on the walls of the coronary arteries. Because of this, LDL cholesterol is often referred to as the "bad" cholesterol.

High-density lipoproteins (HDL) carry cholesterol from the blood back to the liver, which processes the cholesterol for elimination from the body. HDL makes it less likely that excess cholesterol in the blood will be deposited in the coronary arteries, which is why HDL cholesterol is often referred to as the "good" cholesterol.

Child Labour

The 2004/05 cocoa year was very important in respect of child labour issues. By July 2005, countries producing cocoa in West Africa were required to certify that no abusive child and enforced slave labour had been used in the production of the cocoa beans for export or local processing.

More than 90% of all cocoa is produced by smallholders on farms less than 5ha size. An estimated 2.6 million out of a world total of 3.5 million of cocoa farms are located in Africa. Growing and

harvesting of cocoa is very labour intensive. In the cocoa farms, mainly maintained by families, children work with their parents, mostly at weekends and during school holidays, helping to generate income for the survival of the family. Cocoa has provided the means for many children to attend school and to go to college. In rural communities, the phenomenon of children helping out on the family farm is part of the culture and where the work is properly supervised, need not be hazardous or interfere with school attendance. The practice is part of the socialization in the life of the child and enables parents to transmit their skills to the children. However, problems arise when adults take undue advantage of child labour or when children are exposed to hazards or prevented from attending school.

Child labour in West Africa first reached a wider public in September 2000 when a documentary which was shown on British Channel 4 television accused some West African countries of using child slave labour on cocoa farms. The documentary alleged that 90% of cocoa farms in Côte d'Ivoire used forced child labour and that children were abducted or sold in Mali and transported to Côte d'Ivoire. News that cocoa was produced under such unacceptable conditions caused outrage. There were calls for immediate action from the international community and companies sought to gather data to understand the true position.

Some British consumer groups reacted strongly to those allegations and demanded that the major chocolate producers in the United Kingdom, Cadbury, Mars and Nestlé should ensure that the cocoa used in chocolate production had not been tainted by child slave labour. The issue earned such currency in America that two Members of the United States Congress, Senator Tom Harkin and Representative Eliot Engel took up the issue by adding an amendment to the 2001 Agricultural Appropriations Bill that would require certification and a label that chocolate products were free of child labour. The chocolate industry protested that the action would cause consumers to boycott chocolate products which would ultimately harm the incomes of cocoa producers.

However, the amendment was passed in the House of Representatives and created a potential problem for the major chocolate manufacturers. To avoid legislation, the industry finally reached a voluntary agreement to end abusive and forced child labour in cocoa production. The agreement, known as the Harkin-Engel Protocol, was developed in

partnership with the US Congressman and the US Senator and signed by cocoa and chocolate industry representatives in September 2001. The protocol called for the industry to implement, by 1 July 2005, credible standards of public certification, in compliance with ILO Convention 182 on the Elimination of the Worst Forms of Child Labour. It also provided for the creation of an industry-funded foundation that would oversee specific programmes directed at eliminating child labour in the cocoa industry.

The issue was discussed at the ICCO Council in June 2001 following a presentation by a representative of UNICEF. The ICCO Council subsequently passed a resolution "to encourage the member Governments of ICCO concerned to investigate and eradicate any criminal child labour activity that might exist in their territory in the field of agricultural working practices, in close co-operation with UNICEF, other such organizations and the private sector."

One of the first steps taken under the protocol was the conduct of baseline surveys in some major cocoa-producing countries. The survey, conducted by the International Institute of Tropical Agriculture (IITA), examined the prevalence and causes of child labour in West Africa. The results of the study, published in August 2002, found that overall, family labour was the most used labour type. For example, it was estimated that 87% of permanent labour used on farms in Côte d'Ivoire came from the family. The report showed that most children helped their parents on the farm during holidays and after school. It noted, however, that some children working on farms had no family ties with the farmers and that the majority of working children in cocoa farming were below the age of 14. It also indicated that children working on cocoa farms were less likely to go to school. Finally, the report stated that 284,000 children worked in hazardous conditions on cocoa farms in Côte d'Ivoire, Ghana, Cameroon, Guinea and Nigeria. The results have been used as a guide in creating pilot programmes to improve the economic conditions of cocoa growers' livelihoods, and, in particular, in support of interventions planned under the Harkin-Engel Protocol.

In compliance with the Protocol, the cocoa and chocolate industry has been working on the certification process together with governments of West Africa and the International Labour Organization (ILO) through its West African Cocoa and Commercial Agricultural Project (WACAP), and financial assistance from the major industry

Child work versus child labour, by UNICEF

Child work: Children's participation in economic activity - that does not negatively affect their health and development or interfere with education, can be positive. Work (light work) that does not interfere with education is permitted from the age of 12 years under the International Labour Organization (ILO) Convention 138.

Child labour: This is more narrowly defined and refers to children working in contravention of the above standards. This means all children below 12 years of age working in any economic activities, those aged 12 to 14 years engaged in harmful work, and all children engaged in the worst forms of child labour.

Worst forms of child labour: These involve children being enslaved, forcibly recruited, prostituted, trafficked, forced into illegal activities and exposed to hazardous work.

participants. A further industry commitment was the creation in 2002 of the International Cocoa Initiative (ICI) as well as NGO´s, reflecting active co-operation between the chocolate industry and other stakeholders in the cocoa chain. Since its establishment in 2002, the industry has been actively co-ordinating efforts to implement an appropriate certification system and to develop activities contributing to the elimination of the worst forms of child labour in cocoa production.

The Government of Cote d'Ivoire committed itself to pursue the necessary action required under the Protocol. It undertook studies targeted at the issue of child labour abuse. Legal, institutional and operational action was taken, including the creation of two new Ministries: the Ministry of Family, Women and Children and the Ministry of Human Rights. To realize the implementation of the certification process, the Government of Côte d'Ivoire held a meeting, signed a Memorandum of Understanding with ILO stressing its commitment to combat child labour trafficking and organized an International Seminar on the Process of Cocoa Certification.

In Ghana, the Ghana Cocoa Board hosted a meeting, supported by the International Cocoa Initiative, to provide a common platform for all the stakeholders in the cocoa sector on the elimination of the worst forms of child labour. Additional research, education and awareness campaigns, as well as a review of a code of practice and a good monitoring system were some of the recommendations brought forward by the Group.

In order to place more pressure on the industry to eliminate the abuse of child labour, Harkin and Engel called for a boycott of chocolate made with forced child labour for the Valentines Day celebrations in February 2005. The chocolate industry again protested that the action would cause consumers to reject chocolate products, which would harm the incomes of producers and the cocoa market as a whole, making the problem worse.

As the deadline of 1 July 2005 approached, and at the request of Senator Harkin, a meeting was called with the chocolate industry in June 2005 to review progress made towards implementation of the protocol. It became clear at the meeting that much had been done, but that much more needed to be done. In the beginning of June, the International Cocoa Council issued a Declaration on Abusive Child Labour in Cocoa Growing Countries, following the recommendation which arose out of extensive discussions by the Consultative Board on the World Cocoa Economy.

This Declaration noted the Harkin-Engel Protocol for the Growing and Processing of Cocoa Beans and their Derivate Products that proposed to commence certification in July 2005. The Declaration considered further the ratification of the ILO Convention on the worst forms of child labour by the major cocoa-producing countries and the additional efforts made by these countries through seminars, information and capacity building as well as through various pilot projects. The Declaration stated that all Members of the International Cocoa Organization were committed to a cocoa economy free of forced labour and the worst forms of child labour and encouraged cocoa producing countries to pursue the complete eradication of all forms of abusive child labour in cocoa and in any other sector which might be affected by this phenomenon.

As the deadline of 1 July 2005 approached, the cocoa and chocolate industry reiterated its commitment to achieving a certification system. With the efforts of the Government of Côte d'Ivoire and with the support of the industry and ILO, a new deadline was agreed upon. By 1 July 2008, the system of certification of production of cocoa must be in place and implemented on 50% of cocoa areas.

"Child labor monitoring system in the cocoa sector in Cote d'Ivoire Pilot Project: Activity Report" **Central Coordination Unit, Republique de Côte d'Ivoire.** December 2005.

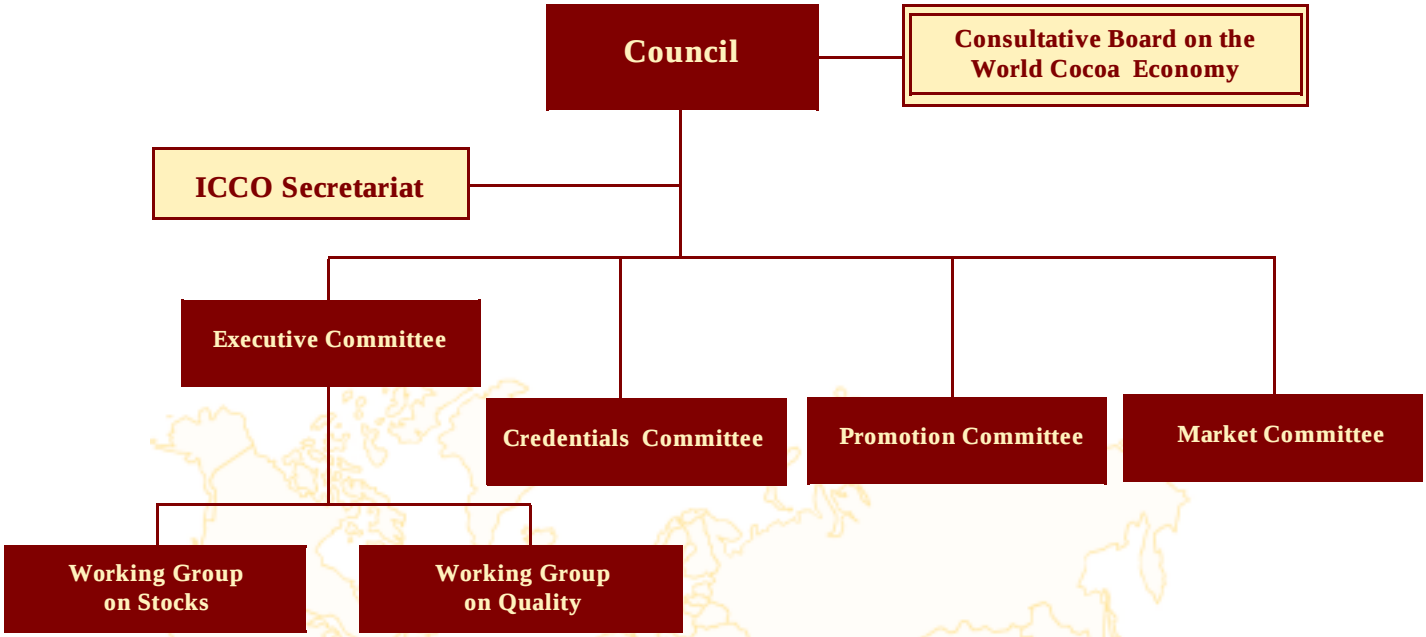
(...) In this particular context, and during the last five years (2000-2005), Côte d'Ivoire has set up a legal and institutional framework, both at the national and the international level to respond to some issues pertained to combating child labor practices. The Ivorian government has also taken appropriate actions on the ground to deal with child labor issue in Sustainable Tree Crop Program (STCP), West Africa Cocoa/Commercial Agriculture Program (WACAP), WINDROCK/Child Labor Alternative through Sustainable Systems in Education (CLASSE); and the US Department of Labor, and with local entities such as ANADER (National Agency Rural Development Support); and organized an international seminar on cocoa certification in Grand-Bassam in May 2004. (...)

ANNEXES

ANNEXES

ANNEX I

1. Organizational Structure (as at 30 September 2005)



Council
Chairman: Mr. Simon Pierre Essomba Abanda (Cameroon)
First Vice-Chairman: Mr. Ashley Delgado (Ecuador)
Second Vice-Chairman: Mr. Vitaliy Aristov (Russian Federation)
Open to all Members

Credentials Committee
Chairman: Mr. Gonzalo Vega (Ecuador)
Exporting Members: Cameroon, Côte d'Ivoire, Ecuador, Ghana.
Importing Members: Belgium/Luxembourg, Finland, France, Ireland.

Market Committee
Chairman: Mr. Tano Kassi Kadio (Côte d'Ivoire)
Vice-Chairman: Mr. Jim Howell (United Kingdom)
Open to all Members

Promotion Committee
Chairman: Mr. Steve Wateridge (United Kingdom)
Vice-Chairman: Mr. Hayford A.K.Fiamor (Ghana)
Open to all Members

Expert Working Group on Stocks
Chairman: Mr. Philip Sigley (Federation of Cocoa Commerce)
Invited Experts, open to all Members

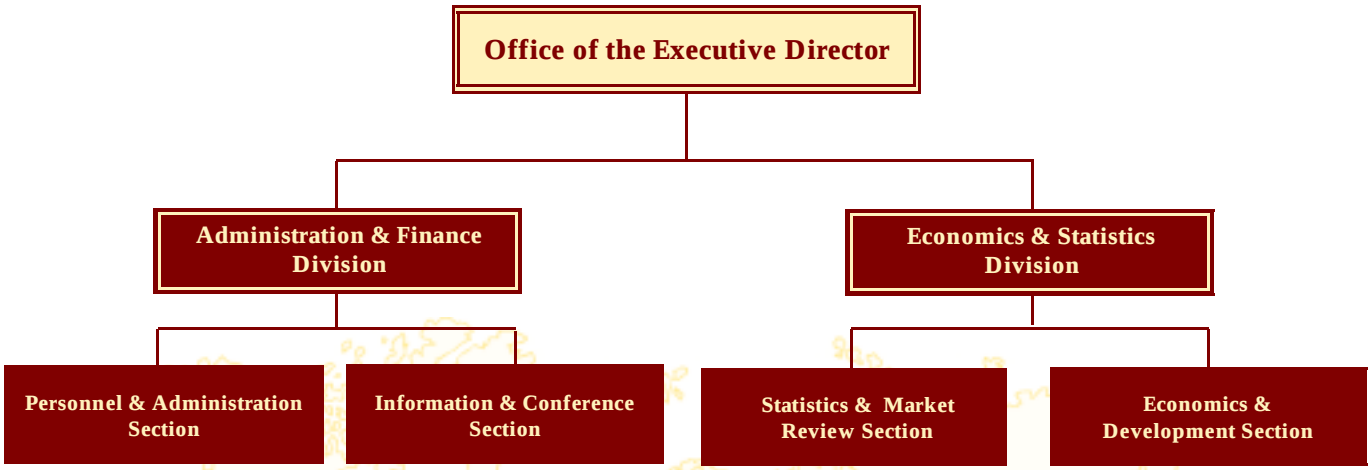
Expert Working Group on Quality
Chairman: Dr. Tom Harrison (United Kingdom)
Invited Experts, open to all Members

Executive Committee
Chairman: Mr. Brendan Nevin (Ireland)
Vice-Chairman: Mr. Marcel van Nijnatten (Netherlands)
Exporting Members: Brazil, Cameroon, Côte d'Ivoire, Dominican Republic, Ecuador, Gabon, Ghana, Malaysia, Nigeria, Papua New Guinea.
Importing Members: Belgium/Luxembourg, European Commission, France, Germany, Italy, Netherlands, Russian Federation, Spain, Switzerland, United Kingdom.

Consultative Board on the World Cocoa Economy
Chairman: Mr. Tony Lass (BCCCA)
Vice-Chairman: Mr. Idelfonso Medina (Dominican Republic)
Members: Mr. Sam Appah (Ghana), Dr. Ismail Azhar (Malaysia), Mr. Antonio Feola (Italy), Mr. Martin Gilmour (CAOBISCO), Mr. Humberto Heredia (Ecuador), Mr. Halim Iyama (Nigeria), Dr. Karsten Keunecke (Germany), Mr. Jacques Mangoua (Côte d'Ivoire), Mrs. Ursula Mathis (Switzerland), Mr. Jean-Marc Oyono (Cameroon), Mr. Philip Sigley (United Kingdom), Mr. Robert Zehnder (Belgium).
Alternate Members: Mr. Marc Daubrey (Côte d'Ivoire), Ms. Ana Gabrielian (CAOBISCO), Dr. Tom Harrison (United Kingdom), Mr. Fiamor Hayford (Ghana), Mr. Joseph Ingwatt II (Cameroon)
Open to all Members as observers

ANNEX II

2. Secretariat of the International Cocoa Organization (as at 30 September 2005)



Office of the Executive Director:

Dr. Jan Vingerhoets
Acting Executive Director/
Head of Economics and Statistics Division

Miss Sarah Sharp
Personal Assistant to the Executive Director

Economics and Statistics Division:

Head of Economics and Statistics Division (vacant)

Miss Madeleine Seal
Secretary Economics and Statistics Division

Statistics and Market Review Section:

Mr. Laurent Pipitone, Head of Statistics Section
Mrs. Veena Ramgulam, Statistician
Mrs. Elizabeth Gyamfi, Associate Expert in Statistics*
Statistical Assistant (*Vacant)*

Economics and Development Section:

Dr. Jean-Marc Anga, Project Manager
Mr. Yunusa Abubakar, Project Officer
Mr. Victor Adjei, Senior Research Assistant
Econometrician (vacant)

Administration and Finance Division:

Mrs. Katharina Schön
Head of Administrative & Finance Division

Personnel and Administration Section:

Miss Sophia Petros, Senior Administrative Assistant
Miss Olubukola Oluwaniran, Senior Accounts Assistant
Mr. Gabby Owusu-Aninakwah, Communications Assistant
Mr. Felipe Hurtado, Communications/Computer Assistant

Information and Conference Section:

Miss Yolanda Mula Meneses, Information Officer
Mr. Alan Banbury, Senior Conference Assistant
Mr. Shastri Persad, Conference Assistant
Miss Asanthika Nimanthi, Information Assistant

* Funded by the Government of the Netherlands

ANNEX III

3. Administrative Account

Balance Sheet as at 30 September 2005
(Expressed in £ Sterling)

CURRENT ASSETS	2003/2004	2004/2005
Balance with bankers and cash in hand	2,056,308	2,422,434
Debtors	26,629	13,223
Prepaid Expenses	25,686	0
Contributions to administrative budgets outstanding		
1990/91 to 2001/2002 inclusive	295,082	254,570
Year ended 30 September 2003	36,722	29,977
Year ended 30 September 2004/05	26,015	9,649
Provision for outstanding contributions	(180,685)	(175,420)
	2,285,757	2,554,434
Less: LIABILITIES		
Creditors and provisions for accrued expenses	109,954	63,174
Members' contributions paid in advance	1,083	111,073
Provision for Installation and Termination Fund	24,540	79,540
	135,577	253,787
TOTAL NET ASSETS	2,150,180	2,300,647
Represented by:		
SPECIAL RESERVE FUND		
Principal	2,500,000	2,500,000
Contributions outstanding	(53,689)	(49,861)
	2,446,311	2,450,139
Less: Transfer to Income and Expenditure Account	1,018,392	1,018,392
	1,427,919	1,431,747
REVENUE RESERVE FUND		
Liquid Funds	364,442	574,703
Contributions in arrears	357,819	294,197
	2,150,180	2,300,647

ANNEX IV

4. Administrative Account

Income and Expenditure Account for the Year Ended 30 September 2005 (Expressed in £ Sterling)

	2003/2004	2004/2005
Contributions assessed on Members	1,758,319	1,699,333
Interest earned – general funds	31,500	50,450
Interest earned – special reserve	53,475	62,739
	84,975	113,189
Subscriptions to Quarterly Bulletin of Cocoa Statistics	8,471	12,954
Other document sales	21,248	-
Other income	20,293	27,145
TOTAL INCOME	1,893,306	1,852,621
Transfer from Special Reserve Fund	123,526	
Surplus/(Deficit) on Foreign Currency Exchanges	(28,271)	57,986
	1,988,561	1,910,607
Less:		
ADMINISTRATIVE EXPENDITURE	1,855,970	1,763,968
Balance carried to Revenue Reserve Fund	132,591	146,639

ANNEX V

4. Relations with other institutions

ICCO, in its role within the international cocoa sector, has dealings with a large number of other organizations and companies. Many of these organizations assist ICCO in gathering timely and relevant information on the cocoa market. On it part, ICCO provides information and assistance to various public organizations and private sector companies.
Excluding Member countries, the following is a list of the main organizations and companies with which ICCO maintains regular relations:

GOVERNMENT AND INTERNATIONAL ORGANIZATIONS

African, Caribbean and Pacific Group of States
Autorité de Régulation du Café et du Cacao
Association of Chocolate, Biscuit and Confectionery Industries of the EU
Biscuit, Cake, Chocolate and Confectionery Association (UK)
Cocoa Merchants' Association of America (USA)
Cocoa Producers' Alliance
Common Fund for Commodities
Commonwealth Secretariat
European Cocoa Association
European Commission
Food and Agriculture Organization of the United Nations (FAO)
Foreign & Commonwealth Office (UK)
International Coffee Organization
International Confectionery Association
International Grains Council
International Jute Study Group
International Lead and Zinc Study Group
International Maritime Organization
International Monetary Fund
International Plant Genetic Resources Institute
International Rubber Study Group
International Sugar Organization
International Tropical Timber Organization
United Nations Conference on Trade and Development
United Nations (New York)
Union Nationale Des Operateurs Café-Cacao (Cameroon)
World Bank Group
World Cocoa Foundation (USA)

COCOA ORGANIZATIONS IN MEMBER COUNTRIES

ANECACAO
Bourse du Cacao et Café (BCC)
Associazione Industrie Dolciarie
Bundesverband der Deutschen Süsswarenindustrie e.V.
Chocosuisse
Cocoa Association of Nigeria
Cocoa Board of Papua New Guinea
Comision Nacional del Cacao
Conseil Interprofessionnel du Cacao Café
Fonds de Développement et de Promotion des Activités des Producteurs de Café et de Cacao
Fonds de Garantie des Coopératives Café-Cacao
Ghana Cocoa Board
Malaysian Cocoa Board

ANNEX IV

4. Relations with other institutions (Continued)

RESEARCH INSTITUTIONS

Centre de coopération Internationale en Recherche Agronomique pour le Développement (France)
Centre National de Recherche Agronomique (Côte d'Ivoire)
Cocoa Research Institute of Nigeria
Cocoa Research Institute of Ghana
Cocoa Research Unit (Trinidad)
Comissão Executiva do Plano da Lavoura Cacaueira (Brazil)
Institut de Recherche Agricole pour le Développement (Cameroon)
Instituto Nacional Autonomo de Investigacion Agropecuria (Ecuador)
Instituto Nacional de Investigaciones Agrícolas (Venezuela)

PRIVATE SECTOR

Armajaro Trading Ltd
Barry Callebaut Sourcing AG
Cadbury Schweppes PLC
Chocolates El Rey, C.A.
Daarnhouwer & Co BV
Ecom Agroindustrial Corp Ltd
E D & F Man Cocoa Ltd.
Ferrero Trading Lux SA
Guittard Chocolate Company
Kraft Foods Deutchland GmbH
Lindt & Sprüngli (International) AG
LMC International Ltd
Masterfoods
Mitsubishi Corporation (UK) Plc
Nestec Ltd
Noble Cocoa SA
PCR Ltd
Schlüter & Maack
The Federation of Cocoa Commerce Ltd
The London International Financial Futures and Options Exchange
Thorntons Plc
Toshoku Ltd
Touton SA
Walter Matter SA

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