



COPAL COCOA Info

A Weekly Newsletter of Cocoa Producers' Alliance

Issue No. 277

31st March – 4th April 2008

Cocoa Producers' Alliance

ICCO Daily Cocoa Prices

	ICCO daily price (SDRs/tonne)	ICCO daily price (US\$/tonne)	London futures (#/tonne)	New York futures (US\$/tonne)
31st March	1476.23	2427.65	1285.00	2341.33
1 st April	1476.96	2415.16	1289.33	2317.67
2 nd April	1455.07	2375.50	1270.33	2268.33
3 rd April	1472.58	2397.35	1277.33	2280.33
4 th April	1463.28	2396.62	1273.33	2288.67
Average	1469.00	2402.00	1279.00	2299.00

In the News (from Newspapers worldwide)

Health and Nutrition

- TRU Chocolate Sensations Launches Healthy Chocolate

Production and Quality

- Cocoa farmers start farm clean up
- Fortis Sees World 07/08 Cocoa Deficit at 5,000 Tonnes
- FCC Worried About Poor Ivory Coast Cocoa Quality - Letter (DJ)
- DJ Cntl Cameroon Cocoa Slips To XAF820-840/kg-Farmers, Trade
- ICCO places more focus on sustainable cocoa
- Workshop ponders how to turn Viet Nam into a cocoa powerhouse

The Market

- Global shortages send cocoa prices soaring
- DJ ICE Cocoa Review: Drops In Tech Weakness, Looks To Lean Lower
- DJ Liffe Softs: Coffee Slips, Cocoa Rises, Lackluster Mkts
- DJ Tables Of Ivory Coast Oct-March Cocoa Export Declarations

Processing & Manufacturing

- World's top chocolate maker Barry Callebaut buys stake in Malaysian cocoa company
- UPDATE 2-Barry Callebaut buys into Malaysia chocolate-maker

- The making of the ultimate Chocolate Factory
- Indonesia Cocoa Grinders Lobby for Cocoa Bean Export Tax - Executive (DJ)

Business & Economy

- Chocolatier set to expand into Asia
- KLK sells cocoa business to Swiss firm for RM153m
- A Chocolate Maker is buffeted by Global Forces beyond his Control
- Chocolate chai New!
- Barry Callebaut expects volatile cocoa prices
- Cocoa export potential may hit \$300m a year
- Bill and Melinda Gates Foundation visit Ghana
- Fenagh farmer on to a winner
- Philippines Cocoa Export Potential of US\$300 Million
- Callebaut shares dive on high cocoa, profit miss

Labour Issues

- Bitter sweet returns from cocoa? Maybe not for much longer

Environmental Issues

- Uganda: DDT Indoor Spraying Will Not Harm Agricultural Exports

Others

- Justice Dept Confirms Chocolate Price-Fixing Probe (DJ)

INSIDE THIS ISSUE:

- ✓ ICCO DAILY COCOA PRICES
- ✓ LONDON AND NEW YORK FUTURES MARKETS UPDATE
- ✓ SPOT PRICES
- ✓ NEWS
- ✓ TIT BITS

Do your health a favour, drink Cocoa everyday

**International Financial Futures and Options Exchange (LIFFE)
London Futures Market – Summary of Trading Activities
(£ per tonne)**

Monday 31st March 2008

Month	Open	Settle	Change	Daily High	Daily Low	Volume
May 2008	1275	1284	3	1299	1272	3,910
Jul 2008	1310	1315	-1	1330	1305	2,788
Sep 2008	1260	1256	-7	1273S	1249	1,051
Dec 2008	1264	1249	-5	1267	1242	331
Mar 2009	1241	1230	-5	1241	1223S	39
May 2009	1241	1240	-2	1249	1234S	7
Jul 2009		1250	-2			0
Sep 2009		1260	-2			0
Dec 2009		1272	-1			0
Mar 2010		1272	-1			0
Totals		1263				8,126

Tuesday 1st April 2008

Month	Opening Trans	Settle	Change	High	Low	Volume
May 2008	1278	1300	16	1312	1266	5,993
Jul 2008	1312	1321	6	1338S	970S	3,351
Sep 2008	1245	1247	-9	1255	1235	1,228
Dec 2008	1230	1240	-9	1248	1230	985
Mar 2009	1210	1223	-7	1233	1210	558
May 2009	1242	1232	-8	1242S	1230	8
Jul 2009	1240	1242	-8	1240	1240	1
Sep 2009		1254	-6			0
Dec 2009		1266	-6			0
Mar 2010		1266	-6			0
Totals		1259				12,124

Wednesday 2nd April 2008

Month	Opening Trans	Settle	Change	High	Low	Volume
May 2008	1294	1280	-20	1316S	1280	3,959
Jul 2008	1320	1296	-25	1329	1293	3,237
Sep 2008	1245	1235	-12	1249	1230	1,498
Dec 2008	1236	1219	-21	1242	1216	1,549
Mar 2009	1226	1204	-19	1227S	1205	368
May 2009	1233	1214	-18	1240	1216S	94
Jul 2009	1237	1225	-17	1237	1234	6
Sep 2009		1237	-17			0
Dec 2009	1270	1249	-17	1270	1270	7
Mar 2010		1249	-17			0
Totals		1241				10,718

Thursday 3rd April 2008

Month	Opening Trans	Settle	Change	High	Low	Volume
May 2008	1284	1285	5	1319	1281	2,499
Jul 2008	1296	1304	8	1338	1296	2,493
Sep 2008	1235	1243	8	1268S	1235	1,018
Dec 2008	1225	1221	2	1245	1220	1,489
Mar 2009	1208	1207	3	1234S	1207S	301
May 2009	1228	1216	2	1230	1213S	44
Jul 2009		1227	2			0
Sep 2009		1238	1			0
Dec 2009		1250	1			0
Mar 2010		1250	1			0
Totals		1244				7,844

Friday 4th April 2008

Month	Opening Trans	Settle	Change	High	Low	Volume
May 2008	1294	1280	-5	1303	1272	3,562
Jul 2008	1314	1305	1	1326	1298	2,102
Sep 2008	1241	1235	-8	1257S	1229	621
Dec 2008	1220	1215	-6	1234	1213	915
Mar 2009	1214	1202	-5	1224S	1200	431
May 2009	1216	1210	-6	1221	1210	67
Jul 2009		1220	-7			0
Sep 2009		1230	-8			0
Dec 2009		1242	-8			0
Mar 2010		1242	-8			0
Totals		1238				7,698

Average for the week	1226					9302
Total for the week						46,510

New York Board of Trade
(New York Futures Market – Summary of Trading Activities)
(US\$ per tonne)

Monday 31st March 2008

Month	Open	Price	Change	High	Low	Volume
May 2008	2360	2321	-42	2374	2301	6,319
Jul 2008	2388	2349	-41	2394	2328	3,378
Sep 2008	2387	2354	-41	2387	2335	1,220
Dec 2008	2391	2356	-39	2391	2340	386
Mar 2009	2345	2353	-35	2353	2345	54
May 2009	2350	2358	-39	2358	2339	6
Jul 2009		2368	-38	2368	2368	2
Sep 2009		2377	-38	2377	2377	0
Dec 2009		2394	-38	2394	2394	0
Totals		2359				11365

Tuesday 1st April 2008

Month	Open	Price	Change	High	Low	Volume
May 2008	2330	2282	-39	2330	2262	8486
Jul 2008	2333	2313	-36	2358	2292	2756
Sep 2008	2330	2325	-29	2359	2302	705
Dec 2008	2314	2325	-31	2360	2302	794
Mar 2009	2330	2318	-35	2346	2298	68
May 2009	2360	2329	-29	2360	2329	15
Jul 2009	2339	2339	-29	2353	2339	1
Sep 2009	2359	2359	-18	2373	2359	0
Dec 2009		2371	-23	2371	2371	0
Totals		2329				12825

Wednesday 2nd April 2008

Month	Open	Price	Change	High	Low	Volume
May 2008	2269	2230	-52	2300	2217	13702
Jul 2008	2312	2262	-51	2332	2251	5918
Sep 2008	2318	2280	-45	2337	2274	2584
Dec 2008	2324	2280	-45	2330	2274	718
Mar 2009	2275	2279	-39	2279	2273	107
May 2009		2283	-46	2283	2283	14
Jul 2009		2294	-45	2294	2294	6
Sep 2009	2368	2314	-45	2368	2314	4
Dec 2009	2368	2326	-45	2368	2326	0
Mar 2010		2316	-40	2316	2316	0
Totals		2293				23053

Thursday 3rd April 2008

Month	Open	Price	Change	High	Low	Volume
May 2008	2245	2247	17	2329	2226	10146
Jul 2008	2282	2281	19	2362	2260	6228
Sep 2008	2295	2294	14	2369	2275	1504
Dec 2008	2292	2296	16	2371	2284	606
Mar 2009	2338	2297	18	2338	2286	509
May 2009		2301	18	2301	2301	4
Jul 2009		2311	17	2311	2311	503
Sep 2009		2323	9	2323	2323	4
Dec 2009		2339	13	2339	2339	4
Mar 2010		2354	38	2354	2354	0
Totals		2304				19508

Friday 4th April 2008

Month	Open	Price	Change	High	Low	Volume
May 2008	2242	2264	17	2296	2237	12707
Jul 2008	2296	2299	18	2329	2271	9041
Sep 2008	2329	2313	19	2337	2305	613
Dec 2008	2302	2315	19	2339	2303	288
Mar 2009	2331	2317	20	2331	2317	475
May 2009		2321	20	2321	2321	2
Jul 2009		2332	21	2332	2332	1
Sep 2009		2344	21	2344	2344	0
Dec 2009		2362	23	2362	2362	0
Mar 2010		2377	23	2377	2377	0
Totals		2324				23127

Average for the week	2334				22470
Total for the week					89,878

Spot Prices (US\$ per tonne)

	31 st March	1 st April	2 nd April	3 rd April	4 th April
Main Crop Ghana, Grade 1	2749	2710	2658	2675	2692
Main Crop Ivory Coast, Grade 1	2614	2575	2523	2540	2557
Main Crop Nigerian, 1	2604	2566	2513	2530	2547
Superior Arriba	2646	2607	2555	2572	2589
Sanchez f.a.q.	2693	2654	2602	2619	2636
Malaysian 110	2303	2264	2212	2229	2246
Sulawesi f.a.q.	2538	2499	2447	2464	2481
Ecuador Cocoa Liquor	4085	4016	3925	3955	3985
Pure Prime Press African Type Cocoa Butter	6499	6390	6244	6292	6339
10/12% Natural Cocoa Press Cake	1029	1012	989	996	1004

Source: Cocoa Merchants' Association

News

Health and Nutrition

TRŪ Chocolate Sensations Launches Healthy Chocolate

PR.com (press release), NY

April 02, 2008

TRŪ Chocolate. It's all about the chocolate! The "Guilt Free" Chocolate Choice Completely Organic. Sugarless: Sweetened with Xylitol.



Atlanta, GA, -- (PR.com) -- Dr. Aharon Friedman, a world-renowned physicist, found at the age of 47 that his health and life were in grave peril. At five feet, 11 inches tall, he weighed 310 pounds -- he was not only obese, he had diabetes. Dr. Friedman's physician advised him that he was in immediate danger of losing his life.

Rather than report to the emergency room as ordered, Dr. Friedman began to apply his scientific investigation skills. The physicist researched the chemistry and metabolic aspects of weight loss and diabetes. Implementing his own remedies, Dr. Friedman lost over 100 pounds -- and his diabetes -- in one year.

Originally formulated for diabetic and obese children, TRŪ Chocolate™ may well be the healthiest chocolate ever created. The health benefits of eating TRŪ Chocolate™ seem unbelievable and many are calling it the "Health Food Chocolate." TRŪ Chocolate™ claims to not only taste good, but also be good for you.

TRŪ Chocolate™ is a certified organic sugarless chocolate sweetened only with natural sweeteners. Many chocolates making health claims are sweetened with artificial sweeteners and contain processed ingredients which reduce the value of cocoa. TRŪ Chocolate™ maintains all the health-promoting benefits of the original cocoa and more. The proprietary herbal formula in TRŪ Chocolate™ boosts the health benefits of simple cocoa. Better yet, TRŪ Chocolate™ is unique in its abundance of antioxidants -- an unprecedented ORAC rating of 3040 per piece. ORAC stands for Oxygen Radical Absorbance Capacity and is a method of measuring antioxidant capacities of different foods. Blueberries, the ORAC leader of the pack, provide just 1020 ORAC units per 3/8 cup.

TRŪ Chocolate™ has been found to be highly effective in weight-loss programs. While satisfying chocolate cravings, it reduces the appetite. The intriguing chocolate wafer also encourages water-drinking by making plain water taste like sweet chocolate for approximately 15 minutes after eating it -- an ingenious food gimmick indeed.

The ingredients used in TRŪ Chocolate™ help to regulate blood sugar levels. TRŪ Chocolate™ is sugarless and sweetened with Xylitol -- a natural sugar that is nearest to sugar. Xylitol is used by the body to produce energy while not raising blood sugar levels. Xylitol also retards tooth decay bacteria, making TRŪ Chocolate™ safe for the dental health of children and adults. What more could a chocoholic want. TRŪ Chocolate™ is brand new to the southeast market and is available only through exclusive TRŪ Chocolate™ Independent Distributors.

Contact Information: TRU Chocolate Sensations, Dennis F. Wellman -- DSGLLC, 888-572-3133. info@tru-chocolate.com; www.Tru-Chocolate.com

Production and Quality

Cocoa farmers start farm clean up

Fiji Times, Fiji

March 31, 2008

COCOA farmers in Tailevu are about to start an intensive clean up of cocoa farms before they plant more cocoa, said Tailevu Provincial Cocoa Growers president Ratu Netava Tagi.

Ratu Netava was elected president of the growers at a meeting last Thursday in Tailevu. He said officials from the Ministry of Agriculture were present at the meeting when he was elected president. Speaking in Fijian, he said discussions at the meeting centred on reviving the cocoa industry. He said farmers came to the conclusion that cocoa farms needed to be cleared first so the farmers could embark on intensive farming.

Ratu Netava said there was about 100 acres of land in Tailevu used for cocoa farming and they were working with the Ministry of Agriculture to get farming off the ground before construction of a chocolate factory got underway in Namau. He said the growers had about \$100,000 in their coffers and this had been invested at the Fijian Holdings Limited, Unit Trust of Fiji and Tailevu Dairy Farmers Co-operative. He said farmers wanted to concentrate on reviving the cocoa industry as they believed it would give them financial salvation.

Ratu Netava said the farmers wanted to ensure they would be able to supply cocoa to the chocolate factory once it was constructed. He said the farmers felt cocoa would be easier to plant rather than cassava as they could plant vegetables and root crops for daily consumption. He said the area was not suitable for cassava planting as it was hilly. Ratu Netava said it would be prudent for cassava and other crops and vegetables to be planted for consumption as the price of food was really high.

Fortis Sees World 07/08 Cocoa Deficit at 5,000 Tonnes

Source: Reuters

31/03/2008

New York, March 28 - Fortis on Friday lowered its estimate for the global cocoa deficit in 2007/08 to 5,000 tonnes from 32,000 tonnes. The investment bank said in a monthly report the adjustment was partly due to improved growing conditions among a variety of smaller producers in Africa, Asia and South America.

This will mean an output increase of 20,000 tonnes, bringing total production to 3.679 million tonnes in the current crop year, the report said. "We now see global ending stocks at 1.609 million tonnes (previously 1.548 million tonnes) with a stocks/consumption ratio of 44 percent (previously 42 percent)," the report said.

No. 2 cocoa producer Ghana's forward sales of its 2008/09 main crop have been moving at unprecedented levels, with more than 350,000 tonnes already sold forward, Fortis said. "Manufacturers continue to maintain cover at historically very low levels," the report added.

FCC Worried About Poor Ivory Coast Cocoa Quality - Letter (DJ)

Source: Dow Jones Newswires

By Vincent t'Sas,

31/03/2008

Abidjan, March 31 - The London-based Federation of Cocoa Commerce Ltd. is seriously concerned about the poor quality of cocoa beans supplied by Ivory Coast in recent months, the FCC said in a letter to its members seen by Dow Jones Newswires on Monday.

Ivorian cocoa is often poorly fermented, contains "excessive broken beans and residue" and very high levels of Free Fatty Acids (FFA), the Federation said in its letter datelined March 28 and signed by Chief Executive Philip Sigley.

FFA levels are not fixed in cocoa bean contracts because they can be reduced during processing to the limit level allowed by the Codex Alimentarius of 1.75%, providing the levels aren't excessive. "FFA levels are now reported to be unacceptably high and beyond the levels at which it can be economically processed to ensure that there is not a health hazard within cocoa products," the letter said. It gave no figures but Ivory Coast-based cocoa exporters in the past few months told Dow Jones Newswires that many beans coming down from the farms to the ports had FFA levels of 7%-12%.

Poor quality control, short supply and stiff competition between buyers are some of the reasons for the deterioration of quality in the world's top cocoa grower, according to the FCC. The body said it had lodged its members' concerns with the Ivory Coast authorities and five cocoa sector agencies, with whom it will work to improve quality, starting with the organization of a conference on the problem in the near future.

DJ Cntl Cameroon Cocoa Slips To XAF820-840/kg-Farmers, Trade

Trading Markets (press release), CA

By Emmanuel Tumanjong

April 03, 2008

YAOUNDE, Cameroon, (Dow Jones Commodities News via Comtex) -- -- A kilogram of cocoa beans was selling this week in Cameroon's second main cocoa region of the Center Province at XAF820-40 (\$2-2.04), down from the record high of XAF880-900/kg two weeks ago, several farmers and traders there told Dow Jones Newswires Thursday.

Despite the price slide, many of the farmers and traders said the prices were still higher than last season when a kilogram of cocoa sold at around XAF550-600 in the region. "We're buying a kilogram of cocoa beans right now at XAF840," said middleman trader Dieudonne Ombe who buys and sells cocoa in the Center Province. He added that "cocoa currently sold up country is slightly cheaper at XAF820".

The additional costs of loading and transporting the cocoa along the hinterlands' bad roads to the towns, forces them to keep prices lower than in more accessible areas, another middleman trader Germain-Smith Okala explained. Okala, who buys cocoa in the Center Province, echoed several other farmers and traders who told Dow Jones that the "prices dropped last weekend". "We can't say that the prices are bad at XAF840 or XAF820/kg because they are better than what we were paid for a kilogram of cocoa beans last year around this same period," noted farmer Thomas Ekassi, who grows cocoa in the Center provincial village of Sa'a, located some 70km from Yaounde.

The Center Province produces 30-35% of Cameroon's annual cocoa beans, following the South-West Province, which accounts for at least half of the country's yearly cocoa output, according to government and industrial data.

Meanwhile, prices paid for cocoa remain at a record high XAF880-910/kg in the South-West Province, several farmers there told Dow Jones by telephone. The farmers and traders said cocoa is very scarce in the South-West Province where there is more traditional varieties, compared with the increase in hybrid cocoa trees in the Center Province. While the traditional cocoa generally bears twice a year, the hybrid plants bear cocoa almost all-year round.

Cameroon has closed its main crop cocoa harvest, which routinely runs from September/October through February March, but is heading to its mid-crop cocoa harvest that stretches between June and August. Cameroon produced 179,239 metric tons in the 2006-07 season, up from 164,301 tons produced in the preceding season, according to recently published CCIB data.

ICCO places more focus on sustainable cocoa

ConfectioneryNews.com, France

By Linda Rano

03-Apr-2008

Sustainable cocoa production and standards were the focus of the first meeting of a working group for the Roundtable on a Sustainable Cocoa Economy (RSCE), organised last month by the International Cocoa Organisation. Sustainability in the cocoa industry is a major issue worldwide for everyone involved from cocoa farmers to chocolate manufacturers.

A round table meeting to discuss sustainability that took place in Accra, Ghana, last year brought together over 200 participants from 25 countries. Representatives from European confectionery firms were joined by cocoa farmers, cooperatives, traders, exporters, financial institutions and government and non-government organisations.

The success of this meeting prompted the ICCO Council to agree the formation of the working group to help maintain the momentum and plan ahead for the next RSCE. Sustainability is a major concern for western confectioners under pressure from high commodity costs. Protecting the supply is vital to maintaining margins.

Round table meetings

At the Accra meeting an exchange of ideas in plenary sessions led to consensus on what has become known as the Accra Agenda, which covers a large number of priority areas for action in relation to sustainability, such as sustainable production, commercialisation and processing.

A second round table meeting will continue the dialogue coming out of Accra and consider the ways and means to enhance sustainability in the cocoa sector worldwide, the ICCO claims. The principals underlying the Accra Agenda will be identified, with particular reference to the 'three pillars of sustainable development' - environmental, economic and social.

Members of the ICCO working group, which is preparing for the second meeting, have suggested that minimum standards or criteria to promote sustainability could be developed. They recognise that formulating principals and standards for sustainable cocoa would be a major challenge but previous studies could provide guidance. It is intended that development of the standards for sustainable cocoa will start through a process of consultations via meetings and through the web.

Members of the working group intend to produce papers on sustainability and certification initiatives; best practices in the cocoa value chain; the concept of traceability and tracking; social issues on labour and a draft outline of principals.

It is hoped that these round table meetings, known as Roundtables for Sustainable Cocoa Economy (RSCE), will be a platform for initiatives promoting sustainability in the cocoa industry. A RSCE website is being created to publicise information as widely as possible and to enable interactive communication with stake holders. Further details of the second RSCE meeting are not yet available.

Industry sustainability initiatives

Some of the major confectioners such as Cadbury have launched their own sustainability programmes. At the end of January 2008 Cadbury launched a fund to aid its cocoa suppliers in Ghana, after research suggested that average production in the region is now 40 per cent lower than potential yield.

Workshop ponders how to turn Viet Nam into a cocoa powerhouse

Viet Nam News, Vietnam
(05-04-2008).



A farmer grows cacao in the southern province of Binh Phuoc. A seminar was held in HCM City to help the country boost the value of its cocoa. — VNA/VNS Photo Pham Do

HCM CITY — Post-harvest technologies and disseminating market information topped the agenda at a seminar held in HCM City on Wednesday to discuss adding value to Vietnamese cocoa products and turning the country into a top cacao producer.

Organised by the US-based ACDI/VOCA (Expanding Opportunities Worldwide) and the Department of Crop Cultivation, it attracted around 120 cocoa farmers, fermentaries, purchasing companies, policy planning and managing offices, and other players in the cocoa industry.

Deputy Minister of Agriculture and Rural Development Diep Kinh Tan admitted that the Vietnamese market was not efficient. He said: "The price of fresh cacao is too low in many places. Information about cacao prices is not getting to farmers. The quality of fermented beans is not uniform or consistent. "Cacao buyers have different standards and specifications and there is no effective quality control system for cacao beans. "Today, since the market is still small, these inadequacies have not caused serious damage. But as the market grows, these weaknesses will make the industry unsustainable and risky for small farmers."

The seminar was expected to partly resolve the problems and help develop a practical and efficient cacao market in the country, Tan added.

David Brunell, Economic Growth Manager of US Agency for International Development (USAID) in Viet Nam, said, "Our main objective is to build a cocoa industry of high quality in Viet Nam and turn the country into a leading cocoa producer. "Close ties between farmers and the Government have created a good foundation for the Vietnamese cocoa industry," he said.

A close relationship between universities, companies, and farmers would help the industry develop an overall vision, he said. "Quality is always a factor that would bring us to success and help us become a winner in any competition." He said Viet Nam had enough advantages to grow high quality cacao crops and add more value to them.

Avram E Guroff, senior vice president of ACDI/VOCA in Washington D.C, said, "We need to improve the global value of Vietnamese cocoa products." "Proper post-harvest technologies will increase the value of products for consumers," he added.

Overview

Leading cocoa industry experts made presentations on the overview of the cacao post-harvest industry in Viet Nam, the quality of cocoa products in the country, quality management at the provincial level, and opportunities for household business. They also introduced some cocoa market models suitable for the country. The discussions also focused on the post-harvest technologies deployed in Viet Nam and ways to improve the cacao processing industry.

Pham Hong Phuoc of HCM City's Agriculture and Forestry University, said, "The post-harvest problems stem from harvesting unripe fruits, drying seeds in the rainy season, sour seeds, odours, and husk." He suggested some solutions for these problems such as drying cacao using solar energy or fuels, establishing criteria for ripe fruits, spelling out the roles of buyers, using husk to make fertiliser and cattle feed, and improving the fermentation process.

The country had 8,972ha under cacao last year, mainly in six provinces – Dak Lak, Dak Nong, Binh Phuoc, Ba Ria-Vung Tau, Ben Tre and Tien Giang. But only 2,568ha yielded crops and farmers harvested 258 tonnes of dried beans, of which 240 tonnes were exported. — VNS

The Market

Global shortages send cocoa prices soaring

VietNamNet Bridge, Vietnam

Source: Viet Nam News

31/03/2008

VietNamNet Bridge – The price of cocoa beans has reached a record level of VND39,000 a kilo (US\$2.40). This is an increase of VND7,000 per kilo compared to the same period last year, according to the Viet Nam Coffee and Cocoa Association.



The leap has been caused by a world shortage of the raw product for processing. "This year, the volume is not enough to meet demand, so the price has surged continuously and is expected to increase even further in the near future," said Tran Hong Son from Viet Nam Cacao Company. According to association statistics, world demand for cocoa is about 200,000 tonnes a year, most of which is grown in Africa. While, Vietnam produces a modest 80 tonnes a year, this figure is expected to soon reach 500 tonnes.

At present, Vietnam has a total cocoa growing area of about 10,000ha. About 2,000ha of this is in the southern province of Ben Tre, home to the largest cocoa growing area in Vietnam. The remainder comes to the provinces of Tien Giang, Ba Ria-Vung Tau and Binh Phuoc - and the Central Highlands provinces of Dak Lak and Dak Nong.

Expansion of the cocoa growing industry is high on the Government's list of policies for crop development, especially in the Highlands region, which is famous for coffee, rubber, pepper and cashews. The country's cocoa growing area is expected to double to 20,000ha within two years and 100,000ha by 2020, according to the Ministry of Agriculture and Rural Development.

Delta techniques

Ben Tre Province has succeeded in developing cacao cultivation and increase farmers' incomes through a project to plant cacao trees in orchards, particularly coconut groves.

Dr Nguyen Hong Duc Phuoc, head of the HCM City Agriculture and Forestry University's International Co-operation Department, said with several coconut plantations, Ben Tre had ideal conditions for cultivating cacao since these trees grew well in the shade of other trees. In 2000 the university helped Ben Tre develop a project to plant cacao in orchards.

The Cuu Long (Mekong) Delta province has 3,000ha under cacao, including 1,900ha of coconut groves and 1,095ha of other orchards.

Farmer Doan Minh Suong in Chau Thanh District's An Khanh Commune said his family now earned a good income thanks to planting cacao in his coconut grove.

A ha of coconut and cacao yielded VND50mil (US\$31,000) a year, twice the income from just coconut, he said. He is one of 5,800 farmers in the province participating in the province's ca-cao project.

Nguyen Trung Chuong, director of Ben Tre's Department of Agriculture and Rural Development, said the project was supported by the central Government's wider "Success Alliance" project.

In 2005, Success Alliance was launched in co-operation with many international and domestic organisations. It provides capital, cacao seedlings, and farming techniques to farmers in Ben Tre, Tien Giang, Ba Ria-Vung Tau and Binh Phuoc

provinces. To further expand the area under cacao, the Ben Tre people's committee decided last year to plant the crop on 10,000ha in Chau Thanh, Giong Trom, Mo Cay, and Binh Dai districts by 2010.

Nguyen Quoc Bao, deputy chairman of the people's committee, said it was planned to add a further 3,000ha this year. The province was providing support to farmers by ensuring the quality of cacao seedlings and supplying new farming techniques, he said. It was also helping them find markets by creating links with cacao processing plants that would purchase their beans, he said.

In February, Ben Tre licensed the Viet Nam Cacao Company to build a processing plant with capacity of 6,000 tonnes a year in Giao Long Industrial Park. Construction of the factory will begin next August. The seed from cacao plant is used to make chocolate, cocoa, and cocoa butter.

DJ ICE Cocoa Review: Drops In Tech Weakness, Looks To Lean Lower

Trading Markets (press release), CA

By Holly Henschen, Dow Jones Newswires

April 01, 2008

NEW YORK, Apr 01, 2008 (Dow Jones Commodities News via Comtex) -- -- ICE Futures U.S. cocoa futures settled moderately lower Tuesday as the market's technical weakness intensified on the firming U.S. dollar, inciting speculative selling, analysts said.

Traders expect cocoa will likely to trend lower as the its fundamentals have turned bearish, analysts said. May cocoa settled \$39 lower at \$2,282 a ton and the July contract closed \$36 lower at \$2,313.

Cocoa opened lower and moved just to above unchanged mid-session. The market quickly fell to session lows before paring losses ahead of the close. "Unless the market gets above recent highs of \$2,464 (basis May), the charts continue to look bearish," said Rob Kurzatkowski, futures analyst at optionsXpress in Chicago. Kurzatkowski pegs May support at \$2,280, just \$2 below the settlement. More support sits at \$2,250 and \$2,100, though prices could fall as low as \$1,900, said Jack Scoville, vice president of Price Futures Group in Chicago.

The market will continue trading on U.S. dollar weakness and spillover from outside commodities as fundamental influences have reversed course, analysts said. Previous bearish outlooks for the size of the West African cocoa mid crop and hot, dry weather have reversed, analysts said.

Liffe May cocoa settled up GBP16 at GBP1,300 ton and July settled GBP6 higher at GBP1,321.

ICE cocoa open interest decreased by 2,506 positions Monday to total 148,964 contracts.

Volume was estimated at 20,015 contracts, according to exchange data. In options, approximately 1,184 calls and 459 puts traded. Close Change Range May \$2,282 -\$39 \$2,262-\$2,330 July \$2,313 -\$36 \$2,292-\$2,358 Oct \$2,325 -\$29 \$2,302-\$2,359

DJ Liffe Softs: Coffee Slips, Cocoa Rises, Lackluster Mkts

Trading Markets (press release), CA

By Sarah McFarlane, Dow Jones Newswires

April 02, 2008

LONDON, Apr 02, 2008 (Dow Jones Commodities News via Comtex) -- -- Liffe robusta coffee traded lower Wednesday, while cocoa traded slightly higher, with both markets lacking direction.

COFFEE

May coffee traded down \$36, or 1.5%, at \$2,243 a metric ton with 2,316 lots traded as at 0845 GMT. With no impetus for significant price moves and a lack of fundamental news, coffee has been rangebound in trading this week. Spread trading, as funds roll positions forward out of the front-month, has been the main feature.

New York's front-month arabica coffee traded up 45 points, or 0.3%, at \$1.2955 a pound, as at 0846 GMT. "London...will no doubt follow an upside lead from NY should it develop," predicts the Sucden daily report.

COCOA

May cocoa traded up GBP5, or 0.3%, at GBP1,305/ton, with 244 lots moved as at 0847 GMT. The market continues to be nervous about a fund possibly taking delivery in July, causing technical tightness, said a London-based broker. The physical market remains fairly active with industry under pressure to buy cocoa due to their being short of cover.

Ivory Coast, the world's largest cocoa producer, has a large crop which could end up driving world cocoa supplies into surplus, said the broker.

New York's front month cocoa futures traded down \$5, or 0.2%, at \$2,277/ton, as at 0848 GMT.

DJ Tables Of Ivory Coast Oct-March Cocoa Export Declarations

Trading Markets (press release), CA

By Vincent t'Sas and Ousmane Attai

April 03, 2008

ABIDJAN, (Dow Jones Commodities News via Comtex) -- -- The following table shows the tonnage of unprocessed cocoa beans declared for export per shipper in the 15 days to March 31, in the preceding 14 days and the cumulative totals for the season.

All figures are in metric tons.

Shipper Mar 17-31 Mar 3-16 2007-08 (Cumulative) ADM Cocoa Sifca 250 3,804 69,670 African Int. Trading 0 0 100 African Trade & Market Cy 50 201 1,103 Agrimex 200 0 3,054 Ane-Map 0 0 50 Apexim 0 0 325 Armajaro 1,101 1,952 13,865 Cafcaci 0 25 1,305 CABF 0 0 100 CAGC 753 0 8,562 CAKD 125 701 4,004 Cay Wanda 0 0 101 CCPA 0 200 1,663 Cargill West Africa 657 2,252 103,260 Cipexi (Continaf) 1,098 4,855 52,048 Cocaf Ivoire (Noble) 2,953 200 67,818 Coabo 0 75 75 Coex-Ci 4,004 0 24,403 Coodif 0 0 250 Coofraga 150 50 1,216 Coopaaako 0 75 475 Coopaai 0 0 3,629 Coopacamp 0 0 28 Coopama 0 0 50 Coopaya 0 0 1,078 Coopayadi 0 0 125 Cooperative Dikoueu 0 1,051 4,630 Coop. Agric. Unit Duoko 876 0 976 Cooperative Agric de Bayota 0 250 1,576 Cooperative CPCPA 1,098 1,051 7,692 Cokagnant 501 0 1,536 Coopacdi 1,001 0 5,716 Coopadis 0 0 2,652 Copac 0 0 3 Coopakk 140 0 6,422 Copaeb 150 0 676 Copag 25 75 500 Coprocoda 0 0 201 CPCM 50 100 2,352 Dafci 247 4,004 41,961 Dincomci 0 1 301 Ecoopad 0 25 100 Entreprise Coop. Kimbe 328 100 3,820 Ets. SK 0 0 10 GAD Continental 353 2,011 16,758 Hadj Halilou 0 0 2 Jan d'Horff Commodities 150 75 800 Kouma Courechi 0 0 58 Lago Kouhou Therese 0 0 3 Outspan Ivoire (Olam) 601 4,505 69,397 Plantations DAM 0 400 400 Proci (Touton) 4,933 3,504 53,757 Saf-Cacao 756 4,842 43,299 SCAL 100 0 250 SEGG 350 501 1,802 Siaco 0 4,905 31,332 SNCO Intercom SA 0 0 225 Socas 0 125 2,877 Socatene 626 748 29,987 Synergis S.A. 50 150 1,202 Tropicale de Cacao 50 0 50 Tropival (ED&F Man Cocoa) 2,002 2,102 36,453 Uireco 0 200 200 Zamacom (Ecom) 100 1,276 23,572 Total beans 25,828 46,391 751,905

The next table shows the net weight of shipments declared for export per cocoa processing company in metric tons. The available statistics do not differentiate between cocoa liquor, cocoa butter and cocoa powder.

Processors Mar 17-31 Mar 3-16 Cum 2007-08 Cemoi (Cantalou) 1,702 2,424 24,479 Cargill Cocoa (ex Micao) 3,146 4,030 43,530 Saco (Barry-Callebaut) 2,809 3,126 41,207 Chocodi (Barry-Callebaut) 2 0 57 Unicao (ADM-Cocoa) 1,706 3,644 29,180 Pronibex 384 384 4,747 Condicaf 252 378 3,100 Sucso 152 128 669 Total net weight 10,153 14,114 146,969

NB: Dutch-owned Resicao-Schoemaker declared 200 tons of cocoa waste and residues in the 15 days to March 31.

Typically, one ton of cocoa beans is processed into 800 kilograms of cocoa products and 200 kilograms of waste. The bean equivalent shows the amount of cocoa beans used to obtain products. The sum of the bean equivalent and the beans declared gives the total amount of cocoa shipped. Bean equivalent 12,691 17,643 183,711 Total beans 25,828 46,391 751,905 Total cocoa 38,519 64,034 935,616

Processing & Manufacturing

World's top chocolate maker Barry Callebaut buys stake in Malaysian cocoa company

International Herald Tribune, France

The Associated Press

March 31, 2008

KUALA LUMPUR, Malaysia: Barry Callebaut, the world's largest chocolate producer, will acquire a 60 percent stake in Malaysia's KL Kepong Cocoa Products as part of its expansion in Asia, the two companies said Monday.

The partnership will allow the Zurich-based company to establish its cocoa business in Asia and give KL Kepong Cocoa a global platform to expand, according to a joint statement. "The chocolate market in Asia-Pacific is expected to grow by more than 30 percent in volume over the next four years and we want to participate in this growth," said Patrick De Maeseneire, Barry Callebaut's chief executive. "With our rapidly growing chocolate business in Asia, we have an equally growing need for cocoa products. In that regard Asia has been a blank spot on the map for us that we wanted to fill," he said.

The investment will help the Callebaut expand its footprint in Asia and make it easier for the company to get cocoa beans from Indonesia, the world's third largest cocoa producer, he said. Barry Callebaut will acquire the 60 percent stake from KL Kepong's parent, plantation firm Kuala Lumpur Kepong Berhad, it said. The statement didn't say how much the deal is worth.

Upon completion of the sale, KL Kepong Cocoa will change its name to Barry Callebaut Malaysia Sdn. Bhd., the statement said. KL Kepong Cocoa, one of Asia's top cocoa manufacturer, has annual sales of 500 million ringgit (US\$150 million; €95 million).

Barry Callebaut operates in 23 countries and has more than 30 production facilities worldwide. In Asia, it has chocolate factories in Singapore, Japan and China.

UPDATE 2-Barry Callebaut buys into Malaysia chocolate-maker

Reuters

Reporting by Katie Reid in Zurich and Mark Bendeich in Kuala Lumpur

Mar 31, 2008

ZURICH, March 31 (Reuters) - Switzerland's Barry Callebaut (BARN.S: Quote, Profile, Research), the world's largest chocolate maker, expanded further in Asia on Monday with a deal to buy 60 percent of a Malaysian chocolate business for around \$48 million.

Barry Callebaut, which is buying the stake in KL-Kepong Cocoa Products from Malaysia-listed Kuala Lumpur Kepong Bhd (KLKK.KL: Quote, Profile, Research), is looking to tap into growing demand for chocolate in Asia as the middle-class grows and people have more disposable income. "There is a growing middle class in countries like China," a spokeswoman for Barry Callebaut said. "People are growing more curious, they want to travel more and discover new tastes."

Barry Callebaut agreed to pay an initial 153.6 million ringgit (\$48.1 million), plus 60 percent of the difference between KL-Kepong Cocoa's net working capital and net debt at completion of the transaction, Kuala Lumpur Kepong said. KLK Cocoa has annual sales of around \$150 million. "The new presence in Malaysia will serve as a strong basis to us to further expand our footprint in Asia and to facilitate cocoa-bean sourcing from neighbouring country Indonesia, which is the world's third largest producer of cocoa," Barry Callebaut said in a statement.

In January, Barry Callebaut, which produces chocolate for companies such as Nestle (NESN.VX: Quote, Profile, Research) and Cadbury (CBRY.L: Quote, Profile, Research), opened a chocolate factory in China and last year it secured an outsourcing deal and bought capacity production from Japan's Morinaga (2201.T: Quote, Profile, Research).

KLK Cocoa's factory has an annual capacity of 70,000 metric tonnes for cocoa products such as cocoa liquor, cocoa powder and cocoa butter, and has annual capacity of 10,000 metric tonnes for the chocolate and compound. Kuala Lumpur Kepong, whose main business is producing palm oil, said the deal would allow its chocolate business to expand and secure upstream cocoa-bean supplies from West Africa while continuing to develop its chocolate manufacturing capability. The deal is subject to Malaysian government approval and is expected to close by the end of April.

The making of the ultimate Chocolate Factory

The Star Online, St. Lucia

March 31, 2008

A new hotel is due to open in St Lucia come 2009—one that is unlike any other. This new Hotel Chocolat is cutting through a new future for St Lucia's cocoa growers. This new chocolate factory turns normal industry practice on its head. Rather than exporting the only commodity crop—the cocoa bean—and adding all the value in an industrialized nation, this factory will create a new value chain inside this small Caribbean state, by exporting the finished chocolate product.

The factory will produce high-end gourmet chocolate made from single estate and single origin beans grown on St Lucia. Hotel Chocolat, the British chocolate brand behind this enterprise, has set up a St Lucian business for this investment, staffed with locals and led by Phil Buckley, an engineer turned cocoa-expert from Manchester. Speaker recently for the Rabot Estate, Hotel Chocolat's own cocoa estate set between the statuesque Pitons on St Lucia's West Coast, Buckley said: "Apart from the cocoa we grow here, we now have 49 local cocoa farmers supplying their cocoa to us."

Angus Thirlwell, co-founder of the Hotel Chocolat, said, "in advance of the chocolate factory being completed it is important to develop a market for a St Lucian chocolate, which up until now has been unknown amongst gourmet consumers. To address this, we have been investing in marketing and sampling the products both in the UK and US. I am pleased to say that we have just scooped three awards at the World Chocolate Awards, so this is a very promising start."

The chocolate factory will also host a Sensory Immersion in Chocolate experience for visitors. All parts of the journey from cocoa bean to super premium chocolate will be there to engage in, offering a unique adventure for the senses and the mind. "We are also on a mission to bring chocolate lovers into direct contact with the bean and all that goes into the making of fine chocolate. Once they have been here, we are confident they will become supporters of true high quality chocolate rather than the over-sweetened product that dominates the market. This is true agro-tourism that will also help shape consumers' behavior in a more sustainable way," said Thirlwell.

The factory's location is set among the cocoa fields of Rabot estate and will respect the natural environment around it, with solar and rain harvesting among some of the energy attributes. Once the chocolate factory has been built and is operating with commercial viability, the next stage will be embarked upon, to create the real Hotel Chocolat.

This will be a boutique eco-lodge hotel set high up on a ridge at Rabot Estate, enabling guests to experience the restful beat of time as cocoa pods ripen in the sun around them and gentle breezes rustle the leaf canopy. The accent will also be on the wellness benefits of cocoa, with cocoa nib exfoliation, cocoa butter moisturizing massages and menu drawing on the savory heritage of cocoa as well as amazing chocolate drinks and deserts. On his recent visit to St Lucia His Royal Highness The Prince of Wales visited the estate to break the first ground for the Chocolate Factory.

Indonesia Cocoa Grinders Lobby for Cocoa Bean Export Tax - Executive (DJ)

Source: Dow Jones Newswires
02/04/2008

Singapore, April 2 - Indonesian cocoa grinders are lobbying the government to implement an export tax on cocoa beans that had already been proposed and approved by the president in March 2005, a senior industry official said Wednesday. "The government is watching how the export tax on crude palm oil works out before starting the tax on cocoa," said Piter Jasman, chairman of the Indonesian Cocoa Industry Association.

In August last year, Indonesia imposed an export tax on crude palm oil to curb exports on concern over supply of cooking oil for domestic consumption. "However, the focus of the cocoa export tax is to encourage the growth of the domestic cocoa processing industry by securing enough cocoa beans, which have been shrinking over the past few years," said Jasman. From 48 cocoa processing factories 10 years ago, there are now only six left in operation, most of which are not running at full capacity due to a shortage of beans.

Revenue raised from the proposed cocoa bean export tax of \$50 a metric ton will be channeled toward improving the yield of cocoa farm smallholders who do not have the funding to invest in better farming equipment or techniques, and to tackle pests and plant diseases. Based on last year's exports of around 400,000 tons of cocoa beans, around \$20 million in tax revenue could be raised. 80% of Indonesia's cocoa plantations are owned by smallholders. "The tax is necessary for Indonesia to reach its goal of producing 2 million tons of cocoa (annually) by 2020," said Jasman.

Indonesia, the world's third largest producer of cocoa, produced around 500,000 tons last year.

Three other policy changes suggested by the cocoa industry in the same 2005 proposal have since been adopted last year, namely the abolition of the 10% value added tax for the local processing of cocoa beans, waiving Chinese import duties on Indonesian cocoa powder to be on par with Malaysian cocoa produce imports and encouraging the fermentation of cocoa beans to fetch better prices.

Business & Economy

Chocolatier set to expand into Asia

InTheNews.co.uk, UK
31 Mar 2008



Barry Callebaut is expanding into Asia

Swiss chocolatier Barry Callebaut is set to acquire a 60 per cent stake in Kuala Lumpur Kepong Berhad's wholly-owned subsidiary KL Kepong Cocoa Products (KLK Cocoa) to further expand its footprint in Asia. The deal, which is expected to close in April 2008, will allow Barry Callebaut to tap into the cocoa business in Asia and expand its presence in the region.

Barry Callebaut is one of the top world suppliers of industrial chocolate to the confectionery industry, while Malaysia-based KLK Cocoa is one of Asia's leading cocoa and chocolate manufacturers and has annual sales of RM500 million (£78.7 million). In a statement, Barry Callebaut said: "The partnership will allow Barry Callebaut to benefit from KLK Cocoa's strong local expertise and to tap into its established cocoa business in Malaysia while KLK Cocoa will be able to leverage its business to a broader and global platform."

KLK Cocoa will change its name to Barry Callebaut Malaysia, and the management team of KLK Cocoa will transfer to Barry Callebaut, the confectioner said. The transaction is subject to the approval of the Ministry of International Trade & Industry of Malaysia, Barry Callebaut added. Financial terms of the deal were not disclosed.

KLK sells cocoa business to Swiss firm for RM153m

The Edge Daily, Malaysia

By Lim Shie-Lynn

Apr 1, 2008

KUALA LUMPUR: Kuala Lumpur Kepong Bhd (KLK) is divesting from its cocoa business with a majority stake sale to Zurich-based Barry Callebaut Group, the world's largest chocolate producer, for RM153.6 million plus the stake's share of the business' net working capital and debts.

In a statement to Bursa Malaysia yesterday, KLK said its unit KL-Kepong Industrial Holdings Sdn Bhd had agreed to to dispose of 60% or 21 million shares of RM1 each in KL-Kepong Cocoa Products Sdn Bhd (KLKCP) to Luijckx BV, a Barry Callebaut company. The sale was expected to be completed in a month and KLKCP would change its name to Barry Callebaut Malaysia Sdn Bhd, said KLK.

The plantation company also said it would retain the remaining 40% stake in KLKCP and would propose a joint venture with Barry Callebaut. "This would allow KLKCP to expand its business geographically and secure upstream cocoa bean supplies from West Africa while continuing to develop its chocolate manufacturing capability," it said.

In a separate statement, Barry Callebaut's chief executive Patrick De Maeseneire said the partnership would allow the company to establish its cocoa business in Asia. "The chocolate market in Asia Pacific is expected to grow by more than 30% in volume over the next four years and we want to participate in this growth. With our rapidly growing chocolate business in Asia we have an equally growing need for cocoa products. In that regard, Asia has been a blank spot on the map for us that we wanted to fill. "The new presence in Malaysia will serve as a strong basis for us to further expand our footprint in Asia and to facilitate cocoa bean sourcing from neighbouring Indonesia, which is the world's third largest producer of cocoa with a share of 15%," De Maeseneire said.

Listed on the Swiss Exchange SWX (BARN), Barry Callebaut is present in 24 countries and operates some 40 production facilities worldwide. In Asia, it has factories in Singapore, China and Japan.

A Chocolate Maker is buffeted by Global Forces beyond his Control

Inc.com, NY

By: Alex Salkever

Apr 1, 2008

How long can he stay profitable?



TIMOTHY DEVINE

Chocolate Peeps, Anyone? During good years, Johnson expanded his factory, upgraded equipment, and broadened his product offerings.

If you think the life of a chocolatier sounds like heaven, you had better check in with Dan Johnson, owner of Choco-Logo, a maker of gourmet chocolates in Buffalo. Johnson's travails began in 2006, when two of his wholesale chocolate suppliers persuaded him to forgo fixed-price contracts in favor of shorter-term variable-price contracts. Bad move. No sooner had Johnson switched than wholesale chocolate prices began soaring; they rose 35 percent in a year. To make matters even worse, sugar and milk prices were also sky high. Given Johnson's margins of less than 10 percent, his rising costs were making it tough for him to make a buck. With some astute cost cutting, he managed to stay profitable in 2007. But 2008 is turning out to be an even tougher year.

Johnson is no newcomer to the chocolate business. In 1983 he co-founded Lake Champlain Chocolates, one of the first U.S. makers of truffles and other epicurean chocolates. From there, he signed on as head chocolatier at Choco-Logo, in 1989. A year later, he bought the struggling business from its founders.

For the next 15 years, Johnson steadily built up the company, from low-six-figure revenue to nearly \$1.4 million in annual sales today. Head count at Choco-Logo grew from four in 1989 to about 23. Like most chocolate makers, Choco-Logo depends on bulk chocolate, which it then reformulates into its upscale product. The company's annual wholesale chocolate purchases rose from less than 10,000 pounds in 1989 to more than 60,000 pounds today.

To keep Choco-Logo growing in a competitive market, Johnson relied on a combination of premium ingredients and savvy marketing, as well as a focus on service. An early player in the niche market for logo chocolates, Choco-Logo provided corporations like General Electric with logo-bearing chocolates for use as marketing tools and supplied retailers such as Bloomingdale's and Williams-Sonoma with high-end chocolates bearing their own brands.

Even as heavyweights like Hershey's entered the logo business, Choco-Logo was able to thrive. A sophisticated in-house packaging and graphics design team turned around custom package designs within a matter of hours, and the company shipped orders by air in 24 hours. Johnson also forged celebrity connections to keep new buyers calling. Rocker Jon Bon Jovi contracted Choco-Logo to create a chocolate to be sold as an exclusive product on his website for about \$35 a pound. And 750 tins of Choco-Logo salty chocolate turtles were among the items served at former President Bill Clinton's 60th birthday bash, in October 2006. The company's website also scored marketing points by offering its chocolates for sale on behalf of various charities, like Help USA, a national nonprofit for the homeless.

Choco-Logo's steady growth persuaded Johnson, in 2003, to spend \$350,000 to purchase and renovate a larger factory building in downtown Buffalo, more than doubling his total square footage and allowing the addition of a retail store.

Then, in late 2006, Johnson's world changed. Rumblings of price increases for chocolate were coursing through the confectionary industry. Adverse weather and then a cocoa workers' strike in Western Africa, which supplies about two-thirds of the world's cocoa beans, reduced supply and helped sharply push up prices. Although cocoa production has since picked up, the International Cocoa Organization anticipates periodic global shortfalls of the commodity, the result of increased demand from consumers as well as a shift in tastes toward darker chocolates, which require a higher amount of cocoa per ounce to produce. These tandem trends are likely to keep cocoa prices climbing throughout 2008. "Prices didn't go up at all for a long time, and then it was almost like they started going straight up," says Johnson. As other chocolates businesses started to fail, he knew he had to act.

None of Johnson's options seemed very good. He could have opted for lower quality chocolate blends, but that risked undermining Choco-Logo's reputation. He could have spent more time shopping around for lower-priced wholesale chocolate,

but that is a time-consuming process fraught with risk, because batches of wholesale chocolate can vary widely in quality. Some other cost-cutting options included using less expensive packaging materials and reducing the size of each box of chocolates -- an age-old tactic in the industry that could have backfired if customers perceived Choco-Logo was cutting corners. Alternatively, Johnson could have started phasing out retail private-label customers, the least profitable segment of his business and the one with the least pricing flexibility. Finally, Johnson could have increased his prices and hoped customers would go along.

The Decision Johnson opted to pursue a number of these strategies to keep his company profitable. He switched most of his wholesale purchases to a premium American chocolate maker whose prices, thanks to the falling dollar, run about 25 percent lower than Johnson's European suppliers. But he kept buying some chocolate from his previous suppliers to experiment with creating new blends. "I called all the chocolate companies and asked them to send us samples so we could figure out a blend that worked," says Johnson. "It was almost like making our own wholesale chocolate." He also scored big by finding a large supply of reduced-price chocolate on the spot market for \$1.25 per pound; the going rate is as high as \$2 per pound.

As a further cost-cutting step, Johnson decided to switch to cheaper packaging materials, slicing an extra percentage point off his costs. More potentially controversial was his decision to cut his package weight by 1 or 2 ounces for some products.

Those three steps reduced his costs from 5 percent to 7 percent, allowing the company to barely stay profitable. Not a bad outcome, given that Choco-Logo's reputation appears unscathed, as evidenced by steady 10 percent annual sales growth. "I've got no complaints," says Johnson. "People who buy Choco-Logo products are looking to buy quality. They are not going to be worried if the package is an ounce or two lighter."

So far, so good. Yet with cocoa prices still on the rise, Johnson could be in a real bind. Following last year's decision to cut the weight of some boxed chocolates, Johnson is now slicing his chocolate bars for the corporate logo market from 2.3 ounces to 1.9 ounces. He wants to avoid damaging his upscale image, so further cuts on packaging quality are out. Instead, Johnson is taking a strategic approach by focusing on the corporate logo business, where margins are highest. He's revamping and redesigning his website and plans to hire at least one new sales rep. And yes, Johnson says he will probably raise prices in 2008. It's a classic candy business move. When times get tough, the bars get smaller and the price goes up.

Get creative

Johnson applied obvious remedies. He could have expanded sales channels to add more profitable product lines. He could have added more chocolate-coated products that cost less to produce than solid chocolates. He could have branched out to a branded approach using some guerrilla marketing tactics -- blogs and other new forms of marketing. He could also have offered more size choices to get people to trade up. And if I were going to expand retail, I'd consider kiosks in malls as opposed to leasing real estate.

Gary Karp, Executive Vice President, Technomic,
Chicago

Maintain quality

Every chocolate company deals with these problems. Chocolate is a commodity, and price fluctuates. But our margins are considerably higher than Johnson's. He has to make sure he maintains high-quality standards, since one of the biggest mistakes is declining quality as your business grows. So he doesn't want to keep moving his business to various vendors. He should have annual contracts for packaging and chocolate. By doing this he can set up preferential terms and pricing.

Katrina Markoff, CEO and Founder, Vosges Haut-Chocolat
Chicago

Focus on margins

Johnson needs to improve both ends of his business -- revenue and costs. Given his costs and sales, he cannot save his way to prosperity. Still, process inefficiencies generally abound in small manufacturing environments. I would examine these with an eye toward adding one or two percentage points to the bottom line. As for Choco-Logo's corporate sales business, Johnson's instincts are dead-on. Choco-Logo should increase sales efforts to that segment, since it has both large sales potential and high margins.

Julius Walls Jr., CEO, Greyston Bakery
Yonkers, New York

Chocolate chai New!

Taste.com.au, Australia

By Claire Brookman

2nd April 2008



Method

Combine tea, cardamom, cloves, cinnamon, allspice, cocoa powder, sugar and 1 1/2 cups of cold water in a saucepan. Bring to the boil over medium-high heat. Reduce heat to medium-low. Simmer, stirring, for 5 minutes or until aromatic. Add milk. Simmer, stirring occasionally, for 5 minutes or until hot. Strain into 2 heatproof glasses or cups. Serve.

Notes & tips

You could use chai tea bags for this recipe. Empty contents of tea bags into saucepan. Add cocoa powder, sugar and water. Continue recipe from step 2.

Barry Callebaut expects volatile cocoa prices

Reuters

By Katie Reid

Apr 3, 2008

ZURICH, April 3 (Reuters) - The world's largest chocolate maker Barry Callebaut (BARN.S: Quote, Profile, Research) said on Thursday cocoa prices were expected to remain volatile. "The first six months of fiscal year 2007/08 were impacted by exceptionally high and volatile raw material prices," the group said in a statement. "Cocoa prices surged by almost 50 percent between September 2007 and end-February 2008, followed by a sharp correction in mid-March. Cocoa prices are expected to remain volatile."

Cocoa export potential may hit \$300m a year

Manila Standard Today, Philippines

By Othel V. Campos

Apr 3, 2008

Mars Inc., manufacturer of famous chocolate brands M&Ms and Snickers, cited the Philippines' potential to earn as much as \$300 million in export revenues from cocoa. "There is a huge market for cocoa. In Asia alone, there is a big demand for fermented cocoa beans, but there isn't enough cocoa beans to supply the region's needs," Mars cocoa sustainability field research manager Peter Van Grinsven said in an interview.

He said if mono-cropped lands in the country were inter-cropped with cocoa trees, the potential could be more than magnified. Van Grinsven said the estimated export revenue was based on cocoa shipments totalling 200,000 metric tons at a conservative cost of \$1,500 per MT. Cocoa beans are currently bought at an average of \$2,500/MT.

The Philippines' neighbours like China, Japan, Malaysia and Indonesia import about 220,000 MT of high-quality fermented beans from West Africa where 70 percent of the world's cocoa is currently produced. Regional requirement averages 460,000 MT.

Global demand for cocoa has steadily increased over the last decade at an annual growth rate of 3 percent. Apart from new large markets for chocolate products like China and India, there has been a shift in consumption patterns in the established consumer markets to "dark chocolate," which has a higher cocoa bean content, Van Grinsven said. This is because recent studies suggest that cocoa flavanols, the naturally occurring compounds in cocoa, have a beneficial effect on cardiovascular health.

Van Grinsven said Mars was keen on looking at other suppliers for cocoa beans. The company is headquartered in McLean, Virginia and operates in more than 65 countries. It has 100 manufacturing facilities globally, including one in China and one in Indonesia.

Bill and Melinda Gates Foundation visit Ghana

Ghana Broadcasting Corporation, Ghana

April 3, 2008



A four-member delegation from the Bill and Melinda Gates Foundation and World Cocoa foundation has visited the Ghana Cocoa Board in Accra where they interacted with management of the Board. The visit was to explore and have first hand information on various processes in the cocoa supply chain. The group which represents 65 cocoa organizations across the world would visit Cote d'Ivoire, Nigeria and Cameroon on a similar mission to learn more about the cocoa sector of those countries.

The President of the WCF, Bill Guyten, said their organization in collaboration with the government of Ghana and non-governmental organizations are funding a five-year sustainable support programme for the Tree Crop Programme in West Africa. He said the WCF would contribute one million dollars while Ghana, Nigeria, Cote d'Ivoire and Cameroon governments and NGOs would make their contributions towards the programme.

Mr. Guyten said the group is interested in helping small-scale farmers to adopt new technologies to increase their production and other uses of cocoa. He said they would focus on helping farmers to form associations in order to access credit as well as training on best cocoa production practices to increase their yield. He said the group is collaborating with non-governmental organizations working in the cocoa sector to prepare educational programmes and extension services for farmers.

The Chief Executive of the Ghana Cocoa Board, Isaac Osei, said the cocoa sector is input driven and requires a lot of resources for farmers to be able to buy their own chemicals and fertilizers for production. He said COCOBOD was set up to protect the interest of farmers since there are only a few major cocoa buyers on the world market and it would be very difficult for the local cocoa farmers organizations to market the produce themselves.

Fenagh farmer on to a winner

Kilkenny Advertiser, Ireland

April 3, 2008

With costs increasing and margins narrowing practically every day, farmers have often been quite anxious to develop alternative, money-making farmyard enterprises. One farmer who went down this particular road with success is Norman Bradley, who farms near Fenagh, county Carlow. He is involved in the recycling of cocoa-bean shells, which can be used as a very valuable garden mulch.

A few years ago Norman Bradley went out of sheep production and with his sheep sheds lying idle, he decided to buy in spent barley from Guinness and sell it to local farmers. He used his sheep sheds as a storage area for the barley. For a few years he was doing well, but then he lost the supply of barley and suddenly his sheds became idle once again.

After much thought he came up with a replacement in cocoa-bean shells which he began to buy in from Cadburys. The cocoa shells come from cocoa-beans which are shipped in from all over the world. They are used in the manufacture of chocolate. However, the cocoa-bean shells are an ideal garden mulch which it seems is superior to bark in that it supplies nutrients to the soil instead of taking them out. He now supplies a number of garden centres with this unique product.

Following a couple of what could be termed as difficult years, Norman then received assistance from the Carlow Leader Rural Development Company Limited, which aims to improve the quality of life in rural areas while encouraging on-farm diversification. Carlow Leader recognised the potential of Norman Bradley's enterprise and he was successful in securing a grant. This allowed him to purchase equipment which enabled him to streamline his production process.

Sales improved during the second year, and he now produces about 80,000 bags per year. A percentage is sold locally while the remainder is sold to various garden centres and outlets. With the success of his first on farm enterprise, Norman is now working on a second idea which could also prove to be very profitable in the years ahead.

Philippines Cocoa Export Potential of US\$300 Million

Source: FLEXNEWS

04/04/2008

The Philippines has the potential to earn up to US\$300 million annually from cocoa exports, a leading confectionery manufacturer has said. Mars Inc, which makes a host of well-known chocolate bars, said there was huge demand in Asia for cocoa that was currently unmet – and that the Philippines could be placed to fill the market gap.

Mars cocoa sustainability field research manager Peter van Grinsven was reported as saying: “There is a huge market for cocoa. In Asia alone, there is a big demand for fermented cocoa beans, but there isn't enough cocoa beans to supply the region's needs.” He estimated that if current crops were mixed with cocoa trees, the Philippines could fulfil its potential and generate export revenues of US\$300 a year.

Mr van Grinsven said the conservative forecast was based on cocoa exports totalling 200,000 MT sold at just US\$1,500 /ton. Current prices see cocoa bean bought for US\$2,500/ton. South East Asian countries such as China, Indonesia, Malaysia and Japan currently ship in 220,000 MT annually, mostly from West Africa. Demand for cocoa across the globe has been increasing steadily at around 3% annually. Mars Inc said it was looking for alternative cocoa bean suppliers.

Callebaut shares dive on high cocoa, profit miss

Reuters UK, UK

By Katie Reid

Apr 3, 2008

ZURICH (Reuters) - High cocoa prices and an investment push into emerging markets weighed on profitability at the world's largest chocolate maker, Barry Callebaut (BARN.S: Quote, Profile, Research), sending its shares down sharply on Thursday.

Net profit for the first six months of the group's 2007/08 fiscal year stagnated versus the year-earlier period at 124.4 million Swiss francs (\$122.9 million), lagging the average estimate of 146 million francs in a Reuters survey. The company said it had suffered from a delay in passing on raw material prices and also from new factory spending in Russia and China. By 0930, shares in the group had slid 5.1 percent to 828.50 francs, underperforming a slightly weaker Swiss market.

But Callebaut, which produces chocolate for companies such as Nestle (NESN.VX: Quote, Profile, Research) and Cadbury (CBRY.L: Quote, Profile, Research), is confident it will meet its mid-term targets as it raises prices in its consumer business to offset higher raw-material costs.

Spiralling commodity prices have hit food companies worldwide, and some are struggling to raise their prices to match the increases as surging demand from emerging markets drives up nutrition costs.

The group sees profitability improving as it produces more in factories that have so far not been running at full capacity and as it expects to win higher-margin contracts from smaller companies. "The stock will likely see pressure although I am a big fan of the chocolate outsourcing story in the medium term," said analyst Jon Cox at brokerage Kepler.

The group, which provides the food manufacturing industry with cocoa and chocolate products, coatings and cocoa powders, posted a 21 percent in sales revenue to 2.585 billion francs. EBIT rose 1.3 percent to 200.4 million francs. "While top-line growth was impressive the weak EBIT performance is a disappointment, although I tend to think many of the factors that compressed first-half profitability ... will ease in the second half," Cox said. The group said it had not been able to pass on higher raw-material costs until the start of January and that it expected cocoa prices, which have hit record highs this year, to remain volatile

Labour Issues

Bitter sweet returns from cocoa? Maybe not for much longer

CityWire.co.uk, UK

By Nicholas Paler

31 March 2008

For investors concerned about the moral repercussions when investing in certain types of agriculture, new research this week could help them sleep easier.

Ecclesiastical Investment Management, looking specifically at cocoa production, said the pros of investing in businesses which had a history of looking after their workers outweighed the cons. The socially responsible investment (SRI) firm, whose study

focused on a region of West Africa which accounts for 70% of cocoa production, is well aware of the plight of cocoa industry workers, and it notes that slave child labour is widely used, as are dangerous pesticides which cause harm to humans.

However, it said that it was better to invest in firms which were making an effort to maintain and improve their incomes and practices, rather than shun the sector completely. Ecclesiastical's senior SRI analyst, Ketan Patel, said: 'We looked at a business which had demonstrated a long record of concern for cocoa farmers and was continuing to make a concerted effort to maintain and improve its incomes and practices. We can do more good by investing in such companies.' So for those people whose conscience prevented them from previously investing in agriculture, the picture is changing, and your investment could help transform the industry.

Environmental Issue

Uganda: DDT Indoor Spraying Will Not Harm Agricultural Exports

AllAfrica.com, Washington

Dr. Myers Lugemwa, Kampala

3 April 2008

I wish to respond to a story in The New Vision of March 31, titled, "Bundibugyo rejects DDT spraying." The article said the district council had rejected the Government's programme of indoor residual spraying because cocoa buyers threatened to stop buying the produce if the area was sprayed with DDT.

The Ministry of Health is aware of the many alternatives that exist for the control of malaria, including the insecticide-treated nets. But Uganda, like many other countries such as Eritrea, Ethiopia, South Africa, Botswana, Brazil, Panama, Vietnam, India, Italy and Israel, decided to use DDT for public health, based on the World Health Organisation and the National Environmental Management Authority guidelines as well as the Stockholm Convention.

The use of DDT in the above countries has dealt a big blow to malaria. Like Bundibugyo, some of these countries grow cocoa and export it to Europe and beyond. There are certain levels of DDT acceptable in the food chain, regardless of the levels in the environment and living tissue. Even if there was no market for such produce abroad, no country would wish to have its citizenry consume foods impregnated with harmful toxic substances.

It would be naïve, therefore, for the Government to make futile decisions to use DDT at the detriment of the wana inchi economy or agriculture, the backbone of Uganda. The European Union advised Uganda that it will allow all its agro exports if DDT levels do not exceed the internationally-stipulated levels. Indoor residual spraying is an exercise that entails the spraying of any chemical meant for public health use within (inside) the dwelling of household members and not outside where agriculture takes place.

Moreover, there is an ordinance regarding storage of agricultural produce which stipulates that crops/produce shall not be stored in the same environment with man and other animals. This is why in the past, every household was compelled to have granaries. The ordinance still holds and we should invoke it to protect our agro-exports from vermin and other contaminants. This falls within the mandate of Bundibugyo district council and others. While the district council implored the Government to use "less toxic" alternatives, such alternatives have been used at one time or another and will continue to be used where and whenever applicable.

However, the cost benefit analysis of such alternatives, including the insecticide-treated nets, has been on the lower compared to DDT. Indeed, malaria remains the number one killer in Bundibugyo yet the district has benefited from alternative prevention programmes. This does not mean that DDT is a magic bullet solution in the fight against malaria. Rather, it is part of a combination of strategies such as case management, Intermittent Preventive Treatment in pregnancy, use of insecticide-treated nets, good environmental management, behavioural change, communication and information, communication and education, and use of other insecticides such as Iconare.

Fourthly, the Public Health Act alludes to mosquitoes as a nuisance and failure to have the environment in which the mosquitoes live disinfected is in itself an offence. Wana inchi should be reminded of this act in order to have healthy people who will grow more cocoa and fight poverty, thus addressing government programmes like Poverty Eradication Action Plan and Bonna bagagawale. Bundibugyo is not on the list for DDT spraying programme in the near future as the district council alluded in its meeting.

My technical team is at your disposal of the council should it wish to be furnished with facts on DDT since its inception in 1874. The writer is the international health specialist with the National Malaria Control Programme in the Ministry of Health

Others

Justice Dept Confirms Chocolate Price-Fixing Probe (DJ)

Source: Dow Jones Newswires

02/04/2008

The Justice Department confirmed Tuesday that it's conducting an investigation into possible price-fixing in the chocolate industry.

The investigation, which had been previously reported, had not been acknowledged by the federal officials. Price-fixing is a criminal violation that can bring stiff fines and sometimes prison terms for executives. In recent years, U.S. and foreign antitrust enforcers have aggressively pursued such cases. "The Department of Justice antitrust division is investigating the possibility of anticompetitive practices in the chocolate manufacturing industry," a department spokeswoman, Gina Talamona, said Tuesday. She declined to elaborate.

Canadian regulators in November began probing whether the Canadian divisions of Hershey Co. (HSY), Mars Inc. and Nestle SA (NESN.VX) fixed prices. Since then, European antitrust regulators have opened inquiries, and dozens of civil lawsuits have been filed against the chocolate companies. The companies have said they're cooperating with the investigations.

TIT BITS

(Source: Business Recorder – www.brecorder.com)

London cocoa, coffee and sugar flat

LONDON (April 01, 2008): London coffee, cocoa and white sugar futures closed little changed on Monday as investors rolled positions and booked profits at the end of the quarter, dealers said. May robustas finished down \$11 at \$2,287 a tonne in modest volume of 10,190 lots.

London coffee, cocoa and sugar fall

LONDON (April 02, 2008): London coffee, cocoa and sugar futures fell amid fund selling, spread and arbitrage trading on Tuesday as the stronger dollar put renewed pressure on commodity markets, dealers said. London robusta coffee trade was dominated by position rolling and arbitrage, with selling momentum picking up in the afternoon after a choppy session dictated by the dollar.

US MIDDAY: coffee little changed, cocoa dips

NEW YORK (April 02, 2008): Arabica coffee futures trading on ICE Futures US were little changed in early trade Tuesday amid light long-liquidation with roasters buying the dips, while US cocoa futures continued downward. ICE May coffee down 0.35 cent at \$1.2705 per lb at 9:32 am EDT (1332 GMT). Narrow range was \$1.2685 to \$1.284. Back of board down 0.35 cent to up 0.30 cent.

New York cocoa futures down

NEW YORK (April 02, 2008): US cocoa futures settled lower on Monday, as participants squared books at the end of first quarter 2008 and the weak sterling relative to the dollar added pressure, dealers said. "There was some window dressing for month-end and quarter-end," one cocoa trader said.

London coffee falls; cocoa and sugar rise

LONDON (April 03, 2008): London robusta coffee futures fell on investor selling at midsession on Wednesday, while cocoa inched higher on light arbitrage and position rolling, and white sugar was little changed in light volumes. London robusta coffee futures fell on light investor selling, pressured by a firm dollar as the market eyed a looming options expiry, dealers said.

US MIDDAY: cocoa little changed, coffee up

NEW YORK (April 03, 2008): Arabica coffee futures trading on ICE Futures US moved a bit higher after holding above Tuesday's low in early action Wednesday, while cocoa futures were little changed in quiet trade. ICE Futures US May coffee up 0.95 cent at \$1.3005 per lb at 9:28 am (1328 GMT). Trading band was \$1.286 to \$1.3095.

New York cocoa lower

NEW YORK (April 03, 2008): US cocoa futures settled down for the third straight session on Tuesday on pressure from weak sterling, dealers said. "It is a disappointment that there is no sign of fresh money from funds. There's no physical news at all," one cocoa trader said about negative market factors.

London coffee, cocoa and sugar rise

LONDON (April 04, 2008): London robusta coffee futures closed marginally higher on Thursday as investors tracked a rise in New York, while cocoa and sugar also ticked up, dealers said. Front-month coffee is up around 20 percent since the start of the year, largely on investor interest, though it has fallen sharply from its record of more than \$2,800, touched in March.

US MIDDAY: coffee and cocoa up

NEW YORK (April 04, 2008): Arabica coffee futures trading on ICE Futures US were firm in early action Thursday, while cocoa futures rebounded from Wednesday's 2-month low, in thin trade. ICE Futures US May coffee up 1.80 cents at \$1.3045 per lb at 9:23 am (1323 GMT). Trading band was \$1.2845 to \$1.3070. Back of board up 1.65 to 1.85 cents.

New York cocoa settles at two-month low

NEW YORK (April 04, 2008): US cocoa futures settled at a 2-month low on Wednesday after new short positions entered the market and triggered sell-stops, dealers said. "It's new shorts mainly, lack of industry bids," one cocoa trader said. The key ICE May cocoa contract settled down \$52 or 2.3 percent at \$2,230 per tonne, the weakest settlement for the spot month since January 29.