



Coping with the shifting tides in the cocoa grinding industry

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Rabobank group strategy



- 51,859 employees
- 670,373m euro balance sheet
- 8.6 million clients

Figures as of December 2015

Rabobank: Financing the whole value chain



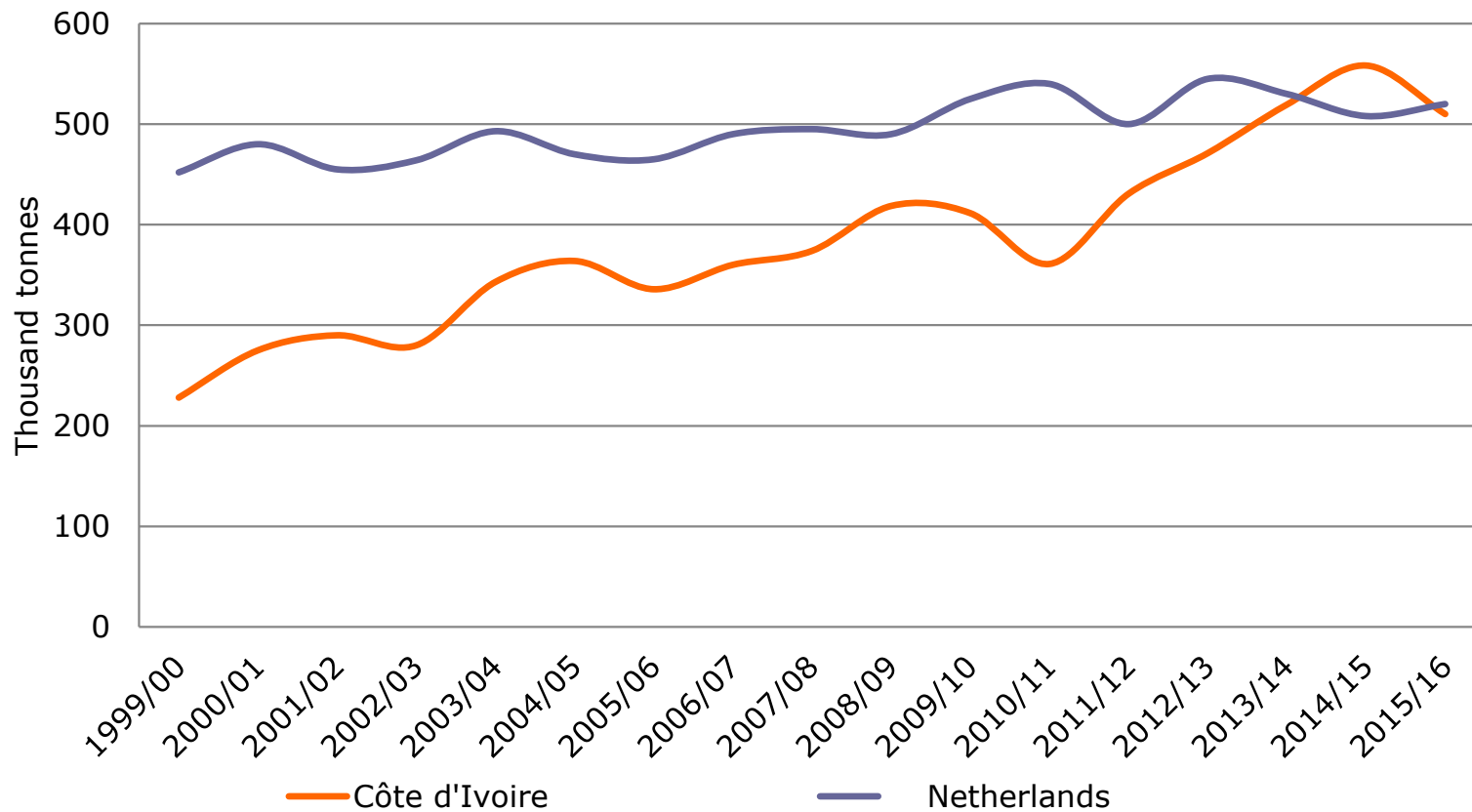
Strong relationships across the cocoa value chain



Cocoa exporters, traders, grinders, chocolate manufacturers and product users



CDI's grinding overtook the Netherlands' in 2014/15 and this is likely to be the case in the future.



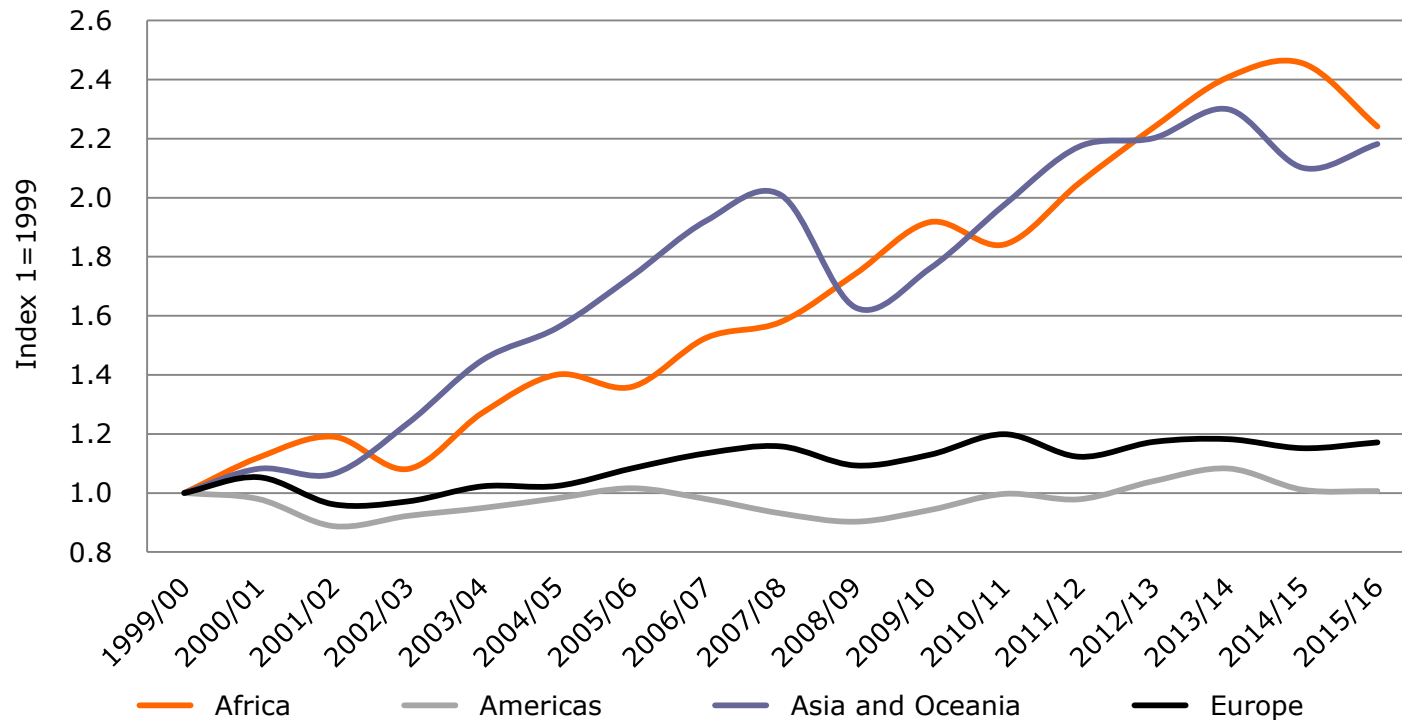
Source: ICCO, Rabobank, 2016

And West African countries are incentivising local grinding



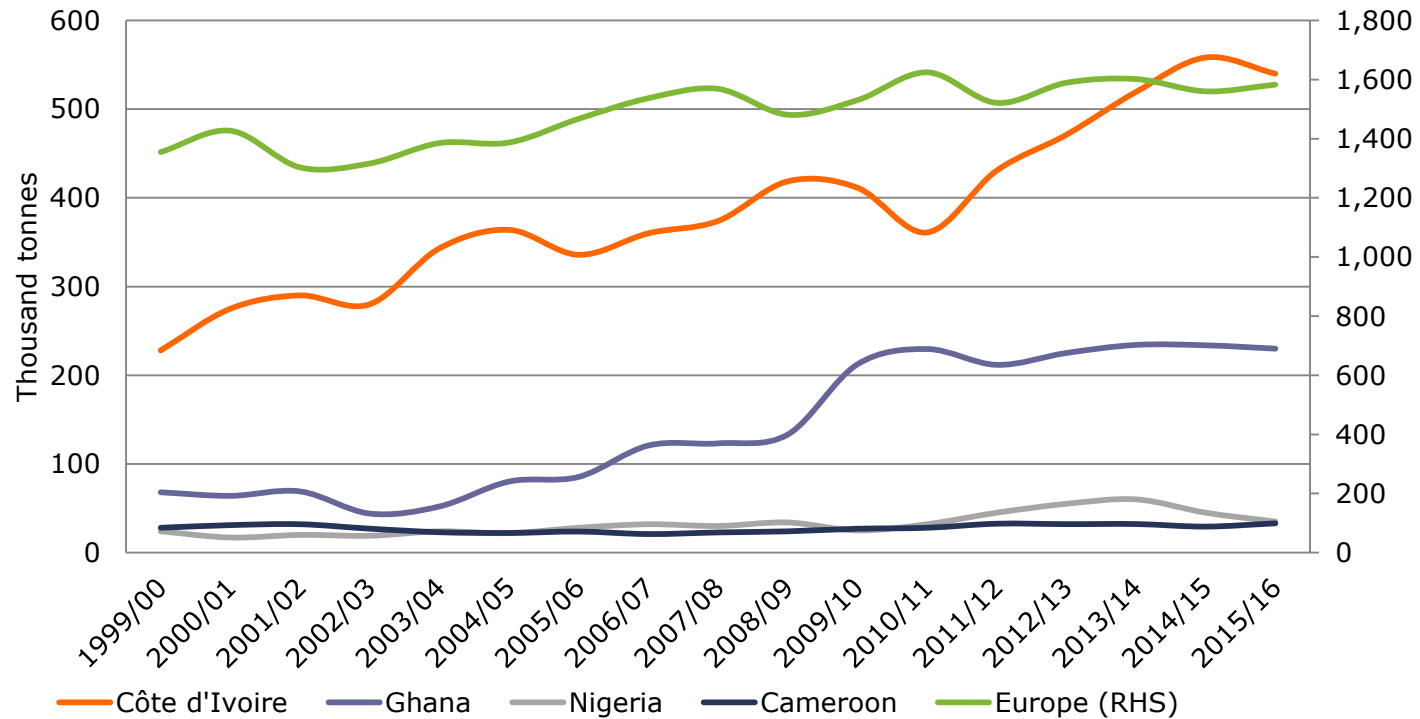
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Even though 2015/16 sees African grindings down (mid crop quality problems due to the strong Harmattan in early 2016), we expect another increase in 2016/17



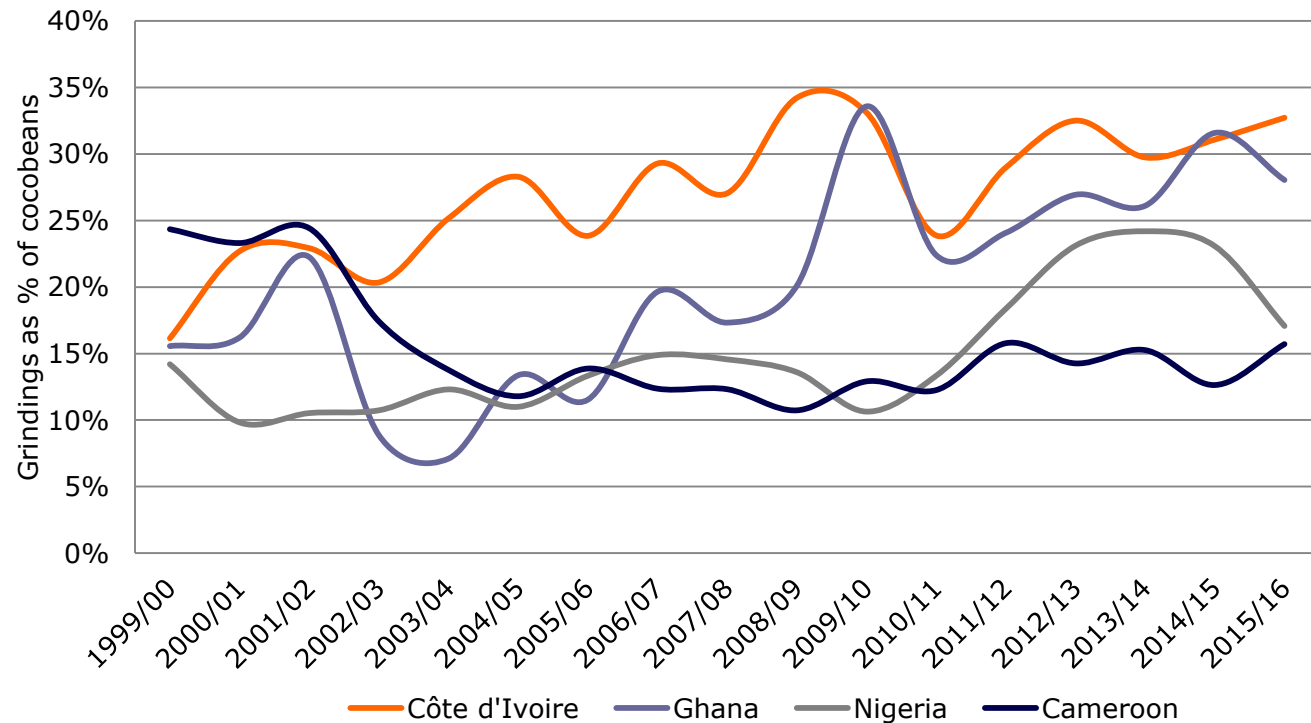
Source: ICCO, Rabobank, 2016

Growth particularly strong in Côte d'Ivoire



Source: ICCO, Rabobank, 2016

The proportion of beans used for local grindings is increasing



Source: ICCO, Rabobank, 2016

Two different commercialisation systems



➤ Côte d'Ivoire:

- Cocoa sold in auctions. Local grinders need to buy the cocoa in these auctions. Internal prices paid to farmers are fixed.
- New export taxes:
 - Beans: 14.6%
 - Cocoa mass: 13.2%
 - Butter: 11%
 - Powder: 9.6%
 - Chocolate: 0.0% ...
- What is chocolate?



Two different commercialisation systems



➤ Ghana:

- Cocobod, a government body with an excellent credit record, borrows money. Cocobod sells the crop forward to lock in prices
- Cocobod distributes fertilisers and agrochemicals to farmers (from 180 distribution points, up from only 27 about 3 years ago)
- Cocobod sets the internal price and buys the cocoa through LBCs
- It also determines how much cocoa is left for the local grinding industry at a 20% discount. If the midcrop beans are not enough, grinders need to buy from the main crop, without the discount. Unlike Ivory Coast, everything gets grounded.

- Tax free enclaves

(ii) Composition of Bean-size Categories

Bean-size category	2013/14	2012/13
Main Crop	76.87	72.03
Light Crop	21.33	19.02
Small Beans	1.64	6.84
Type "4" Beans	0.14	1.71
Remnant	0.02	0.39
	100.00	100.00

Consequences



- Machines need to be imported from Europe, most likely the Netherlands.
- More dependence on the mid crops.
- Potentially some more volatility in ratios and/or prices as increasing amounts of working stocks will be needed at origin, where they are less visible.
- Potentially higher product stocks in consumer countries, to mitigate any risks in the supply chain.

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Thank you!

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