

COPAL COCOA *Info*

A Weekly Newsletter of Cocoa Producers' Alliance



Issue No. 354

21st – 25th September 2009

Cocoa Producers' Alliance



UP-COMING EVENTS

- ❖ 2009 COPAL Cocoa Day. Theme: 'CONSUME MORE COCOA FOR BETTER HEALTH AND A BETTER GHANA', 1st October, 2009, Ghana.
- ❖ 16th International Cocoa Research Conference, Hyatt Hotel, Nusa Dua, Denpasar, Bali – Indonesia, 16 – 21 November, 2009.

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

In the News (from Newspapers worldwide)

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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)
21 st September	2019.86	3188.77	2020.00	3098.67
22 nd September	2059.30	3268.85	2048.67	3183.00
23 rd September	2057.62	3266.58	2044.33	3179.33
24 th September	2002.35	3176.87	2031.33	3090.00
25 th September	2011.83	3185.15	2050.33	3095.00
Average	2030.00	3217.00	2039.00	3129.00

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

Monday 21st September 2009

Month	Opening Trans	Settle	Change	Daily High	Daily Low	Volume
Dec 2009	2032	2003	-15	2037	1979	4,806
Mar 2010	2045	2019	-19	2055	2000	1,481
May 2010	2069	2038	-21	2073S	2016	1,825
Jul 2010	2017	1988	-22	2020	1975	147
Sep 2010		1974	-7			0
Dec 2010	1966	1961	-10	1980	1966	22
Mar 2011	1935	1948	-22	1946S	1935S	11
May 2011		1958	-15			0
Jul 2011		1958	-15			0
Sep 2011		1958	-15			0
Average/Totals		1981				8,292

Tuesday 22nd September 2009

Month	Opening Trans	Settle	Change	High	Low	Volume
Dec 2009	2008	2035	32	2040	2001	6,349
Mar 2010	2025	2048	29	2055	2018	1,726
May 2010	2046	2063	25	2069	2038	1,703
Jul 2010	2000	2019	31	2018	1995	115
Sep 2010	1980	2003	29	2001	1980	49
Dec 2010		1993	32			0
Mar 2011		1980	32			0
May 2011		1990	32			0
Jul 2011		1990	32			0
Sep 2011		1990	32			0
Average/Totals		1993				9,942

Wednesday 23rd September 2009

Month	Opening Trans	Settle	Change	High	Low	Volume
Dec 2009	2041	2027	-8	2063	2025	4,446
Mar 2010	2051	2044	-4	2075	2042	1,973
May 2010	2075	2062	-1	2093	2060	1,899
Jul 2010	2015	2016	-3	2035	2015	108
Sep 2010		2010	7			0
Dec 2010		2005	12			0
Mar 2011	1995	1999	19	2015	1995	2,000
May 2011		2005	15			0
Jul 2011		2005	15			0
Sep 2011		2005	15			0
Average/Totals		1958				10,426

**24th
Thursday September 2009**

Month	Opening Trans	Settle	Change	High	Low	Volume
Dec 2009	2014	2015	-12	2040	2005	6,319
Mar 2010	2025	2031	-13	2058	2023	1,316
May 2010	2045	2048	-14	2069	2040	1,339
Jul 2010	2015	2007	-9	2025S	2007S	433
Sep 2010	2002	1998	-12	2008	2002S	127
Dec 2010	1996	1992	-13	1996S	1996S	50
Mar 2011	1997	1986	-13	2000S	1997S	11
May 2011		1992	-13			0
Jul 2011		1992	-13			0
Sep 2011		1992	-13			0
Average/Totals		2005				9,595

**25th
Friday September 2009**

Month	Opening Trans	Settle	Change	High	Low	Volume
Dec 2009	2008	2035	20	2060	2007	3,982
Mar 2010	2027	2050	19	2074	2027	1,030
May 2010	2046	2066	18	2087	2041	1,069
Jul 2010	2007	2019	12	2040	2001	69
Sep 2010	2026	2011	13	2026	2015S	19
Dec 2010	2020	2001	9	2020	2006S	13
Mar 2011	2019	1995	9	2020S	2019S	11
May 2011		2001	9			0
Jul 2011		2001	9			0
Sep 2011		2001	9			0
Average/Totals		2018				6,193

Average for the week	2018				8890
					44,448

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

21st
Monday September 2009

Month	Open	Price	Change	High	Low	Volume
Dec 2009	3090	3076	-36	3119	3032	6,755
Mar 2010	3116	3096	-37	3138	3055	754
May 2010	3129	3109	-36	3129	3065	275
Jul 2010	3107	3103	-40	3107	3107	92
Sep 2010	3107	3100	-43	3107	3107	104
Dec 2010	3123	3100	-50	3130	3100	36
Mar 2011	0	3096	-45	0	0	0
May 2011	0	3115	-42	0	0	0
Jul 2009	0	3110	-42	0	0	0
Average/Totals		3101				8016

22nd
Tuesday September 2009

Month	Open	Price	Change	High	Low	Volume
Dec 2009	3095	3170	94	3175	3091	8,128
Mar 2010	3118	3188	92	3190	3118	1,112
May 2010	3147	3200	91	3205	3147	428
Jul 2010	3160	3190	87	3189	3147	92
Sep 2010	3140	3187	87	3189	3140	93
Dec 2010	3184	3189	89	3184	3184	9
Mar 2011	0	3183	87	0	0	1
May 2011	0	3198	83	0	0	0
Jul 2009	0	3193	83	0	0	0
Average/Totals		3083				9863

23rd
Wednesday September 2009

Month	Open	Price	Change	High	Low	Volume
Dec 2009	3169	3155	-15	3219	3136	6,486
Mar 2010	3198	3175	-13	3236	3167	1,265
May 2010	3210	3187	-13	3248	3187	249
Jul 2010	3202	3178	-12	3235	3190	134
Sep 2010	3200	3176	-11	3227	3200	10
Dec 2010	0	3177	-12	0	0	1
Mar 2011	0	3169	-14	0	0	0
May 2011	0	3189	-9	0	0	0
Jul 2009	0	3184	-9	0	0	0
Average/Totals		3177				8145

**24th
Thursday September 2009**

Month	Open	Price	Change	High	Low	Volume
Dec 2009	3132	3066	-89	3136	3055	7,775
Mar 2010	3153	3084	-91	3155	3075	1,191
May 2010	3157	3099	-88	3167	3090	275
Jul 2010	3149	3093	-85	3149	3093	67
Sep 2010	3151	3092	-84	3151	3123	17
Dec 2010	3153	3094	-83	3153	3125	12
Mar 2011	0	3088	-81	0	0	0
May 2011	0	3108	-81	0	0	0
Jul 2009	0	3103	-81	0	0	0
Average/Totals		3092				9337

**25th
Friday September 2009**

Month	Open	Price	Change	High	Low	Volume
Dec 2009	3050	3083	17	3114	3035	3,666
Mar 2010	3061	3103	19	3129	3060	462
May 2010	3081	3116	17	3140	3081	191
Jul 2010	3076	3113	20	3125	3076	68
Sep 2010	0	3113	21	0	0	5
Dec 2010	0	3113	19	0	0	7
Mar 2011	0	3109	21	0	0	0
May 2011	0	3129	21	0	0	0
Jul 2011	0	3124	21	0	0	0
Average/Totals		3111				4399

Average for the week	3111				880
					880

Sport Prices (US \$ per tone)

	31 st August	1 st Sept.	2 nd Sept.	3 rd Sept.	4 th Sept.
Main Crop Ghana, Grade 1					
Main Crop Ivory Coast, Grade 1					
Main Crop Nigeria, Grade 1					
Ecuador ASE					
Sanchez F.A.Q.					
Indonesian F.A.Q. 115/100					
P.P.P. African Type Carton Cocoa Butter					

Source: Cocoa Merchant Association

News

Health and Nutrition

Study: Chocolate good for suppressing migraines

September 25, 2009 By McClatchy-Tribune
Newsday

Have you always been told that chocolate might be triggering your migraines? The opposite may be true.

Researchers from Missouri State University say an animal study shows that dietary supplements of cocoa might repress inflammatory responses in the brain linked to migraines.

The study was presented at the International Headache Society's 14th International Headache Congress in Philadelphia this month.

Results from the study indicated that consuming a diet enriched with 10 percent cocoa increased levels of anti-inflammatory compounds in the brain as well as repressing levels of pro-inflammatory processes.

"It appears that a cocoa-enriched diet in rats can repress the proteins that are associated with the promotion and maintenance of inflammatory responses such as migraine," said Paul Durham of Missouri State University's Center for Biomedical & Life Sciences, an author of the study.

The researchers believe this is the first evidence indicating that the use of cocoa as a dietary supplement could repress expression of acute and chronic inflammatory responses within the trigeminal ganglia, which is thought to play a role in migraines.

connections

Jo Frost Merck & Company, Inc. National Institutes of Health Environmental Protection Agency Department of Health "Importantly, our data also provide evidence that cocoa contains biologically active compounds that could be beneficial in the treatment of trigeminal-mediated diseases of the head and face," the study said.

Some 36 million Americans have migraines, more than either diabetes or asthma.

The headaches are sometimes preceded by flashes of light, blind spots, tingling in the arms or legs, or anxiety. Sufferers generally experience a pounding sensation in one side of the head and many undergo nausea, vomiting and extreme sensitivity to light and noise.

The symptoms are often severe and debilitating, lasting anywhere between four and 72 hours.

Production & Quality

Indonesia launches aggressive cocoa development program

Manila Bulletin

By ALOYSIUS BHUI

JAKARTA, Sept. 20 (Reuters) – Indonesia has launched its most aggressive bid ever to revive flagging cocoa production, with \$350 million earmarked for replanting and rejuvenating ageing trees in order to lift output to a record by 2013.

The world's third-biggest grower after the Ivory Coast and Ghana could exceed its previous output peak of 600,000 tons in the next four or five years if the program is well implemented, analysts say. "The program is very timely, and necessary. Indonesian output is on a structural decline and there is desperate need to reverse this. Given that high prices alone will not be sufficient, the government has to intervene," Kona Haque, an analyst at Macquarie Bank, said in an email.

The use of higher yielding seeds and a sidegrafting technique and the employment of trained workers are considered among the key factors that could make or break the program.

Indonesia's cocoa output is expected to drop to a range of 470,000-485,000 tons this year – from an estimated 500,000 tons in 2008 and 520,000 tonnes in 2007 – according to analysts, the Indonesian Cocoa Association (Askindo), International Cocoa Organization (ICCO) and Indonesian Cocoa Industry Association.

The slide in output is due to various factors including poor farming techniques and Vascular Streak Dieback (VSD), a fungal disease that has been attacking leaves, branches and tree trunks across the island of Sulawesi, which accounts for about three quarters of nationwide output.

Annual output could reach the previous peak of 600,000 tons, provided the program succeeds, said Macquarie's Haque.

Eric Llull of Noble Resources S.A., part of Noble Group, said production may be stable in the next two seasons, but there could be a rapid spurt in following years supported by output from new growing areas such as the island of Sumatra.

While Sumatra is Indonesia's main growing area for palm oil, coffee and rubber, farmers in some provinces on the island have also started to grow cocoa trees in recent years and may account for around a fifth of nationwide production this year. "It is very difficult to quantify at this point and give a number, but I believe we could easily revisit the previously experienced peak," Llull said.

Indonesia's falling output is contributing to a global supply shortage estimated at 80,000 tonnes for the year to September 2009. The deficit has been bullish for prices, which have continued to climb this year after strong gains in 2007 and 2008. The second-month New York cocoa futures contract has added 12 percent so far this year.

The government program includes the distribution of free fertilizer to boost productivity of cocoa trees over an area of 145,000 hectares, and the production of better seeds and trees. The government-sponsored Indonesian Coffee and Cocoa Research Institute (ICCRI) is currently working on a key part of the program, which involves finding productive and disease-resistant trees that can be cloned for seed production.

ICCRI will produce at least 70 million seeds for the planned replanting of 70,000 hectares of cocoa plantations.

The government adopted Nestlé SA technology that enables mass production of high-yielding, disease-resistant seeds through somatic embryogenesis (SE), a cloning technique to speed up seed production, and ICCRI has been given the monopoly to use the technology. "The target is to achieve productivity above 1 ton per hectare (per annum)," said Teguh Wahyudi, a director of ICCRI.

But analysts warn that plants produced from such seeds may have a shorter lifespan.

Good seeds are important to prevent Indonesian cocoa productivity from falling below a critical level of 0.4 tons per hectare from a peak of 0.7 tonne in 2006, said Askindo's chairman Halim Abdul Razak. "If farmers can only get 400 kgs per hectare, they will earn around 10 million rupiah (\$994) a year, meaning that they are poorer than people who earn a minimum wage of 1.2 million per month," Razak said, adding that farmers could shift to other crops if productivity falls below the critical level.

ICCRI has produced more than 1 million seeds using the SE technology so far, and the first few trees have already started to produce pods after two years, compared to three years for conventional seeds.

Big Boost in Cocoa Production Anticipated

Government of Jamaica, Jamaica Information Service

KINGSTON (JIS):

Sep 20, 2009

Plans are being implemented to boost the annual production of cocoa, and to ensure its viability and sustainability within the agricultural sector. Cocoa Industry Board (CIB) consultant, Neville Condappa, made the announcement while addressing a seminar to encourage investments in the sector, at Jamaica Trade and Invest's (JTI) offices in Kingston on Thursday (September 17).

Mr. Condappa noted that cocoa is one of few export crops that has a ready and open market, and which "sells itself". He was also optimistic that cocoa production will increase by about 15 per cent during this crop year, compared to last year's production, adding that while it would not be a "big" increase, it would be significant. "We are moving from approximately 400 to 440 tonnes, the end of this crop year, and we are hoping that within the next three (to) four years, we should move to beyond 2,400 tonnes of cocoa per year," he projected. "This is a crop that has tremendous possibilities, at the primary level, for boosting the foreign exchange earnings of Jamaica, income earning capacity at the local level and have multiplying effects throughout our communities," he explained. He said that, if concerted efforts are made to take care of the cocoa tree, to bring it to bear what is needed, it can be a viable, self sustaining crop.

The consultant also pointed out that 95 per cent of cocoa in Jamaica is grown by small farmers, and that the taste of local cocoa is as good as it has ever been, and attributed this to its well established infrastructure. "We have the infrastructure to deal with over 3,000 tonnes of cocoa in Jamaica; we have the fermentaries and we have a group system and a well established network to deal with the collection and the payments for the cocoa beans," he said. "Cocoa has maintained its prized relationship on the market. Despite the recession, we have maintained relative price stability on the market and the price to the farmers has not been impacted negatively," he pointed out.

Strategies which, he suggested, famers could implement include exploring other crops to plant at intervals when replanting cocoa. "We need to look at farming systems. That is how we are going to teach our farmers to reorganise their farms to take them to a next level. So, instead of just planting coconuts, we are looking at planting ackee, planted at intervals in your cocoa fields, as well as other tree crops to supplement the income of the cocoa farmers," he said.

Mr. Condappa noted that while cocoa is a subsistence crop, the aim is to move it to a sustainable crop, adding that models which are used in other countries, including Trinidad and Tobago, are being explored to boost the sector. Discussions are also being held with PC banks to explore credit terms for farmers. He implored the farmers to keep the flavour, profile and quality of the products high in the market. Mr. Condappa asserted that there is a new will within the sector to move forward, as the Government is focussing more on agriculture.

The seminar, held in collaboration with the JTI, the Ministry of Agriculture and Fisheries and the CIB, sought to promote potential and business opportunities in the cocoa sector. It also explored strategies to improve performance.

Ivorian Cocoa Boss Sees 09/10 Crop Steady at Best

Source: Reuters

Abidjan, Sept 24 - Ivory Coast's 2009/10 cocoa crop will be either level with or lower than the 2008/09 harvest, due to disease and ageing plantations, the head of the country's cocoa management committee said on Thursday. "We have dozens of teams on the ground to refine our forecast, which we will finalise by the end of the month. (But) we should have a harvest that is level, or lower (than this year)," Gilbert Ano told Reuters a week before the 2009/10 season begins.

The industry chief's concerns are shared by analysts and exporters who fear declining output from the world's top grower, which has largely maintained annual cocoa production around 1.3 million tonnes despite years of political and military strife.

Delayed reforms and investment are beginning to hit cocoa arrivals at ports, which were around 1,160,000 tonnes with just a week left in the 2008/09 season, supporting world cocoa futures markets, which have hit highs in recent weeks.

Ano recognised that Ivory Coast will miss its target of 1.2 million tonnes for the 2008/09 season, and warned that changing weather patterns and, in particular, disease, were becoming a serious threat to the future of Ivorian cocoa. He said the country's CNRA agricultural research centre was seeking ways to fight swollen shoot disease. "Swollen shoot, which we call the AIDS of cocoa here, will become a big problem. That is why we are working the CNRA to find a quick solution," he said.

Too much rain and the spread of black pod, another disease, contributed to a poor 2008/09 crop. Chaos amongst the industry's administrators, some of whom have been arrested on corruption charges, were also obstacles to sector reforms.

These reforms, which analysts say are urgently needed to prevent Ivorian cocoa production from plummeting in coming years, are also being blocked by repeated delays in holding elections meant to end a seven-year political crisis.

PLANTATIONS SUFFERING

Cocoa futures in London fell under pressure from the stronger dollar but ICE cocoa was trading at 2,038 pounds per tonne at 1510 GMT on Thursday, still in sight of its recent 14-1/2 year high.

Fears over the Ivorian crop are supporting the markets.

The latest date for much-delayed presidential elections which are seen as key to ushering in the political stability necessary to enact real reforms of the cocoa sector is Nov. 29, but many observers believe the West African nation is unlikely to meet that deadline either.

Exporters say this bodes badly for the long term.

"I am worried, the plantations are suffering and if they are not treated, cocoa will be finished for Ivory Coast in 10 years," Paul de Petter, food manufacturer and major cocoa buyer Barry Callebaut's managing director for Africa, told Reuters on Wednesday.

De Petter also painted a glooming picture for the coming season. "The trees are not developing well. We have beans but they are small and if the situation remains like this, production will go down."

Nigerian Cocoa farmers step up harvesting after rains subside

By Vincent Nwanma

Sept. 24, 2009

(Bloomberg) -- Nigerian farmers have stepped up harvesting of cocoa beans as rains subside in the main growing areas, the Cocoa Association of Nigeria said. "We have entered the main crop season and harvesting has increased," Neji Abang Neji, general secretary of the association, said by phone from Cross River state, southern Nigeria late yesterday.

Nigeria ranks behind Ivory Coast, Ghana and Indonesia as the world's fourth-largest cocoa producer, according to the web site of the International Cocoa Organization. The country's farmers last month suspended harvesting of the beans after heavy rainfall and a lack of sunshine caused an infestation of mould.

Neji said that buyers who had shunned the crop because of the mould have returned to the market and are now buying beans. "We hope things will improve," he said.

Robo Adhuze, a consultant to the cocoa association, said that the mould problem is likely to persist even after the harvest resumed. He said mould levels reached 20 percent in some areas, compared with an internationally acceptable level of 5 percent.

Farmers will have to blend affected crops with the new harvests, and "by mid-October there will be enough new crops to achieve the acceptable level," Adhuze said by phone today from Abuja, Nigeria's capital.

Cameroon looks to double cocoa output: minister

Reuters South Africa

By Tansa Musa

Fri Sep 25, 2009



MONATELE, Cameroon (Reuters) - Cameroon is looking to double its annual cocoa output from 200,000 tonnes in the medium-term by encouraging more farmers to enter the sector and backing efforts to boost yields, its junior farm minister said. The target is in sharp contrast to concerns over a long-term trend downwards in top world grower

Ivory Coast, where volumes are being hit by lack of investment and poor sector

management. "With collaboration from our partners, we should improve quantitative and qualitative cocoa production with the ultimate goal of doubling production within the medium term," said Minister-Delegate for Agriculture Clementine Ananga Messina. "We know this is not going to be easy, but given the enthusiasm the people have shown in reviving the cocoa sector, we will start injecting 5 billion CFA each year," Messina told an event late on Thursday to mark the launch of the 2009/10 season.

Messina -- who did not give a precise timeframe for the target -- said measures would include distribution of better variety seedlings, wooing young farmers into the sector, and supporting the use of pesticides and fungicides.

Cocoa production in Cameroon hit a record 210,000 tonnes in 2008/2009, making it the fifth largest producer in the world. The National Cocoa and Coffee Board (NCCB) expects output to grow a further nine percent in the forthcoming 2009/2010 season.

Those levels remain small compared to the 1.3 million tonnes of annual production which Ivory Coast has turned in during recent years. However the 2008/09 Ivorian harvest is seen struggling to make 1.2 million tonnes and some are forecasting that the upcoming season will produce even less.

Prime Minister Philemon Yang was due later on Friday to inaugurate a 62-km (40-mile) road linking Cameroon's main cocoa trading centre Kumba in the South-West region to the main road to Douala sea port. "This is a dream come true," Sam Nfon, general manager of the Cameroon Marketing Commodities (CAMACO), the country's second main cocoa exporter, said of the EU-funded road. "Before this road was tarred it was nightmare for us. Our trucks transporting produce to Douala used to take eight to 12 hours and even days sometimes, but now it is just a matter of two to three hours."

Separately, cocoa beans grinder Sic-Cacaos told Reuters it had completed an upgrading of its processing factory in Cameroon to raise capacity to 30,000 tonnes per year from 25,000. "We are very confident that as from this year we will process 30,000 tonnes of cocoa beans," said Bart Willems, managing director of the Douala-based unit of Swiss chocolate firm Barry Callebaut.

The Market

Cocoa in London rises to highest since 1989 on Output, Demand

By M. Shankar

Sept. 23, 2009-09-25



(Bloomberg) -- Cocoa rose to its highest price in at least two decades in London on speculation that production will fall in Ivory Coast, the largest grower, and demand for chocolate will climb as the global economy rebounds.

Ivory Coast's output will drop 12 percent to 1.2 million metric tons this year, the lowest level in 10 seasons, the International Cocoa Organization said last month. According to Gilbert Anoh N'Guessan, head of the nation's cocoa industry group, production next season may fall to less than 1 million tons. Global supply in the year ending this month will trail demand for a third year, the ICCO estimates.

Cocoa grindings, a gauge of demand, are likely to increase by 1.5 percent to 2 percent next year, Jan Vingerhoets, executive director of the London-based ICCO, said Sept. 16. "There's overall positive noise because of low production plus higher demand," Eugen Weinberg, an analyst with Commerzbank AG in Frankfurt, said by phone today. "Higher prices always attract lot of interest" from speculators, he said.

Cocoa for December delivery advanced as much as 28 pounds, or 1.4 percent, to 2,063 pounds (\$3,391) a ton on the Liffe exchange, the highest intraday price since at least January 1989. The contract traded at 2,058 pounds a ton at 2:25 p.m. local time. The beans gained 16 percent this year, extending last year's 71 percent advance.

Net Long Positions

Cocoa futures for December delivery rose \$36, or 1.1 percent, to \$3,206 a ton on ICE Futures U.S. in New York, adding to yesterday's 3.1 percent jump.

Futures prices have rallied as hedge-fund managers and other large speculators increased their net long position in New York cocoa futures, or bets on price gains, in the week ended Sept. 15, according to U.S. Commodity Futures Commission data. Net long positions outnumbered short positions by 27,544 contracts, the highest since July 2008.

Global production will drop 7 percent to 3.5 million tons in the year ending this month, the ICCO said last month. Grindings for the period will shrink by 6.7 percent, hurt by the worst global recession since World War II, the ICCO estimates.

Ghana, the world's largest producer after the Ivory Coast, will miss its target of producing 1 million tons a year by the 2010-11 season, Tony Fofie, chief executive of the Ghana Cocoa Board, said in a Sept. 7 interview. The state-run industry overseer expects the West African country to meet the goal by the 2012-13 season.

Pod Disease

The threat of the spread of black-pod disease and swollen-shoot virus has weighed on production and prices. Ivory Coast and Ghana account for more than 55 percent of total output.

In Cameroon, the world's fifth-largest grower, the country's two grinders missed a processing target for this season, the National Cocoa and Coffee Board said last week. The amount ground by the factories represents 12 percent of total production.

Prices have also climbed in the past year on speculation that an El Nino weather pattern would cut output in West Africa and Indonesia, the third-biggest producer. The phenomenon is marked by warmer-than-normal surface-water temperatures in parts of the Pacific, which in turn affect global weather patterns.

Among other agricultural commodities traded on Liffe, white, or refined, sugar for December delivery fell 2.1 percent to \$567.20 a ton. That's the biggest intraday percentage drop since Sept. 7. Robusta coffee for November delivery slid \$11, or 0.7 percent, to \$1,472 a ton. *To contact the reporter on this story: M. Shankar in London at mshankar@bloomberg.net*

Worst cocoa shortage for 40 years fuels chocolate price rise fears

Daily Mail

By Daily Mail Reporter

24th September 2009



Cadbury's Dairy Milk. Choc horror: A shortage of cocoa may mean higher prices for the likes of Cadbury's Dairy Milk

Chocolate-lovers face paying more for their fix as the cocoa market endures its biggest shortage for 40 years. The price of cocoa in London rose to £2,055 a ton this week, the highest since 1985. The rise is the result of poor harvests on the Ivory Coast, which grows 40 per cent of the world's cocoa beans, as well as trouble with supplies from other major growers.

The El Nino weather phenomenon has hit supplies from Indonesia, the world's third largest producer, and Ecuador, the seventh largest.

This is on top of a 3 per cent surge in demand, fuelled by a move towards western tastes in China and India.

Experts say this is likely to push up the cost of chocolate bars such as Mars Bars, Kit Kats and Dairy Milk.

Andrew Bonfield, of confectionery giant Cadbury, said that if cocoa prices stayed this high 'there would be no choice but to increase the price of chocolate'.

Experts worry that falling output on the Ivory Coast will leave a lasting global shortage of cocoa.

Farmers there, who are heavily taxed, have neither the funds nor incentives to buy fertiliser or replant to increase output.



Falling output: A farmer on the Ivory Coast harvests a pod of cocoa beans

US Cocoa Price near 30-Year top despite Harvest

Source: Reuters

New York, Sept 24 - Prices of cocoa, the top ingredient for chocolate, could soon power to their highest level in almost 30 years as chocolate makers rebuild stocks and worries rise over supplies from leading producer Ivory Coast.

Cocoa futures on ICE Futures U.S. have been trading at 14-month highs the past two weeks. A break in the spot month CCc1> over the July 2008 peak at \$3,385 per tonne would be the highest since February 1980. "Most of the reason this market's moving up is that the end-user, the people who are using cocoa for their operations, are buying a lot," said Shawn Hackett, president of Hackett Financial Advisors in Florida. "It seems to me they got caught not buying enough cocoa during the financial crisis over the last six to nine months."

The new 2009/10 Ivory Coast cocoa crop officially begins in October, and some high quality beans have already started to arrive at Ivorian ports.

The harvest normally weighs on prices, but the head of Ivory Coast's cocoa management committee said the 2009/10 cocoa crop will be either flat or down from 2008/09 due to disease and aging trees.

Ivory Coast's annual cocoa production is around 1.3 million tonnes, despite years of political and military strife. A dearth of farm of reforms and investment has started to hit cocoa arrivals, which were around 1,160,000 tonnes with just a week left in the 2008/09 season. ID:nLO185943

"The early numbers don't look promising. It's going to fuel the market. It's a little early yet," said Judy Ganes-Chase, president of J. Ganes Consulting in New York.

"If there's some truth to the production numbers, then it (the market) deserves to be there because they need to keep rationing their supply," Ganes-Chase said.

The spot ICE cocoa futures contract CCc1> closed down 2.8 percent at \$3,066 per tonne Thursday, after hitting a 14-1/2-month high at \$3,219 on Wednesday.

In London, the second-position cocoa contract LCCc2> hit a 24-1/2-year high at 2,075 pound per tonne Wednesday. On Thursday, it eased 13 pounds to settle at 2,031 pounds.

Ricardo Santos, senior commodities broker for Fortis Commodities Derivatives in London, played down the threat of Ivorian political unrest disrupting the cocoa supply chain. Rather, he said the risk was one the market should monitor. "The cocoa will find a way through -- the real problem is that it creates delays. To move the cocoa from the bush to the port becomes more dangerous, and hence more costly," he said. "If there's some unrest upcountry and some of the immigrant workers tend to get nervous and flee, then you end up with issues and people not having the labor," Ganes-Chase added.

RALLY FUELED BY DOLLAR, TECHNICAL BUYING

Some analysts believe the strength in cocoa is being driven by the dollar and technical buying by investors.

Michael Maniatis, market strategist with LaSalle Futures Group in Chicago, said the "dollar sell-off will continue to attract speculators bidding prices higher for cocoa." While weather in growing areas could provide direction in the next two weeks, Maniatis said that "without some real crop problems squeezing supply, this market could be vulnerable to a sizable correction."

A cocoa buyer in Singapore said any downside should be limited by crop problems in Ivory Coast as well as in Ghana and Indonesia -- the world's No. 2 and No. 3 cocoa producers.

Another critical factor would be the performance of the sterling GBP=>. "Certainly for London cocoa, sterling will be a huge influence," Kona Haque, senior analyst for Macquarie Bank in London, told Reuters financial television Wednesday. "What I would expect is to see prices edge up by the end of this year," she said.

Hackett believes the bullish argument will prevail in U.S. cocoa by the end of the year. "I don't see speculators overly invested and I don't see the commercials overly sold. It suggests to me that this market could run higher," Hackett said.

Doug Whitehead, commodity analyst for Rabobank in London, said he expected origin selling to drag on prices in a few weeks. "I expect to see cocoa prices fall later this year as the main crops come in (in West Africa)," Whitehead said.

Cocoa finds a sweet spot amid depressing news

nwintimes.com

WALT BREITINGER - Times Columnist

September 26, 2009

In a week where the stock markets fell, the U.S. dollar made new lows, and gold closed below \$1,000 per ounce for the first time in nearly two weeks, few markets showed strength. Yet cocoa rose to 14-month highs on production concerns and increased buying.

On Wednesday, December cocoa was trading at \$3,219 per metric ton, a 61 percent gain since its lows last October. Cocoa's rise since last fall has primarily been fueled by hopes for a global economic recovery, which could increase consumers' craving for chocolate. Additionally, the Ivory Coast and Ghana, two countries in Africa that produce 55 percent of the world's cocoa, are both reporting crop shortfalls due to disease and El Niño-driven weather problems.

Digesting these supply concerns and increased demand, the cocoa market has climbed its way higher, rising \$289 per metric ton this month.

In other markets:

Crude oil and its products, heating oil and gasoline, all slid sharply this week on news of overweight inventories and decreasing demand. This week, the actively traded November crude oil fell \$6.80 per barrel (9.4 percent) and November unleaded gasoline fell 21 cents per gallon (11.4 percent), a reflection of bearish fundamentals in the markets.

Cotton prices surged this week to six-week highs as growing regions in the United States continued to struggle with heavy rains. The United States is the world's largest cotton exporter, and its producing regions, stretching from Texas to the Carolinas, have recently suffered from heavy rains. Rains can damage the cotton bolls, decreasing quality and slowing harvest, which has caused the cotton market to swell, rising 7.15 cents per pound over the last month, a 12 percent gain.

Copper prices buckled on depressing U.S. home sales numbers released Thursday. Although the market had been expecting an increase in home sales of around 3 percent, a National Association of Realtors report on Thursday showed a 2.7 percent drop in home sales, which put downward pressure on most markets.

Copper is an industrial metal used heavily in construction for its electrical and mechanical properties. As such, its price often tracks general economic and housing data, which pulled the red metal downward this week. Since last Friday, December copper has fallen more than 20 cents, a 7 percent drop on the week.

Opinions are solely the writer's. Walt Breitinger is vice president of commodities at Wells Fargo Advisors LLC. He can be reached at (219) 738-6460.

Processing & Manufacturing

“Invest in cocoa by-products”-CRIG urges investors

Peace fm Online

Source: GNA

26-Sep-2009

Ms Florence Yeboah Asuamah, Principal Public Affairs Officer of the Cocoa Research Institute of Ghana (CRIG), has urged industrialists to invest in the by-products of cocoa since almost all the parts of the plant could be developed into various products. She said CRIG has been looking for investors to take over its research findings for the commercial production of cocoa by-products without much success and appealed to entrepreneurs to consider that area since it could generate a good income and also employment.

Ms Asuamah disclosed this to delegates to the United Nations World Tourism Organization (UNWTO) conference, currently going on in the country, during a tour dubbed the ‘Cocoa Trail’, organised by the CRIG on Saturday, as part of activities marking World Tourism day in Ghana. Among the delegates were members of the international travel writers and media personnel.

Ms Asuamah said as a way of publicizing the research findings, CRIG had participated in many trade and investment fairs in and outside the country to exhibit their findings and canvass for investors. She explained that the research findings for the development of the cocoa by-products, was funded by international donors of the institute and the agreement does not mandate CRIG to enter into commercial production of the by-products. To keep the products on the market, CRIG has been manufacturing cocoa by-products like cocoa wine, cocoa gin, cocoa brandy, cocoa butter, cocoa soap, cocoa cream and others on a small scale basis for sale.

The tour took the conference delegates to the first cocoa farm established by Tetteh Quarshie in Mampong-Akuapem, then to the CRIG and Bunso Arboretum, where the visitors learnt more about the cocoa plant, the processing of cocoa beans and plant conservation in Ghana. The team latter visited the Okyenhene Palace at Kyebi and paid homage to the Okyenhene, Osagyefuo Amoatia Ofori Panin.

Business and Economy

Cocoa industry still stagnant

NEXT

Ayodamola Owoseye

September 26, 2009



Nigeria is the world's fifth largest producer of cocoa beans, with an estimated capacity of over 400,000 metric tonnes per annum; yet all the cocoa processing factories are operating below capacity, while some of them have closed shop. The poor transportation system and ineffective ports operation combine to make businesses uncompetitive and unprofitable both within the country and at the international market.

Domestic and international challenges

Akin Laoye, the executive director of FTN Cocoa Processors Plc, in an interview with NEXT on Sunday, said the sector is faced with both domestic and international challenges. “The outcome of the domestic challenges is

to create more problems for the companies at the international market,” he said. “In spite of the fact that companies run under unfavourable conditions, exporting the finished products is not always easy. This is because of the congestion at the ports, which delay the shipment of goods out of the country.” He added that “the international market does not see the Nigeria market as a reliable one. The delay in the delivery of consignments due to ports’ ineffectiveness attracts discounts on Nigerian goods.”

Added to this, the lack of infrastructure forces operators to generate their power, while also contending with moving their goods on very bad road networks, with attendant losses through accidents.

Mr. Laoye said the situation is compounded by difficulties in accessing loans at a single digit interest rate. “Cocoa processors also face the additional challenge of buying the cocoa beans from the farmers, as we have to compete with middle men and exporters who influence the market price and mope up the commodity from the farms. They push the price of raw cocoa beyond what the local processors can afford,” he also said.

Export policy

Mr. Laoye said the lack of a cocoa policy to restrain the tonnes of beans to be exported has a detrimental effect on local processing. “There is a need for a policy to protect the local market in order to make available the cocoa beans for local use,” he said. “The government ought to ensure that the local processors have enough beans before the exportation allowing the rest go for export as this is the only way to help keep the processing factories in business.

“This is the only way the local processing companies can cope and compete in the international market. The government needs to empower the National Produce Board to cater for the local processor at the expense of exporters and regulate the price of the commodity in the market instead of the fluctuation price cause by exporters.”

Offering a perspective from government, an official at the Osun State Ministry of Agriculture, who spoke in confidence, said Nigerian cocoa farmers have problems with producing enough cocoa seedlings because of funding. This, he said, has also affected their ability to get the seedlings to the international market. “Most of the cocoa trees in the farms are old and the farmers need to plant new ones and also need to spray pesticide on the farm to prevent the cocoa from diseases (cocoa pod disease),” the source said.

Besides, he noted that trust has been an issue with the cocoa business, as middlemen have betrayed the trust of farmers and asked for a large supply of cocoa beans with the promise to pay after sales, but have either absconded or refused to settle their debts.

The cocoa boom

Ironically, the first cocoa plantation recorded in the country was in 1847, at Bonny Island, Rivers State, which is now better known for hosting one of the world’s fastest growing liquefied natural gas plants, operated by the Nigeria LNG Ltd.

Cocoa in its prime, served as one of Nigeria’s main foreign exchange earners in the 1970’s.

During the colonial era, the commodity was exported by the colonial masters through the Royal Niger Company (now United African Company - UAC), becoming a commodity of Western Nigeria after independence. Most of the developments recorded in the region at that time were executed with revenue generated from the sale of cocoa.

The oil boom, however, led to the neglect of the sector and this gave rise to the deregulation of the industry in 1986. The development finally crippled the sector due to neglect and lack of market regulation. However, the quest for alternative sources of revenue led to attempts to revive the agricultural sector, particularly cocoa, in 2005.

Government set a target of cocoa production at over 600,000 metric tonnes per annum; encouraging farmers to grow cocoa through the provision of free hybrid seedlings and subsidised farming inputs such as pesticides and fertilisers.

Mr. Laoye argued that sustained policies to boost cocoa production could lead to higher exports, adding that “The consumption of cocoa drink in country is still very low because of the low income and purchasing ability

of Nigerians. The government can encourage the local factory and cocoa drink by re-introducing cocoa drinks to schools and offices. This will go a long way in building the sector.”

Jamaican cocoa piques interest of US chocolate maker

Jamaica Observer

By Patrick Foster

September 20, 2009

US chocolate company TCHO has expressed interest in purchasing cocoa from local farmers that could help boost production from the measly 406 tonnes exported last year. "TCHO is one of several boutique chocolate companies now showing interest in purchasing cocoa from Jamaica," chief technical director at the agriculture ministry, Marc Panton, told Sunday Finance.

Increased interest in the island's cocoa was spurred by Government's recent decision to deregulate the local industry allowing for greater private sector involvement. This shift in policy pulls Government out of the distribution process shifting its focus to that of a regulator.

According to TCHO representatives on a recent scouting mission in the island, the philosophy of the US company is to engage cocoa farmers instead of Governments. "It is ideal for the farmers and the importers as a small boutique company like this is able to obtain the quality beans they require for a niche market," Panton concurred. "They will be willing to pay premium price."

TCHO's director of sourcing and farmer relations, John Kehoe, noted that his company prefers to focus on supply lines in countries where they can deal directly with farmers. "This way we can build relationships with the producers and work with them to address the issue of quality," Kehoe said.

TCHO currently purchases cocoa from Ecuador, Peru, Madagascar, and Ghana, manufacturing specialty chocolate sold through a chain of stores across the US. "Like fine wine, the production of quality cocoa requires training in best practices, care and commitment to the process," Kehoe remarked

Jamaica's cocoa has long been ranked among the best in the world, but production dwindled drastically between 1987 and 2008. According to a 2008 USAID study, production moved from a high of 2,516 metric tonnes in 1987 to 406 tonnes in the 2008 crop year. Despite this dismal production performance, the industry has continued to occupy preferred position as one of the eight exclusive suppliers of high quality cocoa to the international market, the study said.

In an effort to reverse the decline in the industry and to harness its full economic potential, the Government adopted USAID's recommendations among which was the call for the restructuring of the Cocoa Board's operations to allow for the separation of the regulatory and commercial functions.

USAID is currently working with the Ministry of Agriculture in a three-year project to resuscitate the industry to increase production and productivity levels.

The intended target, according to the ministry, is to move the modal yield - which in many instances is now down to five boxes per acre - to a sustainable yield of 47 boxes per acre.

The restructuring, agriculture minister Christopher Tufton argues, "will give the Board the opportunity to focus on quality control and policy issues, while creating the environment for increased private sector involvement - both in the primary production and in the development of value-added products".

In order to oversee the reorganisation of the industry, Cabinet has approved the establishment of a Cocoa Restructuring Committee, charged with the responsibility of redefining the role of the board and providing oversight for the separation of its regulatory and commercial functions, said Tufton.

COCOBOD signs \$1.2bn Trade Finance facility

The Africa Report

Sep 25, 2009

Ghana Cocoa Board (COCOBOD) on 25th September 2009 signed a trade facility of \$1.2 billion US dollars with international financiers for the purchase of cocoa in the 2009-2010 crop year in Paris. Every year,

COCOBOD seeks funding from international financiers for cocoa purchases in the ensuing season. This year's facility was once again over subscribed with new banks joining the syndicate. The mandated organisers this year was Ghana International Bank, Natixis, Societe Generale and Standard Chartered Bank.

Mr Tony Fofie Chief Executive of COCOBOD in his speech thanked the banks for making available the facility. He assured them that their confidence in COCOBOD and the New Democratic Congress Party led administration of Ghana has not been misplaced. Mr Fofie reminded all that the present syndicated loan agreement process was initiated during the tenure of the NDC in the 1992/1993 cocoa season. He went further to recall that the core structural reforms and strategies that have been beneficial to the cocoa sector today begun during the tenure of the last NDC administration. Commenting on the global economic crisis Mr Fofie was optimistic that COCOBOD as a first class borrower will continue to meet its obligation under this loan agreement making the Ghana Cocoa sector attractive for all. The CEO of COCOBOD paid tribute to all actors in the Ghana Cocoa value chain. Mr Fofie thanked the head of chancery at the Ghana Embassy in France Mrs Novisi Abaidoo for representing His Excellency Prof. Mills at the ceremony.

In her speech the head of chancery at Ghana Embassy in France Mrs Novisi Abaidoo emphasised that the government under the leadership of H.E Professor Evans Atta Mills, guided by the four pillars of transparent and accountable governance; the creation of jobs for the people; investing in the people and the expansion of infrastructure is committed to enhancing the growth and development of the industry.

The deputy head of Global energy and commodities, Natixis, Mr Dominique Fraisse reminded all that the facility signed was made possible because of "the historic rendez-vous between a long time, first class performer of the real economy –the Ghana Cocoa Board- and a banking community in search of safe values and fair equity remuneration."

Other delegates who spoke at the ceremony included Mr Andrew Kairu Chief Operating Officer Ghana International Bank, Mr Kweku Bedu-Addo, regional head Origination and Client Coverage, West Africa, Standard Chartered Bank and Mr Federico Turegano, Global Head of Natural Resources and Energy Financing Societe Generale.

The other banks involved in making the facility the largest soft commodity deal in sub Saharan Africa were Bank of Tokyo Mitsubishi-UfJ, CAYLON, ICBC, Sumitomo Mistui Banking Corporation, BNP Paribas, HSBC, KFW, NED Bank, ECOBANK, African Development Bank, Banco Espirito Santo, BHF Bank, FBN Bank, DZ Bank, Fortis Bank Nederland, Intesa Sanpaolo, Landesbank Baden-Wuerttemberg, Medicapital Bank, Union Bank UK, Zenith Bank, West LB, Bank of Baroda, China development bank, Ghana Commercial Bank, Mega International Commercial Bank Co, National Bank of Kuwait, OPEC Fund for International Development, State Bank of India

Labour Issues

Environmental Issues

Special Report: Carbon Payments and Ghana's Cocoa Sector

Ecosystem Marketplace

By Emilie Filou and Alice Kenny

24th September, 2009

Cocoa is one of Ghana's most important exports, but current farming techniques wreak havoc on both soil and surrounding forests. This is not only unsustainable for cocoa, but also contributes to global warming and biodiversity loss. EM examines efforts to promote sustainable cocoa farming by tapping into the global carbon markets.

Third in the Series: The Road to Accra, leading up to the October Katoomba Meeting in Accra, Ghana.



About this Series

The Fifteenth Katoomba Meeting begins on October 6 in Accra Ghana, and runs through October 9 in two phases: phase one runs for two days and is open to anyone who registers and is designed to bring the debate over the role that payments for ecosystem services can play in promoting sustainable development to a larger audience. Phase two also runs for two days (October 8 and 9), but is an intensive, invitation-only workshop for practitioners, policy-makers, and stakeholders.

This series is designed to shed light on issues relevant to these meetings and that part of the world.

Part One, Soil Carbon in Africa, brings you up to date on ways that African farmers can earn income by adopting agricultural techniques that capture carbon in the soil.

Part Two, CDM in Africa, examines the role that local financial systems play in attracting CDM investment.

Part Three, Carbon and Cocoa, examines the interrelationship between cocoa farming, deforestation, and carbon sequestration.

Part Four, Gabon's Mbé Watershed, examines a pioneering watershed protection scheme being implemented in Gabon.

Part Five, Ghana Readies for REDD, introduces you to the various players working to forge Ghana's payments for ecosystem services regime.

Other stories will be added over the course of the month.

23 September 2009 | Can carbon save cocoa? That, some say, is the million-dollar question – or, more accurately, the \$2.2 billion question, since industry insiders estimate that's the value of carbon stored in Ghana's cocoa landscapes.

That value could play an important role in ensuring the long-term survival of the nation's cocoa industry, which faces existential threats in the wake of depleted soil fertility, reduced water supplies, and various diseases worldwide. Already Brazil, once the second-leading cocoa producer in the world, has seen its cash cow fall victim to a massive fungal disease. Now, instead of making money from cocoa, Brazil pays to import it.

Meanwhile Ghana – which is second only to Côte d'Ivoire in world cocoa production – has experienced a decades-long decline in cocoa yield per acre farmed, spurring farmers to abandon the livelihood that supported their families for generations. That decline and the accompanying flight from farming have been in remission for three years – thanks largely to the current high price of cocoa – but current agricultural techniques are unsustainable over the long haul.

Two-thirds of Ghana's stored carbon lies in its high-forest region – and the country has already lost most of this, seeing it shrink from 8.2 million hectares in 1900 to less than 1.2 million hectares today.

The Cocoa Conundrum and the Sun Curse

Cocoa has always been rough on land. Under the best of circumstances, the cacao trees from which cocoa is harvested suck nutrients out of the soil at rates that require massive infusions of chemical fertilizer – which only 3% of cocoa farmers use – and also require heavy doses of insecticides – which are also not in wide use.

Traditional cocoa farming techniques recommend leaving much of the standing forest intact, because traditional strains of cacao tree grow best in filtered sunlight. Over time, hybrid varieties have improved yields – beginning with strains that can be harvested twice per year instead of once. Newer plantations, however, are shifting to even newer hybrid trees that tolerate more direct sunlight. This makes it possible for farmers to chop down larger shade trees and plant more cacao trees – an apparent improvement over traditional farming because it, like earlier hybrids, offers higher yields.

Unfortunately, sun-free or low-shade systems suck even more nutrients out of the soil than do the already ravenous multi-harvest varieties; they also encourage some pests and – more importantly for the world at large – rob the planet of both carbon-sequestering trees and of valuable habitat for various species of rare animal and plant by encouraging the destruction of natural shade trees that store carbon and provide shelter.

As a result, these newer plantations are often abandoned within a few decades and replaced with newly-deforested land, says Michael Richards, a natural resources economist with Forest Trends (publisher of Ecosystem Marketplace). Cocoa farmers often then extend their farms or move into other forested areas, bringing deforestation with them and releasing more carbon into the atmosphere.

Most Ghanaian farmers still use the shaded variety of cacao tree, but the hybrids are taking hold – especially in the Western part of the country – and the global atmosphere is paying the price. Long-term, farmers are paying a price as well.

Soil fertility has shrunk noticeably; the newer hybrid-cocoa trees' lifespan is growing shorter; and farmers are struggling to survive. Climate change and unsustainable farming techniques have decreased the amount of land supporting cocoa crops by 40% in the past four decades alone, reports the Ghanaian Nature Conservation Research Center, the leading conservation NGO in West Africa – although that amount has been increasing in recent years as cocoa prices rise.

Some experts believe that if nothing is done, Ghana's cocoa sector could go the way of Brazil's.

"The world is focusing on whether Kraft is going to buy Cadbury and how much it'll pay for it, but it may not be a great long-term investment if we run out of cocoa in 30 years," says John Mason, executive director of the Nature Conservation Research Centre (NCRC).

Preliminary research by the University of Reading in the UK suggests that traditional, shaded-cocoa farms store over twice as much carbon as shade-free farms. Farmers could be persuaded to increase their tree canopy and decrease their cocoa yield if carbon trading makes it worth their while.

Re-Thinking the Process

Scores of environmental non-governmental organizations (NGOs) have called for a moratorium on new sun cocoa plantations and a return to shade-cocoa. Many believe that carbon offsets for projects that reduce greenhouse gas emissions from deforestation and forest degradation (REDD) can make it worthwhile for farmers to return to shade-growing, but Michael Packer, managing director of ArborCarb Ltd, says simply reviving the shaded growth method will not be enough.

"Traditional cocoa is problematic, too, in the way it has been produced," he says. "After all, that led to the deforestation that exhausted soil, which led to the requirement for hybrids."

The solution, he adds, is to manage cocoa plantations differently.

"We need to work with ecosystem to manage soil nutrient content, biodiversity and associated ecosystem services – including carbon sequestration and disease control," he says.

Pioneering Cocoa Carbon

This sparked a push to create the world's first-ever cocoa carbon initiative – and, not surprisingly, its Petri dish is Ghana.

Forest Trends, NCRC, and the Katoomba Group (an international network promoting ecosystem service markets and co-publisher of Ecosystem Marketplace) are spearheading a three-part carbon-offset pilot project under the Forest Trends Incubator program, which has already initiated community-based projects across Latin America.

If the program overcomes funding and logistical hurdles, it could start as early as mid-2010, insiders say.

Who Are the Farmers?

Most cocoa farmers are share croppers, but many also live on gifted land or land they have purchased. Regardless of the ownership structure, the project plans to measure whether farm owners who preserve or

enhance the carbon-storing forest canopy of their farms can compensate for their decreased cocoa production with the sale of carbon-offset credits – and how this compensation can be spread among land-owners who lease their land to share-croppers and land-owners who farm their own land.

This could answer the \$2.2 billion question – if policymakers can navigate several complex hurdles. Chief among them is land tenure.

The Tenure Quandary

The Katoomba Group recently invited key participants from a range of stakeholder groups – including various government departments – to an REDD Opportunities Scoping Exercise that identified tree tenure as a major constraint for REDD.

Tree tenure laws in Ghana, for example, discourage farmers from keeping timber trees because the state owns all naturally-occurring trees, while planted trees belong to the person who plants them. Farmers, therefore, are only permitted to fell timber trees for household use, but not for income. Only timber groups with government concessions can fell naturally-occurring trees for money – leaving cocoa farmers no economic or financial interest in preserving trees growing on the land they either own or work.

Adding to the complexity: many cocoa farms are located within the 'off-reserve' areas of timber concession zones. This means that a logger with a concession can harvest the farm's trees – although the logger does have to let the farmer know he's harvesting them, and technically he has to compensate the farmer for the felled timber trees and any damage to cacao trees from machinery. Unfortunately, there are no standards of compensation, and disputes are quite common.

To avoid the hassle – and the risk of damage – cocoa farmers often select smaller shade trees in preference to timber shade trees. They have also been known to destroy timber saplings and even ring-bark mature timber trees. Those who keep the trees often sell them clandestinely to chainsaw operators who cause minimum damage to cocoa.

The Katoomba Scoping Exercise concluded that the best chance for sustainable shade-tree cocoa farming, as well as other tree-based systems, would be the extension of what are known as Community Resource Management Areas (CREMAs), in which communities can hold greater rights to the natural resources on their land, including trees.

NCRC is working with a few pilot CREMAs, but there are currently only a handful in the country, and the government has not adopted a policy of promoting them. Local NGOs argue this must change as part of a national REDD program.

The Importance of Education

A public-private partnership named the Sustainable Tree Crops Program (STCP) kicked off in 2000 to introduce sustainable innovations such as integrated pest management and reduced chemical use to enhance cocoa productivity.

Farmers graduating from the program's "farmer field school" have seen their incomes improve by 15-50 percent, says Bill Guyton, president of the World Cocoa Foundation that supports the partnership and represents nearly 70 chocolate companies worldwide.

So far, however, only a small percentage of cocoa farmers participate in field school, and Guyton says he's anxious to explore the use of carbon credits to augment farmer income and industry sustainability.

Credits could be generated through four types of transactions activities under the REDD banner or as afforestation/reforestation projects under the Kyoto Protocol's Clean Development Mechanism – or in the voluntary carbon market.

Compensation for Limitation

REDD-wise, cocoa growers could be compensated for not encroaching on forest reserves or deforesting to extend their plantations. On farms, they could get credits for maintaining shade cover and not promoting full-sun exposure.

As for reforestation, farmers would be rewarded for reverting from a full-sun system to shaded cocoa to planting trees and encouraging regeneration.

They could also get credits for rehabilitating abandoned plantations and not letting them turn into low-productivity agricultural land or bush, which have low carbon-storage capacity.

"It is a potential win-win situation for everyone," says Richards. "It promotes biodiversity and environmental sustainability, would ensure supply sustainability for the big cocoa buyers, and it could improve the livelihoods of thousands of small farmers."

Potential vs. Practice

Potential is one thing. Practice is another.

"We're all convinced that this area has real potential," says Ken Norris, a researcher from the University of Reading and lead scientist for the pilot projects. "The problem is there are a whole lot of practical issues to overcome to make it work."

For instance, because verification of carbon offsets is expensive, CO2 contracts typically apply to land sizes ranging from 3,000-5,000 hectares. But the average cocoa farm in Ghana is only 2-3 hectares. Each contract, then, would require approximately 2,000 farmers to federate.

And carbon rights are not established in law yet – although many are going on the assumption that they will follow the timber rights outlined above: namely, that standing trees will fall under the jurisdiction of the Forestry Commission, while planted trees – and their largesse – will be owned by whoever plants them.

"This is a major organizational democracy initiative about benefit sharing," says Mason. "We're trying to work out the best way of doing it, perhaps through existing community groups or organizations."

Money

And, of course, there is the issue of funding. Norris estimated the project cost at US \$5.5 million, and believes potential funding organizations will wait until after funding issues are resolved at the year-end Copenhagen Climate Conference before they decide how much they will contribute.

Cocoa carbon credits are not expected to flow for at least another two or three years – yet Mason says he is optimistic; he already has potential buyers. "The cocoa industry is prepared to buy our credits as soon as we're able to bring them to market," he says, adding that he's been working with the cocoa industry over the last three years – and his message is sinking in. "It's gone from ignorance and skepticism to the realization that a major shortage of cocoa beans is looming." But he says he is concerned about what's been done to mitigate the crisis so far. "All the big manufacturers are competing against each other when this is a time for a major concerted effort."

The Ghana Cocoa-Carbon Initiative and pilot projects under the Forest Trends/NCRC/Katoomba Incubator could answer these concerns. The initiative already raised \$1.5 million from international donors such as the Rockefeller Foundation and NGOs such as the Rainforest Alliance.

Winning Industry Support

Mason also asked the cocoa industry to chip in. He recently presented the initiative at the launch of a new not-for-profit organization called Source Trust. Set up by Armajaro, a leading cocoa supplier whose clients include Cadbury, Nestlé, and Kraft's amongst others, Source Trust certifies and promotes sustainable cocoa farming practices in local communities.

It already raised \$1 million to pay for education and water projects that promote sustainable farming, as well as bed nets that reduce malaria. Chocolate manufacturers pay Armajaro a premium of \$30 per ton in exchange for a traceable and sustainable cocoa supply. "As an industry, our interest is to ensure that farmers have good yields over the long-term, not just in the next couple of years," says Nicko Debenham, head of traceability and sustainability at Armajaro and a spokesperson for Source Trust.

Encouraging farmers to leave 40% shade cover on their farm would serve that purpose. Debenham says Source Trust will assess its stakeholders' interest in providing the \$4 million Mason requested for the cocoa carbon

initiative. The carbon pilot project could also piggyback on Source Trust's certification program as the administrative platform for carbon payments.

Cocoa Carbon Projects

Once funded, the project plans to learn more about carbon sequestration in varied landscapes, Norris says. Three pilot sites will be chosen, one in western, one in central and one in eastern Ghana. Two of the incubator's projects will be dedicated to carbon and cocoa.

Their objective is threefold. They will undertake detailed scientific work to build a robust case for future contracts between farmers and carbon credit buyers. They will establish methodologies and structures to take the credits to market. And they will federate farmers into groups or cooperatives that will work under a single contract to spread the impact of transaction costs.

Outside the Box

It will take years before cocoa-industry stakeholders can answer the \$2.2 billion question. But the final answer could transform not only the cocoa industry and carbon trading but farming as we know it. "Instead of thinking about producing food to the detriment of the environment," Norris says, "we could produce food to preserve the environment."

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PNG to spend four million dollars to control Cocoa Pod Borer

Radio New Zealand International

24 September, 2009



The Papua New Guinea autonomous province of Bougainville is calling for up to four million US dollars to control a pest that's threatening its cocoa industry, which is worth 45 million US dollars annually.

The head of Bougainville's Primary Industry Division says they are seeking money from the National Government to raise awareness about the Cocoa Pod Borer pest, as well as to fund material and strategies to manage it.

Sam Rangai says the management of the pest needs to be addressed because it's impossible to destroy it. He says the moth has a life cycle of about two weeks "As an adult, in the two weeks it lays two hundred plus eggs and in just

20-weeks, the population exponential growth is about 400 million moths in just 20 weeks, at which this pest can spread over large areas of land and even across sea."

Research & Development

Promotion & Consumption

Others

TIT BITS

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

US MIDDAY: coffee and sugar weak; cocoa up

NEW YORK (September 19, 2009): Summaries of the ICE Futures US cocoa, coffee and sugar markets early on Friday. December arabica coffee contract eased 0.10 cent to \$1.3595 per lb at 10:59 am EDT (1459 GMT). Session range from \$1.3380 to \$1.3710, the highest since August 13.

Sugar and cocoa rise

LONDON (September 24, 2009): ICE sugar futures rose on Tuesday and cocoa hit a 14-month peak on a second-month basis on investor buying driven by a weak dollar, while coffee was steady with sugar traders focused on Mexican imports. "The sugar market has improved a little bit on the back of the dollar," said David Sadler, a senior sugar futures trader.

London coffee and cocoa fall, sugar up

LONDON (September 24, 2009): December cocoa ended 8 pounds lower at 2,027 pounds a tonne on Wednesday after setting a contract peak of 2,063 pounds. Strength of sterling helped to stall the advance. December white sugar ended \$5.30 higher at \$584.50 per tonne after rebounding from earlier losses in late trade. Whites buoyed by expectations of Mexican import demand.

US MIDDAY: cocoa at 14-1/2-month high

NEW YORK (September 24, 2009): Summaries of the ICE Futures US cocoa, coffee and sugar markets. December arabica coffee contract dropped 1.95 cents to \$1.3610 per lb at 11:01 am EDT (1501 GMT). Session range from \$1.3505 to \$1.3825. Arabica coffee retraced Tuesday's gains on investor selling while fund buyers sat on the sidelines, said brokers.

London coffee and sugar plummet

LONDON (September 25, 2009): December white sugar ended \$13.10 lower at \$571.40 per tonne, weakened by a stronger dollar and broad-based losses in commodity markets. November robusta coffee ended \$77 weaker at \$1,400 per tonne after touching \$1,391, the lowest level for the second month since late August. December cocoa ended 12 pounds lower at 2,015 pounds a tonne.

US MIDDAY: coffee and cocoa drop

NEW YORK (September 25, 2009): Summaries of the ICE Futures US cocoa, coffee and sugar markets early on Thursday. December arabica coffee contract tumbled 6.60 cents to \$1.2980 per lb at 11:03 am EDT (1503 GMT). Session range from \$1.2875 to \$1.3575. Arabica coffee tumbled on broad-based selling as the dollar firmed, triggering sell stops, said brokers.

London sugar, coffee and cocoa rise

LONDON (September 26, 2009): Sugar, cocoa and coffee futures rose on Friday supported by a weaker dollar, with sugar traders taking stock of consultancy Kingsman's upward revision in its 2009/10 global sugar deficit forecast. December cocoa ended 20 pounds higher at 2,035 pounds a tonne, boosted by the weakness of sterling. December white sugar ended \$6.30 higher at \$577.70 per tonne. Market supported by lower cane crush projections for top producer Brazil.

US MIDDAY: cocoa and sugar rebound

NEW YORK (September 26, 2009): Summaries of the ICE Futures US cocoa, coffee and sugar markets early on Friday. December arabica contract eased 0.25 cent to \$1.2905 per lb at 11:11 am EDT (1511 GMT). Session range from \$1.2740 to \$1.2985. Follow-through weakness after Thursday's steep fall, but market pared losses as the dollar weakened, said brokers.