



COCOA MARKET OUTLOOK CONFERENCE

PROSPECTS FOR THE 2015/2016 SEASON AND CURRENT TRENDS IN SUPPLY AND DEMAND FOR COCOA

- FIRST ANNOUNCEMENT -

Tuesday, 22 September 2015, Holiday Inn Hotel, Wembley, London

INTRODUCTION

World supply and demand for cocoa have both risen at an average annual growth rate of 2.5% over the past 50 years. However, global cocoa bean supply and demand have been characterized by relatively wide year-on-year fluctuations. This is particularly the case for production, which has deviated considerably from its long-term trend on many occasions, due mainly to the influence of climatic factors. On the demand side, cocoa grindings have been growing at a steadier yearly pace. The significant supply deficits or surpluses experienced over the years, often attributed to the high variability of cocoa production, are not seen as a major source of concern as long as these occurrences are not structural in nature.

However, for the first time since the 1970s, perceived uncertainty about adequate supply of cocoa, raised concerns particularly within the cocoa and chocolate industry. Productivity has not improved significantly over the years; and cocoa farming is not being seen as an attractive business proposition for the new generation of younger farmers, often attracted by alternative tropical soft commodities seen as more remunerative, or even more by urban life. This has been particularly the case in Asia, a region which was previously seen as a very promising origin for the supply of cocoa, but which now seems not able to live up to these expectations. As a consequence, the over-reliance on West African beans (already 73% of world supply) has been rising in recent years, putting the cocoa and chocolate industry at a potential risk. This accumulation of factors led some analysts to make the startling prediction that the world may run out of cocoa beans in a few years' time, leaving chocolate consumers confused.

On the other hand, demand for cocoa and chocolate products has been expanding in new markets and new trends are developing. Indeed, two thirds of the growth in demand for cocoa in the past five years originated from developing and emerging economies, due to the rapid growth of the middle and upper classes in these countries. Meanwhile, traditional markets in the developed economies are moving towards healthier and premium chocolate products, increasing the price range offered for these products.

OBJECTIVES

The cyclical nature of the economics of the cocoa market is a key characteristic of the sector and has consequences for the economies of cocoa producing countries, for their growers and for the cocoa and chocolate industry. Taking into consideration the key trends in cocoa and chocolate demand, the main objective of this Conference is to critically assess the long-term prospects for supply and demand for cocoa, and review the sustainability of the sector. Only with a clear

understanding of the current situation and future market outlook can the cocoa community respond adequately and proportionately to the rising demand for cocoa and to the constraints faced by cocoa growers in the various cocoa producing regions, so that better informed policy-making decisions and investments can be made. Specific recommendations are expected at the conclusion of the event.

The Conference will also provide forecasts of supply and demand for the 2015/2016 cocoa season.

DRAFT PROGRAMME

Leading world experts from the cocoa and chocolate sector, the financial sector as well as officials from cocoa producing countries will gather to discuss the following topics:

Part I: Overview on Global Supply and Demand for Cocoa

In this session, the general trends in supply and demand will be presented, together with market forecasts up to 2020.

Part II: Supply Outlook and the Economics of Cocoa Farming

In this session, the status of cocoa farming and cocoa production at country and regional levels will be analysed in detail, with the aim of establishing where cocoa will be sourced in the medium to long term. In relation to cocoa farming, experts will compare and contrast the prevalent model of cocoa production by smallholders, versus the emergence of large commercial estates, especially in Latin America. Forecasts for the forthcoming 2015/2016 cocoa season will also be discussed.

The following points will be addressed:

- Supply and demand forecasts for the 2015/2016 cocoa season
- Recent developments in Africa, Asia and Oceania and in the Americas
- Determinants of cocoa supply
- Smallholder cocoa farming: productivity and income
- Profitability and viability of large commercial estates

Part III: Cocoa Price Development and Futures Markets

Cocoa prices are influenced by many factors, some of which are specific to the cocoa sector, while others reflect the broad macroeconomic and financial outlook. Nevertheless, market prices are expected to adjust to possible imbalances between supply and demand in the long term. This session will cover the following aspects:

- Price forecasts for the 2015/2016 cocoa season
- Determinants of cocoa prices
- Recent developments in cocoa futures trading:
 - a review of the monitoring and position management arrangements in the London and New York markets and implications of the proposed new regulations by the US CFTC;
 - the launch of new cocoa futures contracts by the CME and ICE; and
 - the implication of the denomination in Euros of cocoa futures contracts

Part IV: The Economics of Cocoa Processing and Manufacturing

Processing is the first step to add economic value to cocoa beans. The bulk of cocoa grindings take place in cocoa importing countries, but an increasing share of cocoa processing is now moving into cocoa producing countries. This session will review the regional redistribution of processing activity and the major drivers underlying consolidation in the processing sector. Finally, the reasons and economic implications of a progressive concentrated processing sector, both horizontal and vertical, will be outlined.

- Recent trends in cocoa processing
- The economics of cocoa processing and chocolate manufacturing
- Market concentration and vertical integration

Part V: The Chocolate Market: Diverse and Buoyant

This section will provide insights on the future for chocolate confectionery demand in mature as well as in emerging markets.

- Developments in mature markets (in particular for premium chocolate)
- Developments in emerging markets (i.e. economic and demographic changes driving the consumption of chocolate consumption)

REGISTRATION

The registration fee for the Conference is £490, with a reduced rate of £250 for members of selected groups of participants (farmers, cooperatives, civil society with no commercial activities). Lunch will be provided to all Conference participants. Please register for the event by completing the attached form.

All enquiries about the seminar programme should be directed to Mr. Laurent Pipitone, Director of the Economics and Statistics Division (Telephone: +44 20 8991 6005 / 00; Email: laurent.pipitone@icco.org).

Registration and all enquiries to practical arrangements should be directed to Mr. Philippe Pestelle, Marketing & Event Coordinator (Telephone: +44 20 8991 6019 / 00; Email: philippe.pestelle@icco.org).

