

COPAL COCOA *Info*

A Weekly Newsletter of Cocoa Producers' Alliance



Issue No. 366

14th – 18th December 2009

Cocoa Producers' Alliance



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Do your health a favour, drink Cocoa everyday
'It's nature's miracle food'

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ICCO Daily Cocoa Prices

	ICCO daily price (SDR/tonne)	ICCO daily price (\$US/tonne)	London futures (£/tonne)	New York futures (\$US/tonne)
14 Dec.	2,243.67	3,559.08	2,272.33	3,422.33
15 Dec.	2,227.74	3,521.64	2,259.33	3,380.33
16 Dec.	2,298.16	3,636.87	2,310.67	3,495.33
17 Dec.	2,278.57	3,579.29	2,308.00	3,439.00
18 Dec.	2,178.76	3,423.46	2,223.00	3,275.67
Average	2,245.38	3,544.07	2,274.67	3,402.53

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

Monday 14 Dec. 2009

Month	Opening Trans	Settle	Change	Daily High	Daily Low	Volume
Dec-09	2214	2207	-4	2215	2185	4,168
Mar-10	2267	2268	1	2277	2253	5,695
May-10	2285	2287	1	2297	2271S	2,063
Jul-10	2245	2262	2	2267S	2245	727
Sep-10	2223	2234	3	2235	2223	205
Dec-10	2179	2185	-2	2194	2178	309
Mar-11	2163	2169	-2	2179	2163S	43
May-11		2167	-2			0
Jul-11		2173	-2			0
Sep-11		2190	-2			0
Totals		2214				13,210

Tuesday 15 Dec. 2009

Month	Opening Trans	Settle	Change	High	Low	Volume
Dec-09	2266	2257	-11	2273	2246	7,848
Mar-10	2282	2274	-13	2290S	2264	1,445
May-10	2260	2247	-15	2263S	2243	135
Jul-10	2235	2219	-15	2240	2217S	366
Sep-10	2185	2170	-15	2190	2167S	358
Dec-10	2155	2154	-15	2163	2155	57
Mar-11		2152	-15			0
May-11		2158	-15			0
Jul-11		2175	-15			0
Sep-11		2175				0
Totals		2198				10,209

Wednesday 16 Dec. 2009

Month	Opening Trans	Settle	Change	High	Low	Volume
Dec-09	2271	2309	52	2314	2257	10,745
Mar-10	2289	2326	52	2329	2276	2,711
May-10	2259	2297	50	2301	2250	735
Jul-10	2231	2272	53	2273S	2225	884
Sep-10	2181	2220	50	2186S	2176S	13
Dec-10	2213	2204	50	2213	2213	1
Mar-11		2202	50			0
May-11		2202	44			0
Jul-11		2202	27			0
Sep-11		2202	27			0
Totals		2244				15,089

Thursday 17 Dec. 2009

Month	Opening Trans	Settle	Change	High	Low	Volume
Dec-09	2309	2304	-5	2337	2286	6,981
Mar-10	2325	2322	-4	2350S	2305	2,577
May-10	2309	2298	1	2327S	2287S	1,132
Jul-10	2295	2274	2	2300	2260	486
Sep-10	2229	2223	3	2246S	2211S	197
Dec-10	2236	2209	5	2236	2205S	94
Mar-11		2204	2			0
May-11		2204	2			0
Jul-11		2204	2			0
Sep-11		2204	2			0
Totals		2245				11,467

Friday 18 Dec. 2009

Month	Opening Trans	Settle	Change	High	Low	Volume
Dec-09	2298	2217	-87	2298	2214	10,308
Mar-10	2316	2237	-85	2316S	2232	5,198
May-10	2279	2215	-83	2292	2213	1,825
Jul-10	2256	2187	-87	2260S	2181S	343
Sep-10	2210	2147	-76	2221	2130	42
Dec-10	2188	2130	-79	2190	2113	125
Mar-11		2123	-81			0
May-11		2123	-81			0
Jul-11		2123	-81			0
Sep-11		2123	-81			0
Totals		2163				17,841

Average for the week		2213				13563
Total for the week						67,816

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

Monday 14 Dec. 2009

Month	Open	Price	Change	High	Low	Volume
Dec-09	3435	3401	-8	3440	3410	7
Mar-10	3409	3411	17	3422	3371	3,971
May-10	3421	3430	14	3440	3399	763
Jul-10	3410	3433	16	3442	3410	52
Sep-10	3454	3444	13	3454	3437	49
Dec-10	3398	3408	13	3420	3387	317
Mar-11	3405	3395	15	3405	3396	28
May-11	0	3402	12	0	0	0
Jul-11	0	3412	12	0	0	0
Sep-11	0	3422	12	0	0	0
Totals		3416				5,187

Tuesday 15 Dec. 2009

Month	Open	Price	Change	High	Low	Volume
Dec-09	3410	3355	-46	3410	3410	1
Mar-10	3396	3365	-46	3408	3354	8,254
May-10	3406	3382	-48	3412	3374	1,706
Jul-10	3400	3386	-47	3400	3383	324
Sep-10	3410	3396	-48	3410	3400	31
Dec-10	3372	3366	-42	3378	3372	20
Mar-11	3363	3356	-39	3378	3362	71
May-11	0	3366	-36	0	0	0
Jul-11	0	3376	-36	0	0	0
Sep-11	0	3386	-36	0	0	0
Totals		3375				10,406

Wednesday 16 Dec. 2009

Month	Open	Price	Change	High	Low	Volume
Dec-09	0	0	0	0	0	0
Mar-10	3385	3498	133	3510	3377	14,801
May-10	3390	3510	128	3514	3390	4,201
Jul-10	3401	3507	121	3512	3401	547
Sep-10	3430	3515	119	3522	3430	247
Dec-10	3399	3492	126	3497	3399	165
Mar-11	3471	3486	130	3477	3471	12
May-11	0	3496	130	0	0	0
Jul-11	0	3506	130	0	0	0
Sep-11	0	3516	130	0	0	0
Totals		3503				19,973

Thursday 17 Dec. 2009

Month	Open	Price	Change	High	Low	Volume
Dec-09	0	0	0	0	0	0
Mar-10	3476	3424	-74	3490	3400	10,156
May-10	3491	3441	-69	3500	3418	1,475
Jul-10	3481	3441	-66	3487	3434	260
Sep-10	3488	3447	-68	3490	3440	144
Dec-10	3474	3426	-66	3474	3429	234
Mar-11	3461	3421	-65	3461	3450	21
May-11	0	3431	-65	0	0	0
Jul-11	0	3441	-65	0	0	0
Sep-11	0	3451	-65	0	0	0
Totals		3436				12,290

Friday 18 Dec. 2009

Month	Open	Price	Change	High	Low	Volume
Dec-09						
Mar-10	3455	3251	-173	3469	3249	15,647
May-10	3482	3271	-170	3482	3270	1,259
Jul-10	3480	3269	-172	3480	3271	467
Sep-10	3440	3273	-174	3442	3278	203
Dec-10	3419	3257	-169	3423	3262	92
Mar-11	3397	3256	-165	3402	3285	120
May-11	3407	3264	-167	3412	3407	2
Jul-11	0	3273	-168	0	0	0
Sep-11	0	3283	-168	0	0	0
Totals		3266				17,790

Average for the week		3399				13,129
Total for the week						78,775



Health and Nutrition

Chocolate can play a part in a healthy lifestyle

Northern Daily News - Marilyn Linton - Dec 16, 2009

When my friend Lynn comes to dinner, she insists on bringing me her favourite health food.

"Yes, please!" I say, because her favourite health food isn't carrots but rather chocolate.

Is she serious? Can chocolate really be good for you?

According to a recent study on the metabolic effects of dark chocolate consumption, dark chocolate helps to ease emotional stress. We've read that chocolate protects the heart by controlling blood pressure and lowering cholesterol, and that it also protects against tooth decay.

Chocolate has long been thought to be not only healthy but also healing. Way back in the 17th century, Europeans believed that chocolate comforted the liver, aided in digestion and strengthened the heart. The health benefits of a cup of cocoa were widely touted up until the 20th century.

"Most of chocolate's healthfulness comes from antioxidants that reduce the everyday oxidative stress on our bodies," write David Joachim and Andrew Schloss, co-authors of *The Science of Good Food* (Robert Rose.) They write that the health-promoting antioxidants in chocolate are called polyphenols.

Studies have shown that these compounds can increase blood flow and make blood platelets less sticky. Flavonoids, a subclass of polyphenols that are found in cocoa solids, protect the heart, according to several studies. It seems that these compounds act like scavengers with antioxidant capacities. In one study of 34,000 postmenopausal women who consumed flavonoid-rich food, 22 percent had a lower risk of developing heart disease.

Darker chocolate has the most flavonoids and to capitalize on the health benefits, chocolate manufacturers now list the amount of cacao in a bar. Look for at least 70% to get the most benefit from a bite. Generally speaking, the more bitter the chocolate, the higher the amount of antioxidants. But more important is the fact that the higher the cacao content, the lower the sugar content in the chocolate.

Dark chocolate protects against high blood pressure, too. According to a study published in 2007 in the *Journal of the American Medical Association*, dark chocolate may actually help to lower blood pressure. An earlier study found that dark chocolate worked better than white chocolate -the latter contains fewer flavonoids.

Women have always swooned over chocolate and ads for candy bars have teased that chocolate is better than sex. But the mood-altering effect of chocolate can't be argued against. According to Joachim and Schloss, the reason has to do with theobromine and anandamide -both found in chocolate. And chocolate has long been known to be an aphrodisiac!

In one study of people who were under a lot of stress, it was found that eating about an ounce and a half of dark chocolate a day for two weeks reduced levels of their stress hormones. This gives scientific support to what chocolate lovers have always called "the chocolate cure" for everything from bad moods to PMS.

Up until recently, the last pro-chocolate person you'd think of was a dentist. But last year, Dr. Linda Niessen, a dentist from the Baylor College of Dentistry in Texas, identified the tannins present in chocolate to be beneficial to dental health. She explained that the tannins stop the action of the bacteria on the teeth, thus stopping cavities in their tracks.

So can a chocolate a day truly keep the doctor away? The truth is, it's really too early to tell for sure. An article in a past issue of the Nutrition Action Newsletter warned that too many of the studies that showed the potential

heart benefits of dark chocolate were small, not well designed, and in some cases funded by the chocolate industry.

Even experts who are less critical still point out that the saturated fat in chocolate's cocoa butter (not good fat like olive or canola oil) can do more harm to your heart than good. Chocolate can also be packed with sugar - empty calories that add nothing but inches to our waistlines. With some chocolate candies containing up to 800 calories per bar, bites, not bars, are definitely the way to go.

Production & Quality

Ivorian cocoa arrivals seen at 474,000 T by December 13

Mon Dec 14, 2009

ABIDJAN (Reuters) - Cocoa arrivals at ports in top grower Ivory Coast reached around 474,000 tonnes by December 13, exporters estimated on Monday, compared with 383,960 tonnes in the same period of the previous season.

Exporters estimated around 44,000 tonnes of beans were delivered to the West African state's two ports between December 7 to December 13, down from 88,373 tonnes in the same week a year ago.

But they said they feared volumes could drop in the coming weeks, "This week, we received around 44,000 tonnes of cocoa but we're seeing a fall in arrivals to Abidjan, compared with San Pedro," the director of an exporting company in Abidjan said.

"There are currently not enough pods on the trees to maintain the large volumes seen in previous weeks."

Ivory Coast, still recovering from a 2002-03 civil war that left the country divided the country in two, produces about 40 percent of global cocoa. But it has been struggling with declines in volumes because aging trees, underinvestment and administrative chaos.

The director of an exporting company in San Pedro estimated arrivals for the week at the port to be between 20,000 and 22,000 tonnes.

"The cocoa is of good quality this year, at least for the moment. But what worries us most is the quantity."

Another exporter from a European company in San Pedro said he expected a volumes to fall after the Christmas break.

"The traders are working to get cash for the festive season and are delivering everything they have available. That will aid volumes until year end, at least."

COCOA-IVORYCOAST/CROP

By Loucoumane Coulibaly

ABIDJAN, Dec 18 (Reuters) - Good weather since October will sustain Ivory Coast's cocoa output through January, with arrivals for the month possibly at 100,000 tonnes, farmers and exporters said, contrary to fears volumes would drop sharply in the New Year.

Farmers interviewed in the top cocoa grower said trees had received the right balance of rain and sun in recent months, strengthening the growth of pods which were now ripe for harvest. Most exporters polled by Reuters forecast at least 20,000 to 25,000 tonnes of arrivals per week in January.

Fears of a sharp drop in exports volumes next month have helped push cocoa futures to multi-decade highs in the past week.

Ivory Coast's crop, which supplies 40 percent of the world's cocoa, is being closely watched by markets after a disappointing season last year. State cocoa officials have said they expect output to at best match the 1.2 million tonnes crop last year.

Suppliers reported large numbers of big pods in good shape and almost ripe while several Ivorian exporters said they were expecting enough cocoa beans next month to satisfy demand.

"There won't be a big drop in the supply in January," said the purchases manager of a European cocoa exporter.

"Compared with last year, the farmers say there'll be a lot of pods on the trees, which will be harvested in January."

The exporter forecast weekly arrivals at ports in the New Year between 20,000 and 25,000 tonnes. "This would make a total of 100,000 tonnes for January. That's a very high level."

Traders have warned volumes may fall sharply next month and fears over supply helped push London second-month cocoa to a 32-year high of 2,325 pounds per tonne on Thursday.

Dealers and fund managers voiced concerns over the main crop in the top growing region of West Africa tailing off sharply, tightening supplies, as well as worries over the potential impact of the annual harmattan dry wind on crop development.

NO INTERRUPTION

Farmers across the country said the state of the crop would be variable by regions next month, but all said an abundant harvest would allow plenty of cocoa beans to leave the bush.

In the eastern region of Abengourou, known for its high quality cocoa, farmers reported large amounts of cocoa ready to harvest, after a slow start of the main crop.

"We will have a lot of cocoa in January. That will be the moment for many farmers (in Abengourou) to catch up with the market and get some money," said Jonas Aziz, who farms in Niable, near the border with Ghana.

"We had a late harvest that was not good here because of black pod disease and heavy rain before the start of the main crop," added Aziz. "But the climate has been good for the trees since the end of October -- a good mix of rain and sun."

In the Centre-western region of Daloa, which produces a quarter of Ivory Coast's national output, farmers said older trees had enough pods to keep January supplies high.

"We're not going to see an interruption because a lot of older plantations will enter production during this period," said Attoubre Kouame who farms near Daloa.

In the centre western region of Soubre, at the heart of the cocoa belt, where plantations are younger, farmers forecast a tailing off in supply following a good harvest, but they expected good quality amongst the beans that do remain.

"The quality will be very good because the rains have continued to fall," said farmer Roger Tano.

Farmer Mathurin Koumae, from near the southern town of Divo, said market panic over January supplies was misplaced.

"When people see that stores are empty of cocoa, they panic and say there is no cocoa. But cocoa is abundant in the bush."

The Market

Cocoa price highest for 32 years

By Javier Blas in London

December 15 2009 The Financial Times Ltd

In the cocoa market, it's bitter news for consumers.

The London price of the commodity, the industry's benchmark, rose on Tuesday to its highest level in 32 years, propelled by fears that output in the 2009-10 season will lag behind demand for a fourth successive year.

The market has not seen such a prolonged deficit since the 1965-69 shortage, according to data from the International Cocoa Organisation, in London.

Jean-Marc Anga, chief economist at the ICCO, says: “At the moment, we are heading towards a balanced market or even a small deficit in 2009-10.” Whether the market falls into deficit will depend mostly on the weather and the extent to which demand, so far lacklustre, recovers next year.

The price has risen in anticipation of bad weather and a recovery in consumption after chocolate manufacturers ran down their stocks this year.

The arrival of speculators in the niche market has also provided impetus. The benchmark London Liffe May cocoa price rose to £2,290 a tonne, the highest point for the second front-month since October 1977 and up 30 per cent since January.

The main concern in West Africa, which supplies two-thirds of the world’s cocoa, is the *harmattan*, the dry, dusty wind that blows in from the Sahara from the new year. If the *harmattan* is strong, flowering could be jeopardised and production damaged seriously in Ivory Coast, Ghana, Nigeria and Cameroon.

The other weather phenomenon worrying the industry is El Niño, the periodical warming of the waters of the tropical Pacific that brings drought to south-east Asia and torrential rains to some areas in Latin America.

Meteorologists say El Niño will last until March-April and could hit supplies from Indonesia, the world’s third-largest producer, and Ecuador, the seventh-largest. Judith Ganes-Chase, a consultant in New York, says that a comparison of production in El Niño years with average seasons suggest a “potential drop in global cocoa output of more than 5 per cent”.

Research by Ms Ganes-Chase indicates that during El Niño episodes, production in Indonesia drops by 15 per cent and in Ecuador by about 35 per cent.

Beyond the short-term woes, traders, analysts and industry executives believe the shortages represent a warning about the waning productivity of cocoa plantations, a factor that could dominate price formation for the next few years.

The problem is especially acute in Ivory Coast, which produces almost 40 per cent of the world’s cocoa. Kona Haque, agricultural commodities analyst at Macquarie in London, said: “The cocoa sector in Ivory Coast is in structural decline due to years of insufficient husbandry and investment, leading to ageing and disease-prone trees and a high degree of abandonment.”

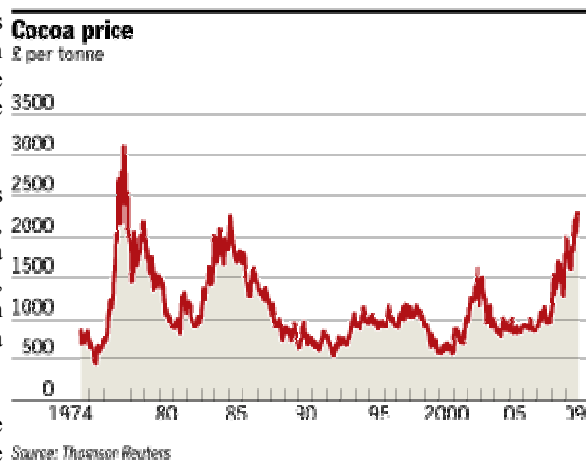
The peace agreement in 2002 that ended years of civil war has failed to spur new investment due to political infighting since then. A long-delayed presidential election has been postponed again, leading to fresh fears for political instability and over further investment delays.

Among the world’s most heavily taxed cocoa growers, Ivorian farmers have neither the money nor the incentive to buy fertiliser or to replant. Diseases, including the so-called black-pod ailment and vascular streak die-back, have ravaged farms. Many growers in Ivory Coast have switched from cocoa to rubber, further reducing output, as they seek higher returns.

The solution, argues Tobin Gorey, a soft commodities analyst at JPMorgan in London, is to invest in new cocoa plants, a view widely held in the industry. But that is easier said than done, he says.

“Lead times in new cocoa plants are long. From planting it takes three-four years before they yield anything at all and even then they are probably several years away from being cash-flow positive,” says Mr Gorey.

Unlike other agricultural and soft commodities, such as soyabeans and coffee, cocoa production depends on smallholders rather than on large-scale industrial plantations.



Most traders and industry executives believe that current prices are not high enough to trigger industrial investment in cocoa. This raises the prospect of even higher prices to elicit a supply response from the smallholders or to prompt plantation companies to move into cocoa.

COMODITIES-Cocoa slumps 5 pct; oil rises on Iran story

12.18.09,

By Barani Krishnan

NEW YORK (Reuters) - Cocoa prices tumbled 5 percent Friday, backing off 30-year highs amid profit taking and wiping out all of December's gains in a day, while oil, metals and grains rose despite a stronger dollar. Oil jumped 3 percent to reach nearly \$75 a barrel before retreating, as Iranian soldiers took up positions at an Iraqi oilfield, signaling tensions between the two major crude exporters.

A cold weekend loomed in the United States, the world's largest energy consumer, which also boosted prices of crude on expectations of greater demand for heating oil.

U.S. cocoa futures, which had soared to 30-1/2 years highs earlier in the week, tumbled as investors cashed out positions ahead of next week's holiday-shortened sessions.

Cocoa, and other New York-traded soft commodity markets such as coffee and sugar, will close early on Thursday, December 24, and remain shut through Friday for Christmas.

New York's March cocoa contract dropped \$173, down 5.05 percent on the day, to end at \$3,251 per tonne. That effectively wiped out all the gains the market had made since Dec. 1.

On Wednesday, March cocoa surged \$133 to finish at \$3,498, having hit a 30-1/2 year top and lifetime high at \$3,510.

London's March cocoa contract sank 87 pounds to end at 2,217 pounds per tonne.

Dealers said they expected thin and volatile trading over the coming fortnight, as investors starting winding down for the New Year.

"You're coming into two weeks where it could be really slow," said Sterling Smith, analyst for brokers Country Hedging Inc. in Minnesota. "It's the kind of volatility you get when everyone's trading electronically in thin conditions."

Copper ended higher in New York despite turning down at London's close.

Traders said investors bet on stronger demand for the base metal in the near-term despite higher stockpiles and a stronger dollar -- which made commodities costlier when transacted with currency like the euro.

U.S. copper for March settled up 1.05 cents at \$3.1385 per lb.

On the London Metal Exchange, three-month copper was bid at \$6,845 a tonne at the close, versus Thursday's finish of \$6,870.

Wheat was the front-runner in grains, with the benchmark contract in Chicago rising 2 percent to a session peak of \$5.29 a bushel by 2:20 p.m. EST.

Weakening Ivory Coast data helps cocoa higher

14th December 2009, by Agrimoney.com

Cocoa prices edged higher on Monday after data showed a continued fall-off in Ivory Coast deliveries, stoking fears for weakening production that bullish investors have been banking on.

Deliveries of beans from plantations to the two main ports in Ivory Coast, the world's biggest cocoa producer, fell to 44,000 tonnes in the week to December 13, a second successive week-on-week fall.

While deliveries for the main crop season, which started at the beginning of October, are still well ahead of those last year, up 23% at 474,000 tonnes, the decline will give hope to bulls who have said that Ivory Coast would prove unable to keep up the pace.

"It's still early days, but this is what some investors have been banking on," a London trader told Agrimoney.com.

Deliveries for the Decemer 7-13 period were half those in the same week last year.

"There are currently not enough pods on the trees to maintain the large volumes seen in previous weeks," an Ivory Coast cocoa exporter told Reuters, the news agency.

'Risk to the downside'

The price of London's spot December contract eased to close down £15 to £2,196 a tonne on its last day, staying behind a 24-year high of £2,284 a tonne.

Ivory Coast cocoa bean deliveries, by week ending (yr-on-yr change)

December 13: 44,000 tonnes (-50%)
December 6: 48,328 tonnes (-6.8%)
November 29: 60,469 tonnes (+67%)
November 22: 37,433 tonnes (-17.8%)
November 15: 52,315 tonnes (+35%)

However, the better-traded March lot - which will on Tuesday take over as the near contract - ended up £2 at £2,269 a tonne.

The pattern was repeated in New York too, where December expired a touch weaker while the March contract stood \$21 higher at \$3,415 a tonne in late deals.

Indeed, technical indicators suggested that cocoa prices had a greater risk of falling than rising, Sucden Financial said earlier, adding that analysis of London price trends suggested that £2,188 a tonne was a key level for the commodity, with support also likely at £2,118 a tonne.

Ivory Coast cocoa production is still recovering from the 2002-03 civil war, and follow-up unrest, which has discouraged investment in the country's ageing plantations.

Processing & Manufacturing

Cocoa hits 32-year high, but Callebaut 'unharmd'

The strong cocoa market will not dent Barry Callebaut shares, Credit Suisse analysts said, as prices of the bean hit their strongest since the year Elvis Presley died.

The Swiss chocolate group, whose operations include production under the Cadbury, Hershey and Nestle brands, will be protected from a market which has jumped more than 40% since the end of June by its policy of passing on higher cocoa costs to consumers, the investment bank said.

For about 80% of its sales volumes, Barry Callebaut charges on a "cost plus" basis, which it can get away with thanks to the relatively weak impact of price rises on chocolate demand.

"Barry Callebaut has been able so far to pass increases in cocoa prices onto its customers owing to the relative inelastic nature of demand for chocolate and the fact that the cocoa bean price is only a small fraction of the selling price to consumers," analyst Patrick Jnglin said, pegging the proportion at 20-25%.

"Historically, the group's exposure to the volatile cocoa market has had a relatively limited impact on earnings."

Waiting game

However, Mr Jnglin warned of a hit of about SFr80m to the group's free cash flow because of the need to tie up extra money in cocoa stocks.

And he rated Barry Callebaut shares as "neutral", with a price target of SFr675m, highlighting that it relies for 70% of sales in the slugging European market.

"We see no rush to invest in the shares, and recommend investors to await more attractive entry levels," he said.

The stock closed up 0.9% at SFr647.50.

Price top

The note came as cocoa prices for the second contract, May, considered by many as the benchmark lot, hit £2,290 a tonne, the highest since 1977.

The near-term, March contract, hit £2,273 a tonne, the highest for a spot lot since September 1984.

The rises followed lingering concerns that Ivory Coast, the top-ranked producer, will be able to maintain a strong start to the main crop harvest, leaving the globe facing a fourth-successive year where output will fall short of demand.

However, prices weakened to close down £11 at £2,257 a tonne for March delivery and down £14 at \$2,273 a tonne for May.

Technical indicators for cocoa were still showing a risk of falling prices, analysts at Sucden Financial said.

Cocoa processors seek minister's intervention on export grant .

Friday, 18 December 2009 00:00 Toluwabori Ojo

Nigerian Compass Newspaper -

The Cocoa Processors Association of Nigeria (COPAN) has called on the Honourable Minister of Finance, Mr. Mansur Muhtar, to urgently intervene in the release of 2007/08 Export Expansion Grant (EEG) currently stalled within the ministry in Abuja.

In a statement made available to the Nigerian Compass, the association said if the minister fails to hearken to this clarion call urgently, the industry may collapse. It noted that the sector has been struggling to survive and any further delay in releasing the grant will create more problems for the cocoa processors export manufacturing sector.

According to the body, the Minister of State for Finance, Mr Remi Babalola, had promised in October to release the 2007 EEG to their members.

The statement stated that the export grants in question are those for which genuine applications were submitted since 2007 and processed by the Nigerian Export Promotion Council (EPC) in collaboration with the lead consultants to the scheme, Messrs Price Waterhouse Coopers, and are ready for disbursement.

"All our factories have been forced to borrow funds from banks, which are now themselves ailing to cover the shortfall created by the non-payment of the export grants. "This, in itself has created a further problem to our members of very high financial costs and interest charges which have massively devalued the real value of the grants," the statement read in part, warning that should the disbursement be further delayed, it may erode the value of the grant and make it useless. "The delay in releasing the outstanding grant also poses liquidity problems to the banks as well as the cocoa processing factories. Delayed payments of the grants further increase costs of finance as greater working capital sums need to be borrowed," COPAN warned.

Highlighting its challenges, the association said that the international cocoa buyers have pushed the price of cocoa beans to 26 year high levels to avoid losing out on cocoa beans to be exported to Europe for processing in European factories. This makes it almost impossible for Nigerian factories to source cocoa beans to process at economic prices.

It noted that prices for Nigerian cocoa butter, cocoa cake and liquor are low due to the impact of Nigerian's non-agreement to the proposed EPA (European Partnership Agreement), thus causing import duties of between 4.2 per cent to 7.1 per cent on our products on their arrival in the European market.

Meanwhile, the European import duties do not apply to raw Nigerian cocoa beans, thereby giving raw bean exporters further price advantages over Nigerian cocoa processors despite the fact that we are the ones adding value, stimulating local economics for the long term and creating long term employment.

"We are therefore calling the government to heed our call as we heeded theirs when they asked Nigerian companies to develop the non-oil export sector," the body appealed.

Brazil's Cocoa Processing Climbed 1.6% in November, Report Says

By Claudia Carpenter

Dec. 16 (Bloomberg) -- Cocoa bean processing in Brazil climbed 1.6 percent in November from the month before, according to analyst Thomas Hartmann.

Brazil's so-called grind, an indication of demand, was 19,962 metric tons, compared with 19,652 tons in October, Salvador, Brazil-based Hartmann said in a weekly report on behalf of the Commercial Association of Bahia. The total was up 4.3 percent from November 2008, according to the report.

"The result exceeded expectations, which had been pointing to a lower figure," Hartmann said in the report.

Brazil processed 216,000 tons of cocoa beans in the 2008-09 season that ended in September, compared with 440,000 tons in the Netherlands, the largest grinder, according to the International Cocoa Organization in London.

Business and Economy

'Classic inflationary set-up' to boost commodities

14th December 2009, by Agrimoney.com

Commodity prices look poised for further gains in 2010, spurred by global economic growth and a "classic inflationary set-up" presented by America's loose interest rate policy, a leading analyst has said.

This year's rally, which sent the Continuous Commodity Index up more than 30% at its peak in October, reflected the rejection of doomsday scenarios fostered by the economic crisis.

"In some cases markets fell to, and even below, the cost of production and did so off of sentiment that suggested demand was going to fall to depression type levels and not recover for years," Dave Hightower said.

Commodity markets "still have significant upward potential", helped a surge in numbers of wealthier, middle class consumers in developing countries.

The report follows bright outlook forecasts on farm commodities from a range of institutions, including Barclays Capital, Goldman Sachs and UBS.

'Explosion of capitalism'

"Global commodity demand looks to continue to grow, right along with the biggest explosion of capitalism in the history of mankind," Mr Hightower, founder of the Hightower Report, said.

Meanwhile, the Federal Reserve's policy of pursuing interest rates of 0-0.25% to support the economy looked like a prop to inflation, which is also typically a help to commodity prices.

"Adding into the equation what appears to be a long term devaluation of the dollar and unprecedented quantitative easing by the most of the world's central banks, one is presented with a spectacular, classic inflationary set-up for commodities," he said.

Crop picking

Nonetheless, investors might have to be more careful in what they buy, with 2010 likely to reward crop-picking more than this year, which witnessed a broad-based rally.

"One could say that 2009 was a year to 'close your eyes and buy everything physical'," Mr Hightower said.

"In contrast, 2010 looks like a year to be more selective."

He cited coffee, corn, cotton, orange juice and sugar as better bets, with cocoa, soybeans and soyoil lacking the same supply and demand fundamentals.

Cocoa rally represents 'bubble', analyst warns

11th December 2009, by Agrimoney.com

Cocoa's rally may be poised for a setback, analysts have warned, amid fears that the rise in prices to their highest since 1985 represents a price "bubble".

Concerns of a weak crop from Ivory Coast, the world's biggest producer, appear "unrealistic", given the strong start to harvest season, a City analyst told Agrimoney.com.

"It's possible that production may fall as investors appear to want, but it's by no means certain," the analyst said.

"It looks like rather backward logic – trying to manipulate the facts to suit the desire."

Production question

It was difficult yet to hang a bullish case on a set of soft data, in the week to December 6, when deliveries from plantations to Ivory Coast ports dipped 19% week on week, Commerzbank said.

Despite the drop, deliveries had, at 430,000 tonnes, matched one third of last year's output of 1,22m tonnes in nine weeks.

"Chances are good that the cocoa output in Ivory Coast will surprise on the upside," the bank said, attributing price rises to buying by speculators.

"While, because of this, a short-term price increase to US\$3,500-3,600 a tonne cannot be ruled out, we expect a price decline to US\$3,000 a tonne in the medium-to-long term, resulting from improved prospects on the supply side."

'Questionable' concerns

At Sucden Financial, Stephanie Garner said that technical factors, rather than supply and demand fundamentals, were encouraging buying.

"Whether the [supply] concerns are sufficient in reality to warrant cocoa prices breaking highs set almost two and a half decades ago is questionable," she said noting, however, that from a technical perspective the bull run in both London and New York continued "strong and unbreakable".

"With such long positions being held by the funds in both markets, the upside almost now seems to be a self-fulfilling prophecy.

"Another commodities bubble [is] being built up with the biggest concern being as to when it will burst."

Liberalisation, bane of Nigerian cocoa industry, says Multi-Trex boss .

Friday, 18 December 2009 00:00

Nigerian Compass

Cocoa beans produced in Nigeria used to be the toast of of cocoa buyers around the world. But since the dissolution of the Cocoa Marketing Board and the liberalisation of cocoa production and marketing, the story has changed. Mr. Yusuf Isiaka, the Managing Director and Chief Operating Officer of Multi-Trex Investment Plc, spoke with TOLUWABORI OJO and KAYODE FALADE on the cocoa industry in Nigeria. Excerpts:

What are the current issues in the country's cocoa industry?

There are two major contemporary issues. The first is that there is a burden that the European Partnership Agreement (EPA) is having over the industry. The EP agreement is mutually offered by the European Union (EU) to countries that agree to export to their nations and the EU countries will export their goods to such countries. All they are saying essentially under the agreement is to the effect that there should be an open business relationship such that their products can be brought duty-free to our economy while we also export our goods to their own economy duty-free.

And at this point in time, the Nigerian Government did a good thing to have said no to the signing of the agreement because it is likely to come out one-sided for the singular reason that aside from oil, we are really doing very little in terms of the number of Nigerian exports. If we allow you to send every single product you produce to our economy duty-free, then we will be killing our own domestic industry. This is the government's position and incidentally, that is the position of the Cocoa Processors Association of Nigeria, the industry association we belong to.

The second is the fact that over the last 24 years, we have begun to see cocoa processing equipment that were already in the creeks coming out, getting installed and getting put to use and that is why we also came on board in 2005. We started with 10,000 metric tonnes of cocoa bean. In the last four to five years, we now have more companies springing up, trying to invest in the cocoa processing economy.

The main challenge for everyone of us is therefore to work out how the people who have dared to invest very huge sum of money in this sub-sector, guarantee the raw materials they require to be able to realise their dream in the project they have embarked upon.

On one hand, they think it is encouraging our local producers of cocoa bean to bring the product so that they can promote their own industries and at the same time penalise our own intermediate products by ensuring that we pay duty. And the competition that engender locally makes it barely a challenge for an average processor to compete with those who simply buy and export the raw materials.

What we are saying here is that the government of this nation, beyond saying that we are not signing the EP agreement, must also support this sub-sector because as it were, we represent a major bloc among the Nigerian non-oil exporters that carry the burden of that good policy of not signing the EP agreement. These are the two major issues recognised as contemporary matters in the cocoa processing industry in the country.

What will be the effect of EP agreement on our economy if we sign it?

The major effect which the government should worry about is that there is tendency of making foreign goods more attractive to the average consumer in a local economy and as a result, the demand for local goods becomes lower. Naturally, it is usual to find that the imported goods will be more attractive both in term of packaging and quality and in the process leads to a situation the local industry will be unable to compete and when they cannot sell their goods, this will lead to another round of lay-offs in the factories. The flow back can only be disastrous.

Everywhere in the world, the government looks after their domestic economy and the Nigerian government cannot do otherwise.

What will you say is the impact of Nigerian Cocoa Development Committee (NCDC) so far on cocoa production?

I'll like to respond to this not by coming across as one who is not appreciative of the roles that the committee has been playing. My own personal view on this is that Government should learn to deliver their policies more through the private-public sector structuring. We have found over and over in this country that we are not likely to get the best of any policy that is public sector driven.

I give it to the members of the committee as individuals; they mean well and are doing well; but I tell you that there is only so much they can do within the structure they are operating. A situation where you want to reach farmers and you are expecting a body led by serious high-ranking government officials like the Deputy Governor to lead is not likely to give us the best of result.

What I will really like to see is that whatever the object or mandate of that body, I will like that it is led and driven by people who are in the trade; those who know where the shoe pinches and that have also invested heavily in that sector and that are private sector oriented. If they need an enabling environment, that is where the government's support is required.

To that extent, what I know that the NCDC has mainly achieved has been in the areas of getting the inputs, such as seedlings, chemicals available to farmers and schooling the farmers through a project like Farmers' Field School. But I can tell you that if they had achieved up to 60 per cent now, with better structure, left in the hands of those who know what it means to be in the industry, we would have achieved a lot more. That's the way I'll like to deal with that.

How will you rate the quality of Nigerian cocoa?

It is not new any more that Nigerian cocoa is no where near the first grade cocoa around the world. Buyers of cocoa will tell you that when you are looking for quality, you go to Ghana and when you are looking for quantity, you go to Ivory Coast. What became the bane of cocoa in Nigeria is the liberalisation brought into cocoa practices in January 1987, and the dissolution of the Cocoa Marketing Board. Before the liberalisation, Nigerian cocoa was selling at a premium above the terminal market. Ever since the liberalisation, Nigerian cocoa has been sold at a heavy discount, yet, Ghana's cocoa still sell at a premium. By that alone, you will understand why we cannot but believe that Nigerian cocoa is not highly graded. Although, our cocoa is not the worst around the world.

However, what we are talking about here is a produce that has suffered neglect. It has suffered neglect in the aspect of control that was lost. If I were to go down to 22 years ago when the Marketing Board was scrapped and if I were to advise those who took that decision, my advice will be that we don't have to throw away the baby with the bathwater. There is nowhere in the world where they substitute absolute freedom for control; they will simply find a middle point. I don't know of a democracy where everyone is doing what he likes. I don't know of a free market economy that everybody does what they like. What we need is guarded control. But rather, every Tom, Dick and Harry was left to do anything around cocoa. And this led to a lot of losses. Every player in the market suffered for it. The bankers lost a lot of money, the farmers lost in the villages. The early players in the industry lost a lot of money. The government also lost a lot of clean and living revenues. If it were to be well structured and again built around public-private sector, the cocoa industry would be better for it.

So you are advocating for Cocoa Board?

No. Not necessarily Cocoa Board. Let's focus on the function the board was performing and leave the name aside. We can't throw away its functions. The only two things that were wrong in my view about the way the board was operating and what people kicked against were the fixing of prices and not allowing competition.. It was not allowing the farmers to enjoy the fruit of their labour. In today's world, in every sector of the economy, I would agree that is wrong. It cannot be right for anybody to be fixing prices. Competition is important. It is not different from what we saw in the airline business. Immediately the airline business was thrown open, you could see the quality of services that came out of it.

The same way that you talk about Electricity Regulation Commission, let the players be different from the regulators. Today in the banking industry, nobody can open a bank without following the procedures. There are processes to go about doing it. This has thus made the actual players to be known. Today, we need to know who are the players in the cocoa sector. We need to know how many of them are processors and there should be a sector of the regulatory body that has the responsibility of checking on the processors. Are they conforming? Imagine there is no National Agency for Food and Drug Administration and Control (NAFDAC) in this country. Imagine there is no Independence Corrupt Practices and Other Related Offences Commission (ICPC), National Drug Law Enforcement Agency (NDLEA) or Central Bank of Nigeria (CBN). These are institutions which job is to ensure that players are known. You can't just walk in and out and deny people of their hard earned money because you won't play according to the rule and they will be looking for you in the air. There must be someone who is watching. We are talking about due diligence, know your customers. In the sector where I operate, there is nothing like know your customers. Nobody knows anybody. If anybody collects money from you as a buyer of cocoa and he does not give back the produce or the money, nothing happens to him. You will be surprised that the next thing he does is to change his name and he moves on.

There must be a regulatory apex organ where you can lodge your complaints and a body that can monitor the standard of cocoa. Somebody must be there to say this cocoa has not met XYZ standard and so it is impounded and so be it. But if we already have a government's institution that is doing it, I can say it is not well done yet. What is wrong in blending such with private sector operator?

There should be that regulation that is clearly set out and tidied up, not perfunctorily.

Also, farmers extension services should be revived. Quite a number of people, especially the late joiners don't know how to tender cocoa. Infrastructures need to be sorted out.

In the days of marketing board, they were not exactly lending to people but they were providing support to farmers to go to Central Bank and that helped the farmers to get fund. There is need for funding. There must also be sanctions. In this sector, for about 15 years, people will collect goods on the basis of being collateral manager and do a white paper and everything will disappear – who is looking after this type of people?

It is in this country that you see foreigners playing in the cocoa sector at the end point, that is the down stream of cocoa sector – every cocoa bean produced in this country end up in the hands of companies that are almost 100 per cent owned by foreigners. There must be policies on this. There must be policies whereby when foreigners are registering their companies, in the MoU and article, Nigerians must have about 25 to 30 per cent of the company.

Cocoa is a strategic product of this country. It contributed 17 per cent of non-oil export product to the nation in 2008. You can't have a 17 per cent earning coming from a product and the country is lackadaisical about it. We need a regulatory body. The example of CBN is there. Somebody must be checking; whether you now call it marketing board or what, there should be a regulatory body to ensure that things are done properly.

For example today, there is no reason cocoa processors should be scampering for cocoa bean and be competing with people that are not adding value. There is no cocoa processing factory that invests less than N2.5 billion, we have just invested about N6 billion. Are you now saying that the interests of the investors don't count?

If anybody exports cocoa bean out of Nigeria today, one tonne will fetch him between 2,000 to 2,100 Pounds Sterling. If you export cocoa butter and cocoa cake, you will be earning minimum of 3,700 Pounds Sterling plus about \$2,900. Between processors and cocoa bean exporters, who are the ones to be looked after?

What I'm saying is that like the progressive nations of the world, we must begin to place our priorities right. We must begin to find that anybody who adds value to the natural endowment that we have in any form, whether in form of rubber or cashew nut, or leather, must be given some extra support.

We must be done with the habit of crude oil exported as crude oil from Nigeria and that is what you find here. Are we going to continue with other products? The answer to me is no. That is why we are doing all we can do. We are spear-heading a crusade that whatever must be done must be done correctly. And what we are calling for here is for Government to lend us their support.

At the end of the day, the enabling environment remains the responsibility of the government.

How do we achieve an even playing ground?

It's simple. We are operating as a country among nations and not in isolation. Any country who so wants to operate belongs to the past; not tomorrow. We must cooperate with the rest of the world. What we are saying here is that as a nation, we must be able to identify our strategic industries.

This happens everywhere in the world. The United States(US) will tell us about free market economy, but when it comes to agriculture, if the US government will have to empty its entire purse, they will do that. During this concluded meltdown, we saw that happen.

There are a lot of government's resources to industries and institutions that are lifeline to their economy. The US will not leave their industries to suffer. We also saw it in Britain. What makes England tick economically is the finance industry; they make a lot of revenue from that; so if anything will run that institution down, they will do everything to see that it is revived and they will do everything to support it.

What we are saying is that let's think back and identify just a couple of industries that we can't be thrown to the principle of competition. We should be able to say, although we are leaving these industries to compete among themselves in the industry, yet we will provide them with extra support that will make them tick.

And this brings me to the point of Export Expansion Grant (EEG). One of the things the government is doing to companies in my own sector is to offer incentives along the EEG platform. What we find is that it is largely policy pronouncement than in reality.

In the last five years, we have seen a comatose of that policy and the excuse given is that some observations have revealed that there are people identified as the black leg, and that is what we are examining and when we

are through, the programme will come on board. And before you know it, it is running five years in arrears. There are companies that have not received their rightful export grant since 2006.

What happens in the business world naturally is that all of this represents the kind of calculation that even the buyers abroad have determined the price to give you. And so you are forced to go and find fund to supplement your operations. And because of the kind of interest you have to pay to your lenders, by the time the government is paying, you are having half of about what you are owing. This is therefore the implication of not matching processing with policy statements and that's what we are suffering.

Labour Issues

The dark side of chocolate

ChristianToday - Victoria Kuhr - Dec 17, 2009

As one of the cheapest and most readily available luxuries, chocolate companies use high quality ingredients including coercion, force, exploitation and violence to make annual profits of over \$10 billion in the USA alone.

The world's largest exporter and producer of cocoa is Cote D'Ivoire, West Africa where over a third of the world's chocolate originates from.

It is in Cote D'Ivoire, surrounded by mass unemployment, consequences of civil war, poverty and unstable global markets that parents with malnourished children, children left homeless or orphans from war are tricked or forced into a murky world of exploitation and enslavement on cocoa plantations. And it is within this hidden environment of trafficked child laborers that our luxury pleasures are born.

Thousands of boys from within the Cote D'Ivoire and neighboring countries are duped into leaving home to take well paying jobs elsewhere. It is only upon arrival at the plantation that their fate becomes clear. As a teenage boy rescued from a cocoa plantation explained 'our master used us as slaves – he took us and never paid us a penny. He said if anyone tried to escape he would be caught and killed.'

Admitting there was a problem, the chocolate industry set up the International Cocoa Initiative (ICI) in 2001 committing to eradicate the worst forms of child labour by 2005. The deadline came and went. For years, the chocolate industry presented itself as an impenetrable wall of unison, hiding behind the ICI with each company stating they were doing the best they can.

Trying to highlight the problem and necessary measures to improve human rights, Stop The Traffik, a global movement made up of organisations and individuals fighting the trade in people, met with the chocolate industry in 2007. Objections to the industry's practices were met with a shrug of the shoulders. Despite multi billion dollar profits, it was just a bit too complicated fulfilling the promises of the ICI, ending the worst forms of child labour and making traffik free chocolate.

Around the world, Stop The Traffik campaigners lobbied chocolate companies by writing letters, making phone calls, face-booking, tweeting and making choices in supermarkets by opting for traffik free chocolate.

As a response to the campaign and growing consumer awareness, change is beginning to take place. Global companies are beginning to come out from their hiding places, breaking free from the cover of the ICI and acting independently to supply traffik free chocolate. Cadbury launched fair trade Dairy Milk, Mars followed making promises for their Galaxy range and Nestlé will be supplying traffik free 4 finger Kit Kats in January 2010 with regular Kit Kats to follow.

Here at Stop The Traffik, we are delighted to see the campaign working and feel inspired that so many people have taken part. There are however important questions that remain.

Nestlé are giving us an ethical option, that fact cannot be denied. But it's important to see that four finger Kit Kats are not the biggest selling bar, is it a token gesture? what about Aero, Milkybar, Yorkie, Rolos, Smarties, After Eight, Black Magic, Dairy Box, Quality Streets, Toffo, Heaven, Animal Bars, Lion Bar, Caramac, Walnut Whip, Toffee Crisp, Crunch Bars and Munchies (not to mention chocolate biscuits). Human rights are upheld and worth it for one bar but not the rest?

Having escaped from a plantation in Cote D'Ivoire, Viktor – a boy trafficked from Mali said 'when the owner beat someone to the point he could not move he took him out of the plantation and we never saw that person again. When people eat chocolate, they are enjoying something I suffered to make, they are eating my flesh'. Suddenly our comfort food is no longer comforting.

In the words of our CEO, Ruth Dearnley, "The worst thing we can do is think what the chocolate industry has done is enough! The industry needs to know that we will not stop until every bar in every shop is traffik."

Victoria Kuhr is Community Action and Resources Officer at Stop The Traffik. To find out how to get involved visit www.stopthetraffik.org

Others

UK Company to produce potash from cocoa pods

December 19, 2009

Dormaa-Ahenkro (B/A) Dec. 19, GNA - A United Kingdom company, Biomass UK Limited is partnering two UK-based Ghanaians to process cocoa pods into potash for export and local generation of electricity.

The partnership would establish three Pelletizers in the country to produce potash from cocoa pods, hitherto thrown away by farmers, using local labour.

The Pelletizers will together process 25,000 tonnes of bio-mass into potash each month and would be sited in Dormaa and Ahafo areas in Brong-Ahafo and Sefwi in the Western Region by March 2010. Each would employ a minimum of 150 workers and many other casual workers.

Mr Appiah Kubi and Mr Barima Tabiri Kumi Akyeaw, both Dormaa citizens based in the UK, made the disclosure when they introduced the UK partners to the Dormaa Traditional Council at Dormaa-Ahenkro during which they appealed for land for the project.

Barima Tabiri Kumi Akyeaw, Chief of Akontanin and the Akyempimhene of the Council, noted that they deemed Dormaa, Ahafo and Sefwi as suitable sites for the project "because cocoa is cultivated on a large scale in these areas".

He said the project would not only provide jobs for the youth but would also serve as a major step to open up their fringe communities to the outside world.

A member of the UK group, Mr Samuel Whyte announced that his group chose to partner the local initiative largely because of the relative peace in Ghana.

He said mankind needed to use what the earth has to sustain it (the earth), stressing there was the need to turn to alternative sources of fuel without cutting down trees to destroy the forest and damage the eco-system.

Mr Whyte told Council of "a robust employment and operational structure, laden with fair-play principles with particular reference to environmental protection".

Receiving the delegation, Barima Yeboah Kordie, Aduanahene, described the project as a shot in the arm of the Council in its bid to complement Government's efforts at providing jobs for the youth.

He said the Council was prepared to donate any size of land that would be required for the factory in Dormaa.