

# Future may be bitter for chocolate lovers, leading processor warns

PARIS, FRANCE: The future may be bitter for chocolate lovers unless cocoa producers step up their output dramatically to satisfy an expected surge in demand from emerging market countries, an industry executive warns.



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Juergen Steinemann, head of Barry Callebaut, the leading supplier of cocoa and chocolate to manufacturers and food professionals, doesn't hide his concern despite the Swiss-based company's current sweet performance.

Barry Callebaut has positioned itself well to benefit from growth in emerging markets, where its sales jumped nearly a fifth last year and now account for a quarter of overall sales.

But if consumers in emerging markets quickly develop a sweet tooth for chocolate, a severe shortage of cocoa beans could develop.

At the current moment consumers in emerging markets eat just 50 grams of chocolate per person per year, compared with European and US consumers who gobble up 10 to 12 kilos per person.

Steinemann said even an increase of average annual consumption per head from 50 grams to two kilos in emerging markets would put a major strain on supplies of the cocoa beans that are the key ingredient in chocolate.

## Expected shortfall

Production of cocoa beans is forecast to fall short of demand for a second year running, although the International Cocoa Organization estimates that world output will rise to 4.104 million tonnes this year from 3.942 million tonnes last year.

Barry Callebaut, which processes nearly a quarter of the world's cocoa beans, estimates that output needs to rise to five million tonnes by 2020 to meet the growth in demand.

"If we don't have more (a shortage) could happen," Steinemann told journalists during a recent visit to Paris.

"This is why we better overdo, rather than not enough," he added. The answer to the question of how to get such an increase in output is not so easy, however.

## Higher prices

Even with the price of cocoa beans jumping by nearly a third over the past year, farmers prefer growing palm or bananas, noted Barry Callebaut's vice president, Philippe Janvier.

Expanding land under cultivation wouldn't be a quick solution as it takes about seven years before you can harvest beans.

That leaves improving productivity, and to that end Barry Callebaut runs a programme to improve the skills of farmers in Ivory Coast, the world's top cocoa producer at 36% of global output.

"We are not enlarging the land but rather trying to intensify production, that's our response, and it's all about education," said Steinemann, who often travels to the training centre in Ivory Coast.

The average size of cocoa plantations in Ivory Coast is just two or three hectares five-seven acres), with most farmers having had little formal agricultural training and using techniques handed down to them by the parents.

"Producers can much improve their yields if they remove old bad fruit, the bad leaves with some kind of disease," said Steinemann.

"It's all very simple things to do, it's gardening as you do in your garden."

Fertiliser use is currently scant and could also help in achieving the project's goal of doubling yields from 400 to 800 kilos per hectare in Ivory Coast by 2020.

"It will be easy to get farmers to return to cocoa if we help them obtain better yields, better quality and thus better profits," said Janvier.

## No to GMO

Barry Callebaut doesn't hold out much hope however for genetically-modified cocoa, which Steinemann said doesn't suit the taste as well as health concerns of consumers in Europe, still the biggest market.

The tight supply situation has made the cocoa market attractive for commodity speculators.

"I was very angry, but the fact is that you can't keep them out," said Steinemann.

"Prices will remain in the coming months at a high level, volatility will increase due to" speculative traders, he added.

On Friday on the LIFFE market in London cocoa for delivery in July traded at £1,817 a tonne, while on the ICE Futures in the United States, cocoa for July was at \$2,901. Cocoa hit a two-and-a-half year high of \$2,997 on the ICE market in February.

Source: AFP

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