

---

# Latin America To Reclaim Production Leadership?

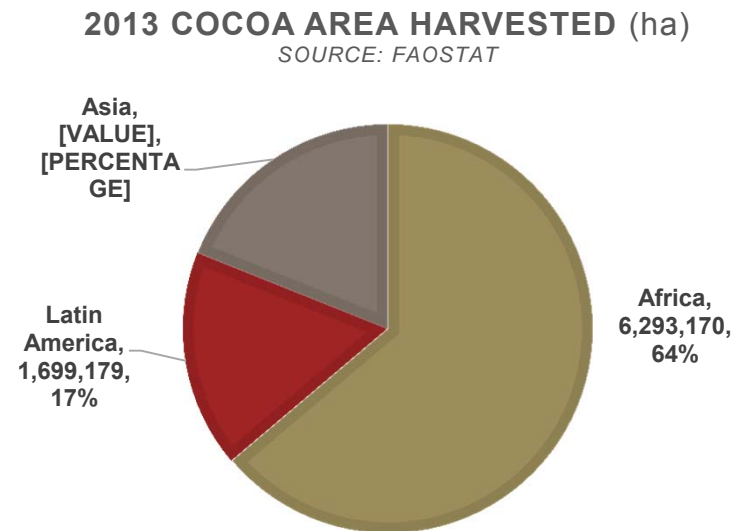
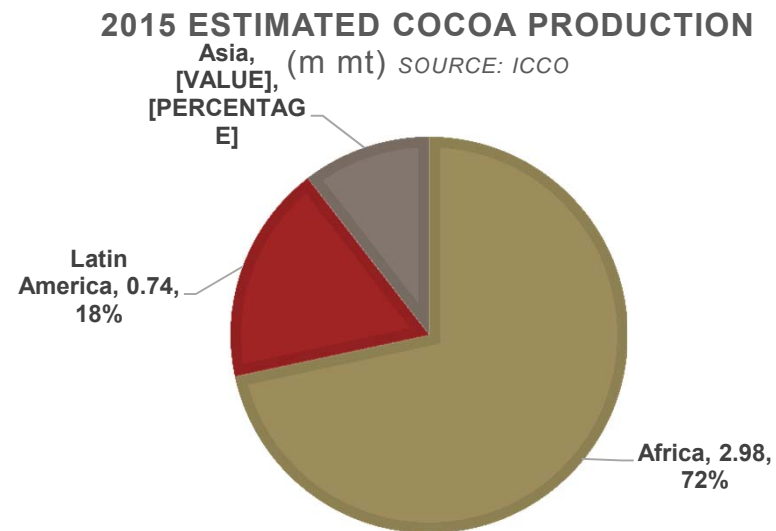
*- ICCO Cocoa Market Outlook September 2015*

**Doug Hawkins**

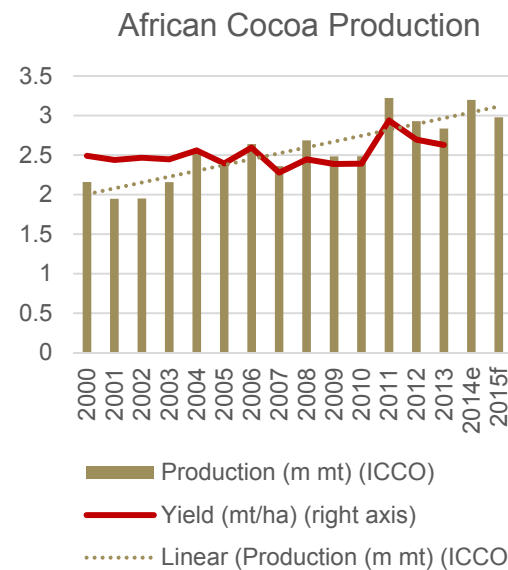
**September 2015**

# Latin America To Reclaim Production Leadership?

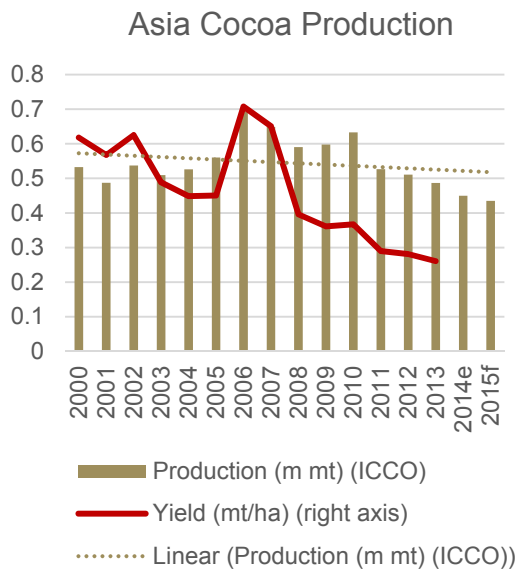
## The Challenge Is In Its Infancy



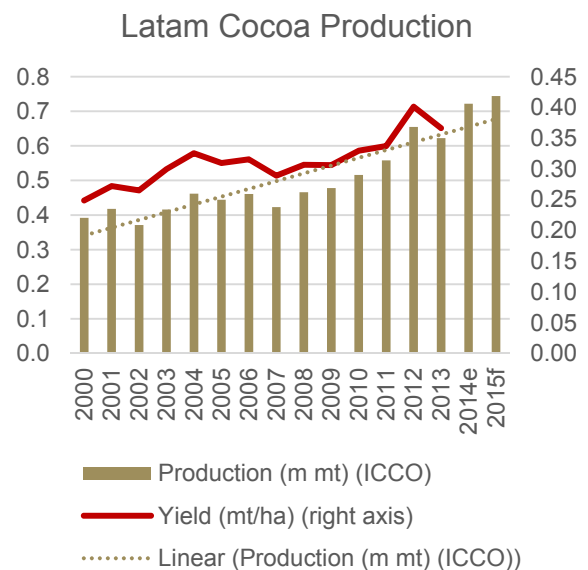
# Latin America Leads On Production Growth



- 2000-2014 production growth: **48%**
- African yield trends flat



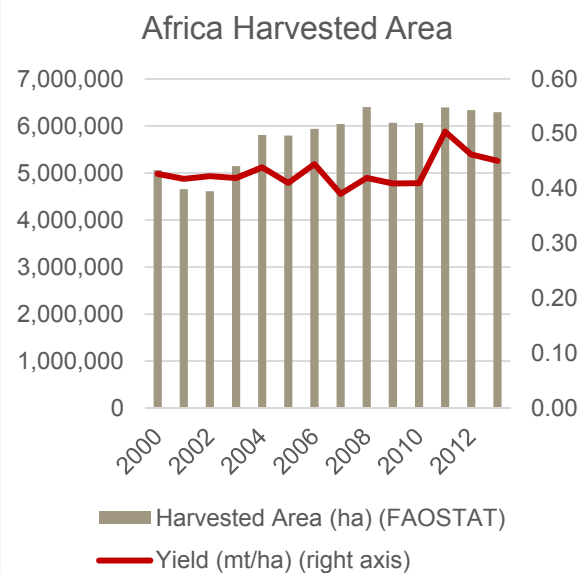
- 2000-2014 production growth: **-15.4%**
- Negative growth in yield



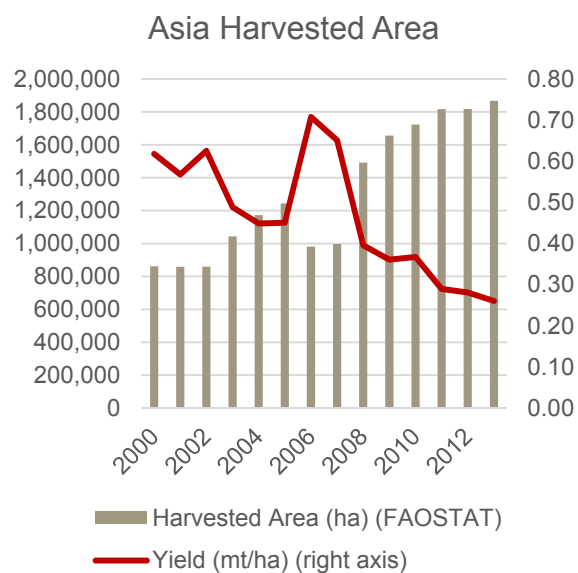
- 2000-2014 production growth: **84.2%**
- Latam yield trending up

# The Evidence For Sustainability?

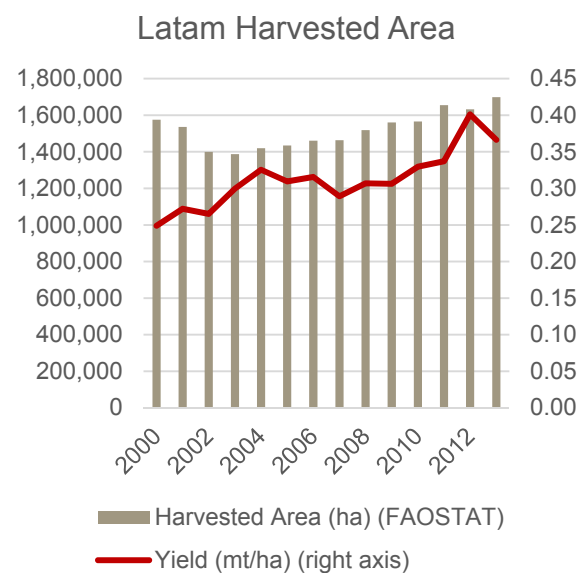
## Only In Latin America



Production growth area led

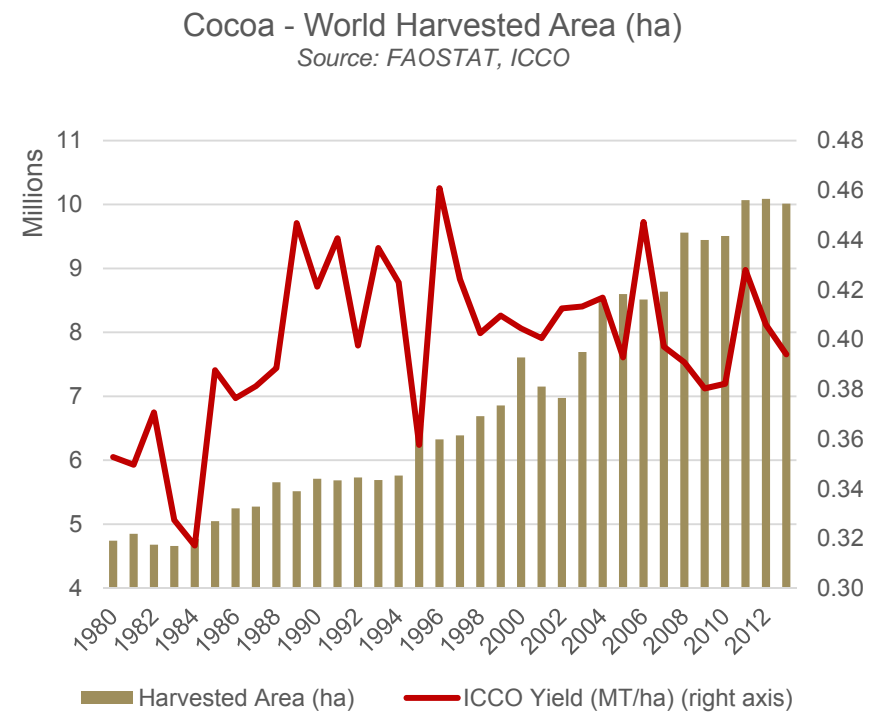
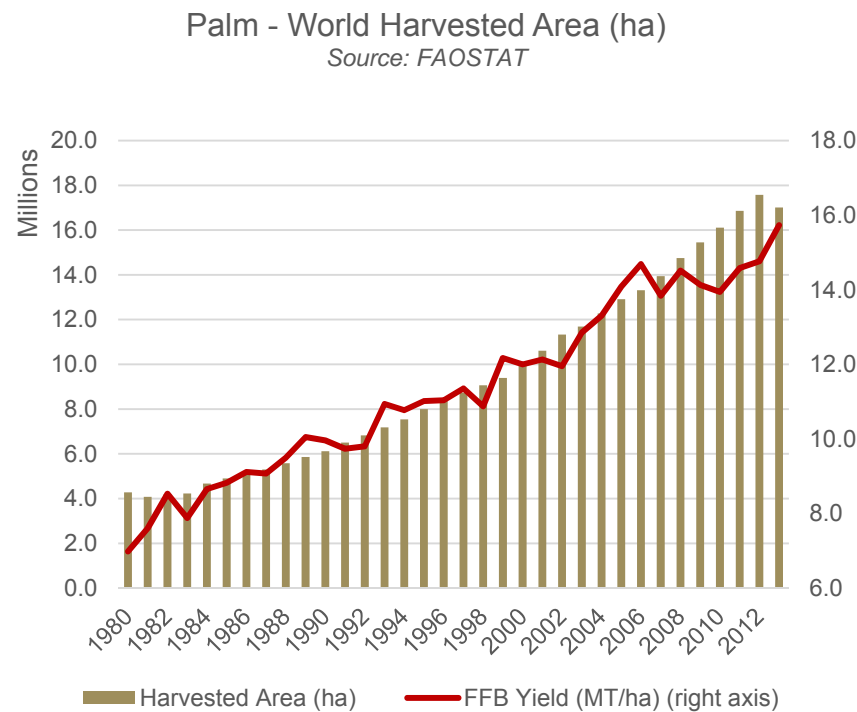


Production in steep decline



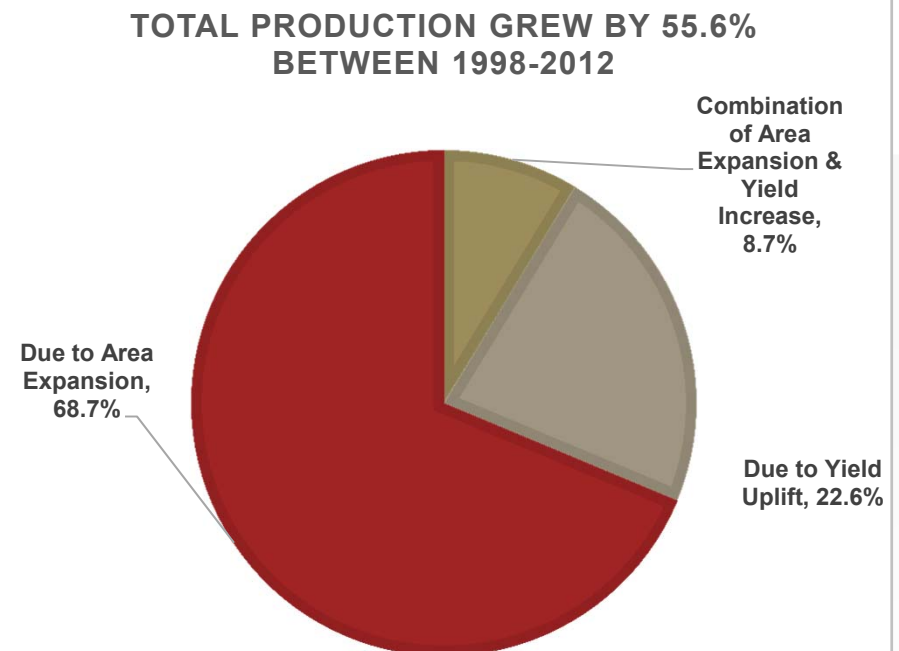
Yield and area both expanding

# Sustainable Growth – No, It Is Not!!!



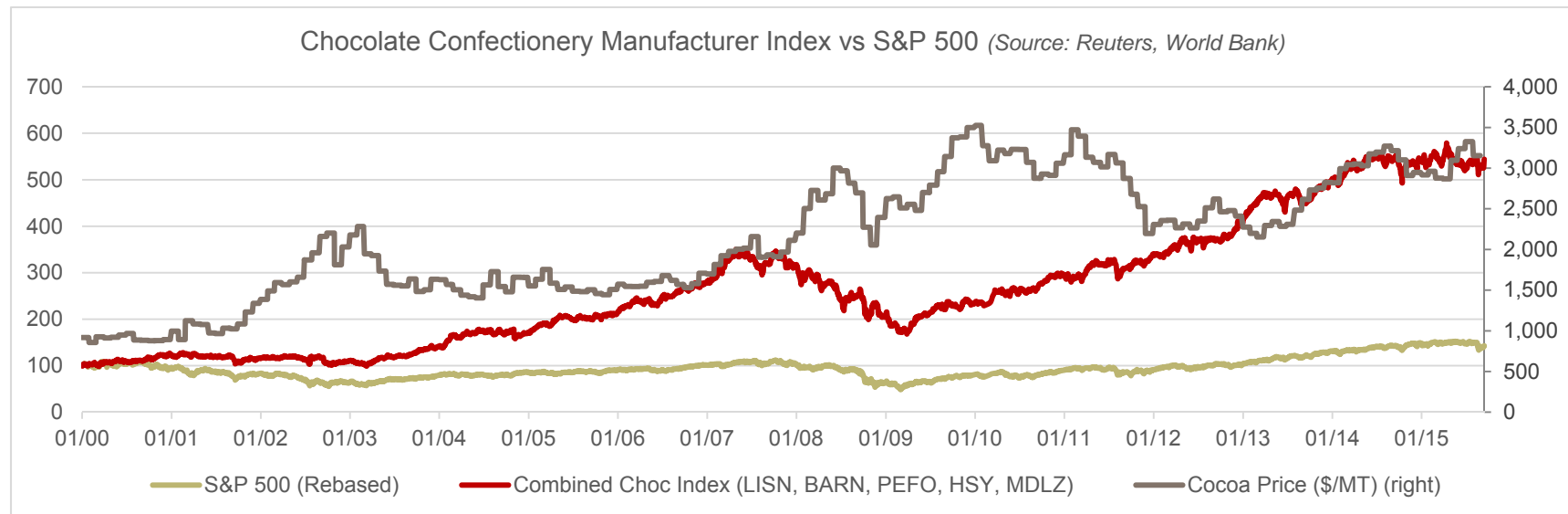
## Reasons To Worry

- The cocoa consumer sector depends on the sure supply of good quality commercially priced cocoa
- In the 14 years 1997/8 to 2011/12 the four leading West African producers expanded their collective harvested area by 38%
- ...yields (mt/ha) have expanded by 12.6%
- In 2015, market confidence has been shaken by Ghana (20.6% of world supply 2013/14):
  - Ghanaian production forecasts pared back for the 2014/15 cocoa year from nearly 900,000 mt to 696,000 mt
  - Confusion surrounding the reasons behind the shortfall on forecasts



# Cocoa Empires – A Lot At Stake

- \$117bn world chocolate confectionery sales 2014 (Euromonitor estimate)
- International chocolate confectionery brands with household names have an estimated value in excess of \$200bn (current market values)



- Lindt & Sprungli = 9.8% organic growth in revenues 2014/ Market Cap \$15.4bn
- Hershey = 6.97% five year annual revenue growth / Market Cap \$14.4bn
- Barry Callebaut = 2.5% volume growth for 3 quarters of 2014/15/ Market Cap \$6.1bn

## Commitments To Sustainable Sourcing By 2020

**MARS**

**HERSHEY'S®**



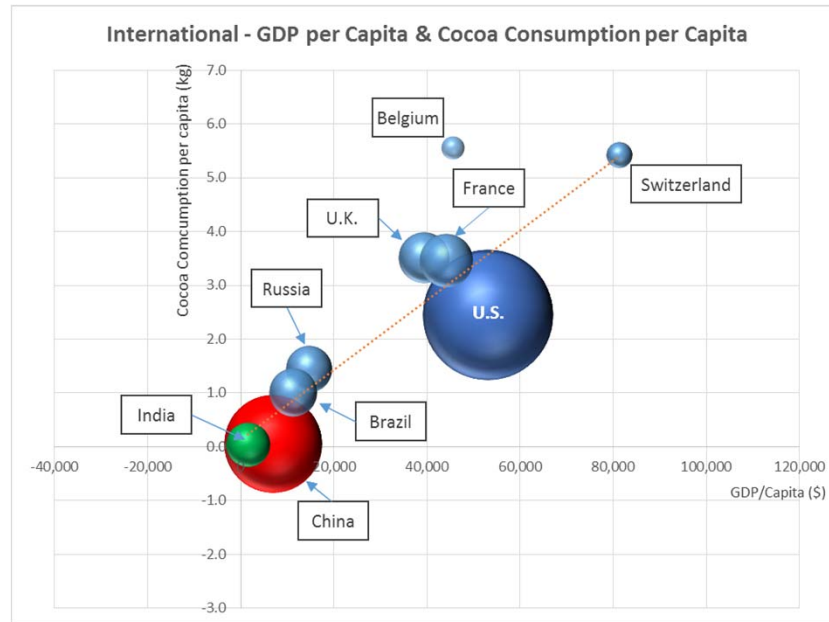
**FERRERO**

**Natra**

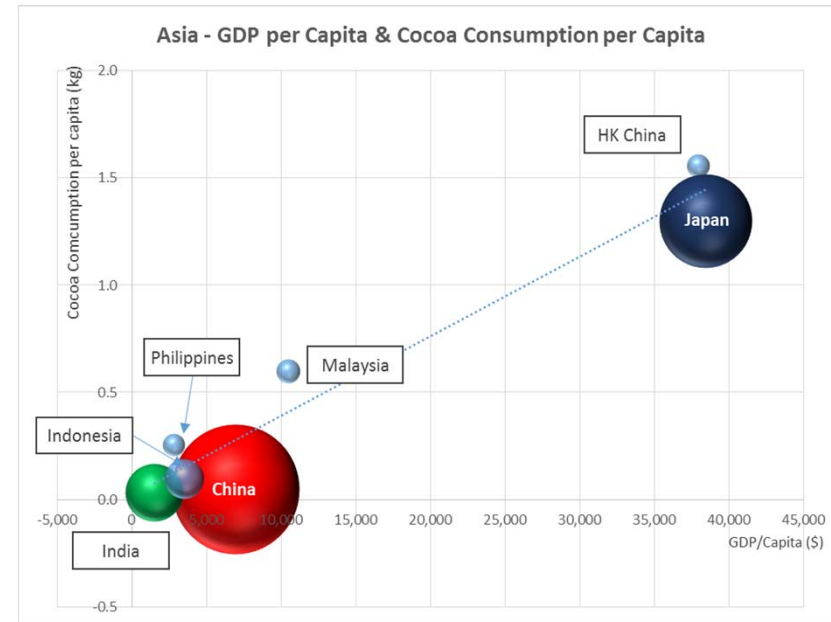
hardman  
agribusiness



# Commodity Price Driver



Source: IMF, ICCO, Hardman Agribusiness



Source: IMF, ICCO, Hardman Agribusiness

## A Nucleus Commercial Sector in Latam

Current Commercial Cocoa Plantations of circa 200 ha plus at end 2014*	Number of Plantations	Hectares Planted
Latam	38	16,000
Asia	4	6,500
Africa	5	2,500
<b>Total</b>	<b>47</b>	<b>25,000</b>
<b>World Harvested Area (FAOSTAT) 2013</b>		<b>10,012,333</b>
<b>Estimated Commercial Area as % of World Harvested Area</b>		<b>1.4%</b>
<i>*known to Hardman Agribusiness</i>		

- Latam Region attractive for secure land tenure, supportive banking sector, good availability of labour and a traditional cocoa culture

## Investment For Growth – Latam Leads

Proposed Cocoa Plantations or Extensions to Existing Commercial Plantations at end 2014 (all over 200 ha)*	Number of Plantations	Hectares Proposed for Planting	Proposed Ha as % of Existing Commercial Planted Area	Estimated Cost of Development Inclusive of Land Acquisition (\$m)
Latam	28	19,750	124.8%	198.0
Asia	1	1,000	16.0%	10.0
Africa	2	2,700	158.8%	27.0
<b>Total</b>	<b>31</b>	<b>23,450</b>		<b>\$235.0m</b>
<i>*known to Hardman Agribusiness</i>				

# Conclusions

- West African supply growth in 1998-2012 was 69% due to increased cultivation area, yields still circa 0.5 mt/ ha
  - Not sustainable
- African farmers are handicapped without land title and access to capital
  - Where, how is investment to be made in African production?
- \$200m of new investment committed to Latam sector
  - Latam has a defined professional production sector, small but expanding
- Asia – a picture of persistent decline over region as a whole
- How then do the Cocoa Empires meet their sustainability pledges?
- A sophisticated \$120bn pa global consumer goods sector depends on one of the least sophisticated farming sectors in the world
- Cocoa price will continue its upward path and rising levels of investment will flow into the Latam sector



---

**Questions?**



# Thank you!



## How to contact us

### **Hardman Agribusiness**

11/12 Tokenhouse Yard  
London  
EC2R 7AS

Doug Hawkins

dh@hardmanagribusiness.com

Direct Line: +44 (0)1323 831 657

Mobile: +44 (0)7584 285 170

Yingheng Chen

yc@hardmanagribusiness.com

Direct Line: +44 (0)207 1480 547

**[www.hardmanagribusiness.com](http://www.hardmanagribusiness.com)**

