



#### INSIDE THIS ISSE:

- ICCO DAILY COCOA PRICES
- LONDON (LIFFE) FUTURES MARKET UPDATE
- NEW YORK (ICE) FUTURES MARKET UPDATE
- FROM THE NEWS MEDIA
- TIT BITS

## In the News (from Newspapers worldwide)

<p><u><b>Health and Nutrition</b></u></p> <ul style="list-style-type: none"> <li>•</li> </ul> <p><u><b>Production and Quality</b></u></p> <ul style="list-style-type: none"> <li>• RPT-Ivorian cocoa farmers: rains hurting quality</li> <li>• Sierra Leone to be leader in organic cocoa</li> <li>• Ghana Sees 1 mln T Cocoa Output Next Season</li> <li>• Nigerian Cocoa Production to Rise 10% Next Season to 335,000 Metric Tons</li> <li>• Cadbury intensifies moves to boost cocoa production in Ghana</li> </ul> <p><u><b>The Market</b></u></p> <ul style="list-style-type: none"> <li>• Barry Callebaut sees High Cocoa Prices</li> <li>• Cocoa bean price on the rise</li> <li>• September Cocoa Supply Crunch thrown into Doubt</li> </ul> <p><u><b>Processing &amp; Manufacturing</b></u></p> <ul style="list-style-type: none"> <li>• Indonesia Cocoa Tax May Grow Grinding, but Risks Supply</li> </ul>	<p><u><b>Business &amp; Economy</b></u></p> <ul style="list-style-type: none"> <li>• 3 cocoa post harvest centers worth P30 million set to open in Mindanao</li> <li>• Ghanaian cocoa farmer groups set for Fair-trade Certification</li> </ul> <p><u><b>Labour Issues</b></u></p> <ul style="list-style-type: none"> <li>•</li> </ul> <p><u><b>Environmental Issue</b></u></p> <ul style="list-style-type: none"> <li>•</li> </ul> <p><u><b>Research &amp; Development</b></u></p> <ul style="list-style-type: none"> <li>•</li> </ul> <p><u><b>Promotion &amp; Consumption</b></u></p> <ul style="list-style-type: none"> <li>• COPAL Launches Cocoa Day</li> <li>• 'Let's Brand Ghana With Cocoa'</li> <li>• Cocoa farmer Organisations to become Fairtrade Certified Agencies.</li> <li>• Local Chocolate, for Local Consumption</li> <li>• 2010 COPAL celebration launched in Accra</li> </ul> <p><u><b>Others</b></u></p> <ul style="list-style-type: none"> <li>•</li> </ul>
---	---

## ICCO Daily Cocoa Prices

	ICCO daily price (SDR/tonne)	ICCO daily price (\$US/tonne)	London futures (£/tonne)	New York futures (\$US/tonne)
23 <sup>rd</sup> August	1907.39	2878.49	1954.83	2738.33
24 <sup>th</sup> August	1921.37	2899.17	1966.67	2781.67
25 <sup>th</sup> August	1914.24	2899.54	1959.67	2771.00
26 <sup>th</sup> August	1906.88	2888.22	1960.00	2763.33
27 <sup>th</sup> August	1929.57	2923.82	1966.00	2814.00
<b>Average</b>	<b>1916.00</b>	<b>2898.00</b>	<b>1961.00</b>	<b>2774.00</b>

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

**Monday 30th August 2010**

Month	Opening Trans	Settle	Change	Daily High	Daily Low	Volume
Sep 2010						
Dec 2010						
Mar 2011						
May 2011						
Jul 2011						
Sep 2011						
Dec 2011						
Mar 2012						
May 2012						
Jul-12						
<b>Average/Totals</b>		#DIV/0!				0

**Tuesday 31st August 2010**

Month	Opening Trans	Settle	Change	High	Low	Volume
Sep 2010	1980	1951	-30	1981	1919S	6,173
Dec 2010	1925	1954	23	1976	1915	11,597
Mar 2011	1943	1968	25	1985	1926	4,040
May 2011	1960	1978	23	1996S	1945	3,602
Jul 2011	1971	1986	17	1997S	1960	857
Sep 2011	1976	1992	17	2007S	1970	142
Dec 2011	1981	1996	13	2013	1980	205
Mar 2012		1997	14			0
May 2012		1988	13			0
Jul-12		1992	13			0
<b>Average/Totals</b>		1980				26,616

**Wednesday 1st September 2010**

Month	Opening Trans	Settle	Change	High	Low	Volume
Sep 2010	1946	1926	-25	1960	1901	4,403
Dec 2010	1950	1945	-9	1973	1916	7,655
Mar 2011	1964	1960	-8	1982S	1931	1,429
May 2011	1974	1974	-4	1992S	1947S	875
Jul 2011	1984	1983	-3	1997	1956S	370
Sep 2011	2003	1990	-2	2006S	1964S	155
Dec 2011	2013	1991	-5	2015S	1980	116
Mar 2012	1993	1993	-4	1993S	1984S	13
May 2012		1982	-6			0
Jul 2012		1986	-6			0
<b>Average/Totals</b>		1973				15,016

**Thursday 2nd September 2010**

Month	Opening Trans	Settle	Change	High	Low	Volume
Sep 2010	1929	1943	17	1948	1915S	2,188
Dec 2010	1944	1945	0	1951	1934	3,881
Mar 2011	1959	1959	-1	1960	1949	1,231
May 2011	1971	1976	2	1981S	1966	591
Jul 2011	1982	1986	3	1990	1977S	570
Sep 2011	1988	1992	2	1997S	1983S	100
Dec 2011	1991	1996	5	2003	1987S	228
Mar 2012		1998	5			0
May 2012		1987	5			0
Jul-12		1991	5			0
<b>Average/Totals</b>		<b>1977</b>				<b>8,789</b>

**Friday 3rd September 2010**

Month	Opening Trans	Settle	Change	High	Low	Volume
Sep 2010	1941	1953	10	1970S	1938S	764
Dec 2010	1940	1952	7	1968	1925	3,805
Mar 2011	1955	1966	7	1983S	1940	1,872
May 2011	1972	1980	4	1995	1956	991
Jul 2011	1990	1991	5	2004S	1965S	329
Sep 2011	1996	1999	7	2011	1995	168
Dec 2011	2007	2003	7	2022	1984	298
Mar 2012		2005	7			0
May 2012		1991	4			0
Jul 2012		1995	4			0
<b>Average/Totals</b>		<b>1984</b>				<b>8,227</b>

<b>Average for the week</b>	<b>1984</b>				<b>11730</b>
					<b>58,648</b>

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

**Monday 30th August 2010**

Month	Open	Price	Change	High	Low	Volume
Jul 2010	2661	2672	-3	2661	2661	1
Sep 2010	2721	2714	-4	2746	2705	5,129
Dec 2010	2761	2745	-4	2773	2738	1,469
Mar 2011	2766	2764	-4	2768	2758	485
May 2011	2785	2782	-4	2785	2776	13
Jul 2011	2806	2798	-4	2806	2795	35
Sep 2011	2820	2811	-4	2824	2810	45
Dec 2011	0	2890	-5	0	0	0
Mar 2012	0	2893	-5	0	0	0
May 2012	0	2906	-5	0	0	0
<b>Average/Totals</b>		<b>2160</b>				<b>7177</b>

**Tuesday 31st August 2010**

Month	Open	Price	Change	High	Low	Volume
Jul 2010	2661	2698	26	2689	2661	9
Sep 2010	2720	2736	22	2779	2681	18,181
Dec 2010	2748	2770	25	2810	2720	3,926
Mar 2011	2767	2789	25	2814	2737	1,144
May 2011	2785	2804	22	2818	2750	875
Jul 2011	2800	2818	20	2834	2767	391
Sep 2011	2800	2829	18	2857	2777	177
Dec 2011	2900	2901	11	2900	2880	39
Mar 2012	2871	2893	0	2900	2871	874
May 2012	0	2907	1	0	0	0
<b>Average/Totals</b>		<b>2815</b>				<b>25616</b>

**Wednesday 1st September 2010**

Month	Open	Price	Change	High	Low	Volume
Jul 2010	2680	2707	9	2680	2680	1
Sep 2010	2750	2752	16	2766	2707	9,089
Dec 2010	2768	2778	8	2796	2738	2,206
Mar 2011	2813	2794	5	2813	2761	334
May 2011	2818	2808	4	2818	2783	35
Jul 2011	2833	2822	4	2833	2797	91
Sep 2011	2844	2830	1	2844	2836	52
Dec 2011	0	2906	5	0	0	1
Mar 2012	0	2910	17	0	0	1
May 2012	0	2924	17	0	0	0
<b>Average/Totals</b>		<b>2823</b>				<b>11810</b>

**Thursday 2nd September 2010**

Month	Open	Price	Change	High	Low	Volume
Jul 2010	2713	2691	-16	2713	2707	3
Sep 2010	2734	2735	-17	2754	2723	5,805
Dec 2010	2762	2764	-14	2778	2752	668
Mar 2011	2786	2780	-14	2795	2770	236
May 2011	2801	2797	-11	2810	2787	119
Jul 2011	2815	2812	-10	2820	2804	80
Sep 2011	2831	2820	-10	2831	2821	22
Dec 2011	0	2895	-11	0	0	7
Mar 2012	0	2898	-12	0	0	7
May 2012	0	2915	-9	0	0	0
<b>Average/Totals</b>		<b>2811</b>				<b>6947</b>

**Friday 3rd September 2010**

Month	Open	Price	Change	High	Low	Volume
Jul 2010	2719	2727	36	2719	2719	2
Sep 2010	2735	2772	37	2808	2729	11,451
Dec 2010	2773	2796	32	2830	2759	1,577
Mar 2011	2786	2814	34	2845	2780	309
May 2011	2850	2831	34	2860	2800	90
Jul 2011	2866	2846	34	2879	2818	116
Sep 2011	2870	2857	37	2883	2870	9
Dec 2011	2935	2928	33	2936	2935	2
Mar 2012	0	2931	33	0	0	0
May 2012	0	2946	31	0	0	0
<b>Average/Totals</b>		<b>2845</b>				<b>13556</b>

<b>Average for the week</b>	<b>2845</b>				<b>2465</b>
					<b>2465</b>

## NEWS

### Health and Nutrition

### Production & Quality

#### **RPT-Ivorian cocoa farmers: rains hurting quality**

Reuters Africa -

By Loucoumane Coulibaly

Aug 30, 2010

- \* Farmers complain lack of sun may hurt next main crop
- \* Rains have boosted volumes but spread disease

ABIDJAN, Aug 30 (Reuters) - Light rains and a lack of sun in Ivory Coast's cocoa-growing regions last week augmented fears that beans will be small and of poor quality in the forthcoming main crop, farmers and analysts said on Monday.

The correct mix of rain and sunshine is vital to the development of the cocoa crop. Cocoa trees need very wet weather, but they suffer when it is too overcast, because it deprives them of the sunlight they need for photosynthesis.

Good rains have boosted cocoa arrivals to figures to beyond last season's levels [ID:nCOC046385]. They are also expected to facilitate an early harvest next season, which officially starts in October but which farmers expect to start by mid-September. But overly wet weather also has hurt bean quality, particularly by spurring epidemics of black pod disease.

Farmers and agronomists said more sun was urgently needed to ensure a strong start of the new marketing season.

In the region of Soubre, which accounts for about 420,000 tonnes or a third of total production per year, farmers said weather conditions remained way too humid.

Analysts reported 9 mm of rains in the town of Soubre and 8mm in Sassandra, the southern part of the region. "We really need the rains to stop and give way to the sun. If not, the beans are going to darken," said farmer Labbe Zoungrana, referring to black pod disease.

Farmer Salam Kone, who works on the outskirts of Soubre, said, "We have a lot of the pods on the trees and we're expecting a lot of money from them. It would be a real shame if the sun doesn't come out soon."

But in the centre-western region of Daloa, which accounts for 358,000 tonnes of yearly output, farmers were more upbeat over the main crop after light rains mixed with adequate sunshine. "The farmers are happy. We will start to harvest our pods here in two weeks. There will be a lot of beans of good quality compared with last year," said farmer Magloire Gnankan, who farms near Daloa.

In the region of Abengourou which produces 75,000 tonnes a year, an analyst working for an industrial plantation in Abengourou reported just 1.5 mm of rain but an overcast sky. "If this carries on, there will be less cocoa by October because of black pod. We need that sun," he said.

In the southern region of Aboisso, 12 mm of rain fell, said a local weather analyst. Similar growing conditions like Abengourou were reported in southern regions of Divo and Agboville.

## Sierra Leone to be leader in organic cocoa

GlobalPost

By Kimberly S. Johnson — Special to GlobalPost

August 31, 2010

After years of civil war, Sierra Leone re-enters world cocoa trade



**Organic cocoa beans drying at a farm in the Millennium Cocoa Growers cooperative in Ngiehum village in Sierra Leone.**

NGIEHUM, Sierra Leone — No one in this village wanted to be a cocoa farmer 15 years ago. The labor was hard, the crop was often plagued by disease and sold for lower than market prices. And most farmers ended up in debt because of loans taken out to pay seasonal workers.

“We didn’t go near the plantation,” said Sallieu Mondeh, a cocoa farmer in the village. “We didn’t even want our children to be called farmers.” But growing cocoa has become much more popular in Sierra Leone as a result of a combination of events that is strengthening the country’s hand in the world cocoa market.

Sierra Leone is now poised to be a key supplier of organic cocoa to the international market. “Now we’re realizing profits,” said Aiah Njawa, standing among his eight-acre cocoa farm in Ngiehum, Kono, a district in eastern Sierra Leone. The farm was left to him by his father, but eventually became a costly burden.

Cocoa crops like those in Ngiehum village are now benefitting — ironically — because the trees were neglected during the 11-year civil war and its aftermath. The lands have been untouched by pesticides and other chemicals for more than a decade, making them ripe for organic cocoa. “It’s been 15 years since anybody has sprayed any kind of chemicals on cocoa because of a lack of access and little affordability,” said Tom Roberts, agriculture productivity specialist for World Vision, an international nongovernmental organization (NGO) that is working to maximize farmer production and profits through farmer field schools.

Despite a slump in cocoa demand because of the global economic crisis, a premium still exists for organic cocoa, he said. West Africa produces an estimated 70 percent of the world’s cocoa. Total cocoa produced worldwide during the 2008-2009 growing season was 3.6 million tons, according to the International Cocoa Association. Cote d’Ivoire is at the top, producing 1.2 million tons of cocoa in that period. Ghana is the second largest producer at 662,000 for the same season, according to the International Cocoa Association.

Sierra Leone’s cocoa production in 2009 is estimated at 15,000 to 20,000 tons. Exact figures of Sierra Leone’s cocoa production and exports are hard to gather because it lacks a central body keeping tabs on the sector here. Sierra Leone exported 26,000 tons of cocoa in the years before its civil war began in 1991, according to Franz Moestl, program manager for Welthungerhilfe, a German NGO focused on food security and nature conservation efforts here. “When you invest in this sector you will easily double or even triple those figures,” Moestl said.

Worldwide demand for cocoa was down 7 percent in 2009, according to the International Cocoa Organization in London. A production shortage is still predicted for this year.

## Ghana Sees 1 mln T Cocoa Output Next Season

Source: Reuters

31/08/2010

Durban - Ghana, the world's second-largest cocoa grower, could reach its target of producing 1 million tonnes of the main ingredient in chocolate next season -- a year ahead of schedule -- a senior official said on Tuesday. Yaw Effah-Baafi, Deputy Minister for Food and Agriculture (Crops), said the West African country expects to produce around 850,000 tonnes of cocoa this season already, though much of it will remain off the books due to smuggling.

Much of Ghana's smuggled cocoa is believed to pass through Ivory Coast, the world's top cocoa producer, where farmers have enjoyed higher farmgate prices this year but locally-grown volumes are seen in decline.

"Next year we should be able to hit 1 million tonnes... we will look at areas which caused our shortfall and address those issues. One million is achievable next year," Effah-Baafi told Reuters on the sidelines of an Agribusiness Investment Summit.

Effah-Baafi could not give any projections for this season's official figures published by industry regulator Cocobod, but said some 5-10 percent of produced volumes were likely to be lost to smuggling.

Cocoa purchases declared by private buyers to Cocobod since the start of the year-long season in October -- the best reflection of output from the West African state -- hit 615,880 tonnes by Aug. 12.

Ghana had previously said it would reach the 1 million tonne mark in 2012. Official volumes by the end of this season at the end of September are expected to come in below last year's record 705,000 tonnes.

## BIOFUELS POLICY

The West African state is hoping to clamp down on smuggling with tighter border surveillance and is considering measures to keep its purchase prices competitive with neighbours Ivory Coast and Togo to discourage illicit trade.

The official said Ghana also plans to raise the amount of cocoa processed locally to 50 percent from the 35 percent which was likely to be processed in the country this season, to enhance the value of exports.

Ghana, on track to become a commercial oil exporter after the start of production from the offshore Jubilee oilfield this year, is also hoping to boost other agricultural investment.

Effah-Baafi said the country would favour investments in maize, rice and cattle to reduce its reliance on imports. The country is also drafting a biofuels policy to ease investor access and Effah-Baafi said it was likely that it would be passed by the end of the first half of next year. He said only a small percentage of arable land of marginal quality would be given up for biofuels to ensure that it did not jeopardise the country's food production.

A study by an environmental group on Tuesday showed that biofuel demand was driving a new "land grab" in Africa, with at least 5 million hectares (19,300 sq miles) acquired by foreign firms to grow crops in 11 countries.

## **Nigerian Cocoa Production to Rise 10% Next Season to 335,000 Metric Tons**

Bloomberg

By Vincent Nwanma at [vnwanma@bloomberg.net](mailto:vnwanma@bloomberg.net)

Sep 1, 2010

Cocoa production from Nigeria, Africa's third-largest producer, will rise by 10 percent in the season that begins Oct. 1, as new plants and better use of chemicals aid growth, the Cocoa Association of Nigeria said.

Output will increase to about 335,000 metric tonnes, Neji Abang Neji, secretary-general of the association, said by phone today from Calabar, in southern Nigeria.

New crops planted between 2005 and 2007 under Nigeria's National Cocoa Rebirth program are "starting to bear fruit," said Robo Adhuze, a consultant to the association, which includes farmers, processors, traders and regulators.

Growers have also received training on farming practices, including the use of insecticides, Adhuze said yesterday by phone from Akure, in western Nigeria. Some state governments, including Ondo and Edo, have subsidized the cost of chemicals, he said. High amounts of rainfall will also boost output, Neji added.

Nigeria ranks behind Ivory Coast, Ghana and Indonesia in cocoa production, according to the International Cocoa Organization. Revenue from cocoa exports is the country's second-biggest foreign exchange earner, after crude oil.

Farmers may keep their cocoa on their farms if they can't get favorable prices at the start of the harvest, Adhuze said. Growers currently receive about 360,000 naira (\$2,382) per ton, from the 450,000 naira they earned last October, he said.

Cocoa for September delivery fell \$18 to \$2,680 at 11 a.m. in New York today.

### **Cadbury intensifies moves to boost cocoa production in Ghana**

Accra Daily Mail

03/09/2010

Cadbury Cocoa Partnership has intensified its effort at boosting cocoa production in Ghana, in order to sustain its business. In effect, it has expanded its grassroots initiative to bring more communities onboard, towards realizing its dream.

On Monday in Accra, Cadbury Cocoa Partnership, in line with its above stated objectives, unveiled an initiative dubbed '-Cocoa Ambassador Program', which is made up of ten young talented students drawn from various tertiary institutions across the country, to spearhead its campaign drive. The aim is to build youth interest in the cocoa growing communities in the country.

Lack of Youth engagement in cocoa farming is one of the biggest challenges confronting the country. As a result, productivity in the cocoa growing communities is low, hence the launch of the 'Cocoa Ambassador Program' to increase engagement and revive the interest in cocoa production, amongst the youth population in the country.

The Ambassadors, according to Yaa Peprah Amekudzi, Director, Program Coordinating Unit, Cadbury Cocoa Partnership, will enrol on a two-year program which will be implemented through tertiary-education level students to reach young people in all levels of education, as well as out-of-school children. 'This is a voluntary commitment. In doing so, we will be encouraging the spirit of volunteerism in Ghana.

The cost of transportation, accommodation in the field, feeding and implementing activities will be covered by the Cadbury Cocoa Partnership. At the end of their stewardship, they will form the 'Cocoa Ambassadors Club', where they will be mentored by a Cadbury Ghana employee or COCOBOD', noted Madam Amekudzi.

The Ambassadors will operate in 100 communities in seven cocoa growing districts of Ghana, and are expected to mentor young farmers who can play a key part in community empowerment and development.

Officials of the Partnership said since the launch of the Cadbury Cocoa Partnership in 2008, productivity in the Ghanaian cocoa sector stands at 40% output per hectare of its estimated potential, and long term sustainability cannot be overemphasized without fully integrating the youth population.

Already, there are about seventy Cadbury volunteers who are working alongside with village folks in Adjeikrom, as part of the Earthshare research program.

In addition to this drive, about 10 cocoa farmer organisations in the country are on course to join other groups in becoming Fairtrade certified by the end of the year, in order to benefit from selling their cocoa on fair-trade terms to Cadbury.

'Certification through Fairtrade is part of our strategy to offer cocoa growing communities with greater opportunities, by giving a fair price to farmers and a premium for social development to empower farmers through Fairtrade investment in their own farms and communities', said Ms. Harriet Lamb, Executive Director, Fairtrade Foundation.

About Â£45million is expected to be invested in the program over a ten-year period in key cocoa growing communities in Ghana, India, the Caribbean and South East Asia.

## The Market

### Barry Callebaut sees High Cocoa Prices

Source: Reuters

30/08/2010

Zurich, Aug 30 - Cocoa prices are likely to remain high and retailers will have to accept higher chocolate prices, chocolate maker Barry Callebaut's (BARN.S) Chief Executive was quoted as saying on Monday.

"We believe that (cocoa) prices will remain high," Juergen Steinemann told Swiss daily newspaper Tages-Anzeiger in an interview, adding that the slightly lower price levels seen over the past weeks were due to technical reasons.

"Financial capital has been withdrawn from the markets and the outlook for the upcoming crop in the Ivory Coast is better than initially expected," he said.

The world's largest chocolate maker passes on the lion's share of raw material costs to its customers -- groups such as Nestle and Hershey -- who might have to increase chocolate prices, Steinemann said.

"Retailers do not want to accept higher prices at the moment in spite of higher raw material costs because consumers have to save money. But pressures will rise, prices will just have to increase," he said.

### Cocoa bean price on the rise

KWCH

By: Karl Man Share

September 1, 2010

(WICHITA, Kan) - Soothing your sweet tooth may come with a added cost as the price of coca beans is on the rise. "Cocoa Dolce" in Wichita is chalking up this chocolate price hike to an international domino effect. Brazil and the Ivory Coast are two hot beds of populating the cocoa bean. Adverse weather in each area has put this year crop of cocoa in jeopardy.

While those cultivating spots are thousands of miles away the ripple effect could hit the pocketbook of local chocolate lovers. Cocoa Dolce predicts the price of the cocoa bean will continue to rise leaving the local shop with little option when it comes to production price. "If we continue to have price increases that are a sure thing that are added on to our cost of making chocolate then it's inevitable that we will need to raise our prices" says owner Beth Tully.

Cocoa Dolce makes specialty chocolate items year around. The owner buys cocoa beans in bulk in advance - so the price is locked in. That means locally, the store hasn't seen a big price change.

### September Cocoa Supply Crunch thrown into Doubt

Source: Reuters

02/09/2010

London - The prospect of a supply crunch in the Liffe cocoa market this month has been thrown into doubt, dealers said on Thursday, as price falls pointed to processors having enough stock ahead of arrivals from West Africa's crop. "The market is definitely pricing in that there's going to be a big crop," a European trader said.

After commodities firm Armajaro scooped up nearly all available tenderable cocoa at the July futures contract's expiry, industry players were concerned that the stockpiling could be a precursor to an even more daring speculative play on September.

The July and September futures contracts are regularly vulnerable to a shortage of fresh cocoa supplies prior to the harvest in the largest producing region, West Africa, in September/October. September, Liffe's front month cocoa contract, has dipped to a 15 pound discount to December, from a premium which peaked as wide as nearly 200 pounds, indicating supply concerns have eased.

Forecasts for 2010/11 West African cocoa production have improved in recent months with Olam International, the largest player in the cocoa industry in terms of origination and supply, forecasting a record crop. "You could

assume there will be shipments arriving (in Europe) in October... harvest's starting on time and looks good," said one European trader, adding that if it had been a late crop there could have been panic in the market.

The cocoa market's return to a contango structure, where contracts become more expensive the further out they are dated, also makes carrying cocoa more affordable as the costs of storage and financing are at least partly covered by the cocoa holder receiving higher prices for later dated contracts.

#### **PREMIUM POSSIBLE AGAIN**

Dealers did not rule out the possibility of the discount on September returning to a premium, pointing out that if funds were short of the September contract they would need to cover positions over the coming weeks.

"I wouldn't count against it going back to a premium," a London-based broker said.

Most funds cannot take delivery of cocoa beans and will have to either close out short positions or roll them forward before the contract expires on Sept. 15.

Volume on the September contract has been low as many of the traditional market participants avoided the contract, reluctant to second-guess what Armajaro's next move might be, dealers said.

"The lack of volume indicates traditional players such as trade houses and processors have made their decisions and moved forward," a London-based broker said.

NYSE Liffe cocoa prices have fallen over 20 percent since the July contract expired, as improving supply prospects from West Africa weighed.

#### **Processing & Manufacturing**

##### **Indonesia Cocoa Tax May Grow Grinding, but Risks Supply**

Source: Reuters

03/09/2010

Sept 3 - Indonesia's hefty tax on cocoa bean exports may push firms to expand domestic processing, but also risks reducing the country's bean output if farmers are put off rejuvenating ageing trees. While any impact on production would take years, lower output from the world's third biggest cocoa producer would help bolster the global market.

Major global cocoa players say the tax does change the economics of grinding in Indonesia, although the sector still faces hurdles such as poor quality beans and erratic power supply that have kept it operating at below half of capacity.

"The export tax is a subsidy for the local grinder industry paid by the cocoa farmers," said Noel Janetski, president director of PT Mars Symbioscience Indonesia, a unit of food manufacturer Mars.

"Farmers are businessmen. If there is not enough money for farmers, they will do something else."

#### **FARMERS TAKE THE PAIN**

Farmers are already seeing their income cut as middlemen lower farm-gate prices to compensate for the 10 percent tax on exports imposed in April.

Middlemen in Sulawesi island, which supplies 75 percent of Indonesia's output, currently buy cocoa beans from farmers at a discount of \$550 a tonne under New York's ICE cocoa futures, double from around \$250 a tonne before the tax took effect. "If farmers incomes fall, they won't care for the crop, which would lead production to fall," said Halim Razak, an expert at the Indonesia Cocoa Association, adding that it will take 3-4 years for the tax to have an effect on production.

Exports from the main producing region of Sulawesi collapsed 22 percent from a year earlier in April, the first month of the new tax, as traders hoarded supplies on hopes the tax would be cut later.

Exports have since recovered and are up 21 percent so far this year versus 2009, while output is up 10 percent this year. "I still have merchants coming here to buy my cocoa beans but prices keep falling since February," said Muhammad Tang, who owns 3 hectares of cocoa plantations about 500 kilometres from Makassar in South Sulawesi, a key port for cocoa exports.

"I heard in the news about the extra tax for cocoa shipments. Maybe that's why prices keep falling?"

#### LOCAL GRINDING

Grinders are already betting on buying cheaper beans locally to turn into higher-value products, as they eye rising household spending driving Southeast Asia's top economy and the region.

State retail firm PT Sarinah, which runs the country's oldest department store, told Reuters it plans to set up a grinder by 2013, while the second largest grinder PT Bumi Tangerang Mesindotama will double capacity to 80,000 tonnes by mid-2011.

"More investors will race to set up their business here as it will be more efficient and competitive to be close to the raw material source," said Piter Jasman, chief commissioner of PT Bumitangerang Mesindotama.

Indonesia is Asia's second-largest grinder after Malaysia.

Olam International is eyeing investments in the country, while Indonesia's government says fellow top four cocoa bean buyer ADM plans to invest \$500 million in cocoa processing, though ADM said there was no such deal yet. The world's biggest chocolate maker Barry Callebaut said it is observing developments.

"With the change in tax structure in Indonesia it's looking more favourable for processing initiatives in Indonesia to take shape," said Gerry Manley, head of cocoa at Olam, one of the top four buyers of cocoa beans globally.

#### NO SMOOTH GRIND

Despite the tax, firms may wait to see a clearer picture of global demand for 2011 before finalising investment plans. "To make investments in additional grinding capacity you have to make the assumption that we're not going to have a double dip recession," said Gary Mead, analyst at VM Group.

Indonesia's grinders are seen processing 150,000 tonnes of cocoa beans this year, up 15.4 percent from last year, but still below capacity of 345,000 tonnes per year, government data shows. This is much faster than an expected 4 percent global expansion, according to International Cocoa Organization figures.

There are still challenges for would-be cocoa grinders in Indonesia, a country where foreign direct investors are often put off by rampant graft, red tape and inadequate infrastructure such as erratic power supplies. The export tax also does not provide certainty for long-term investment as the government can cancel it at any time.

Lack of fermentation of local beans by farmers, essential to improve the flavour in cocoa powder, is another reason Indonesia's cocoa grinders run below capacity.

The predominance of smallholders -- who own 93 percent of Indonesia's 1.5 million hectares of cocoa plantations -- make it difficult to ferment beans and ensure quality control.

"The Malaysian, the U.S and European factories are bigger, more efficient and they have established markets for the better quality products they produce," Janetski from Mars said.

"The export duty might attract some people to do processing here, including Malaysians, but ... is an artificially created competitive advantage and investment is normally driven by fundamental reasons."

### **3 cocoa post harvest centers worth P30 million set to open in Mindanao**

Manila Bulletin

By MELODY M. AGUIBA

August 29, 2010

Three cocoa post harvest centers worth P30 million are set to be opened next month in Davao, Compostela Valley, and Zamboanga del Norte and are seen to contribute to the country's production of high quality beans.

The establishment of the post harvest centers is part of the implementation of a cocoa roadmap aimed at raising the country's production in order to meet the increasing demand for cocoa beans locally and internationally. It is estimated that cocoa beans' demand globally grows at a rate of 90,000 metric tons (MT) annually.

"Our farmers can now bring their wet beans to our post harvest centers. With the centers, we hope to achieve our target in our cocoa roadmap," said Josephine Ramos, Cocoa Foundation of the Philippines (Cocoaphil) operations manager, in an interview.

The post harvest centers will have several facilities, depending on the need in the area, according to Ramos. Among these will be a fermentation facility, solar and hybrid drying facilities, a warehouse, a nursery, a budwood garden, and a training center particularly for the Davao center.

The construction of the post harvest centers was funded through a combination of sources including the Department of Agriculture-High Value Commercial Crops. The Zamboanga center also has partner-funders from private farms. The Davao post harvest center will have a processing capacity of 12 MT per load while the Compostela Valley and Zamboanga centers, six MT per load.

The cocoa roadmap plans the construction of more post harvest centers nationwide particularly in areas where cacao is being intercropped with coconut lands. It is planned that 10 percent of all coconut lands in the country should be intercropped with cocoa.

### **Ghanaian cocoa farmer groups set for Fair-trade Certification**

Ghana News Agency

August 30, 2010

Accra, Aug. 30, GNA - About 10 cocoa farmer organisations in Ghana are on course to join others in becoming Fairtrade certified by the end of the year, thanks to the work of the Cadbury Cocoa Partnership.

The initiative launched a-year-and-a-half ago is supporting the development of farmer organisations in 100 communities to become stronger and have the opportunity to achieve Fairtrade accreditation to enable them to receive a guaranteed minimum price for their product, as well as fair-trade social premiums.

Mr Nick Bunker, President, Kraft Foods UK and Ireland, announced this in Accra on Monday at the launch of Cocoa Ambassador Programme, which seeks to build youth interest in the Cocoa industry and its importance to the Ghanaian economy.

Seven cocoa youth ambassadors chosen from the country's tertiary institutions would embark on the project in various cocoa growing communities to encourage the youth to return to the cultivation of the crop in place of the ageing farmers.

Research conducted for the Cadbury Cocoa Partnership by the Universities of Ghana and Sussex University found that youth migration from the cocoa industry was one of the most pressing issues facing the cocoa industry.

"To tackle youth migration from the cocoa growing communities, the ambassadors would work with young people to encourage involvement and interest in the industry and raise awareness about the importance of cocoa production to the economy of Ghana".

"We have a business imperative to secure our supply chain but I also believe that we have a social imperative to improve the lives of cocoa farmers and their families. Cocoa is one of our most important ingredients as it enables us to make the world's best loved chocolate bars," he said.

Ms Harriet Lamb, Executive Director Fair Trade Foundation, said 10 new farmer groups, in villages working with the partnership, were expected to receive fair-trade certification, after the move brought significant gains to pioneering Fair-trade cooperative, Kuapa Kokoo. "As other farming communities organised into local groups, and meet fair trade standards, so they too would be able to benefit from selling their cocoa on fair-trade terms to Cadbury," she said.

The Cadbury Cocoa Partnership was established in 2008 with the overarching objective of supporting sustainable cocoa communities and improving the lives of over 500,000 cocoa farmers and their families by 2018.

The programme would see 45 million pounds sterling invested over a 10-year period in key cocoa regions in Ghana, South East Asia, India and the Caribbean.

#### Labour Issues

#### Environmental Issue

#### Research & Development

#### Promotion & Consumption

#### **COPAL Launches Cocoa Day**

Source: ISD (Antoinette Mintah)

01 September 2010



The Chief Executive of Ghana Cocoa Board, Mr. Anthony Fofie, has called for the need to build a healthy nation, by consuming more cocoa, in order to build a better Ghana full of wealth for the nation.

According to him, chocolate contains more than 300 chemicals, and has been the subject of a number of studies by universities and other scientific organisations.

Mr. Fofie made these known at the launched of 2010 Cocoa Producers Alliance (COPAL) 6th Cocoa Day Celebration in Accra, today, on the theme: Cocoa - Our Health, Our Wealth. He stated that chocolate contains high levels of polyphenols called flavonoids which help control blood pressure through the production of nitric oxide, and balance certain hormones in the body. He said other scientific studies indicated that chocolate has a quality similar to aspirin which helps prevent blood clots, thus, the need to promote the consumption of cocoa products cannot be overemphasised.

The Secretary General of COPAL, Mr. Hope Sona Ebai, explained that after the world economic crisis, the cocoa and chocolate industry will have to deal with a consumer, who is more critical than ever before. He therefore urged cocoa farmers to become dynamic managers of highly productive and diversified farm, with good incomes.

This year's celebration will take place at Hohoe in the Volta Region on the 1st of October.

## **'Let's Brand Ghana With Cocoa'**

Accra Daily Mail

By Esther Awuah

Sept 02, 2010

THE CHIEF of Staff, Henry Martey Newman has urged Ghanaians to support initiatives aimed at finding a brand identity for Ghana. Mr. Newman was of the opinion that to build a better brand identity for Ghana, cocoa, which is the major foreign exchange earner of the country, should be rebranded and redesigned to look more attractive.

Ghana's chocolate, a by-product of cocoa has one of the finest flavours compared to others in the world and if properly marketed, it could be used as a brand identity for the country," he added. The Chief of Staff made the call at the first-ever Brand Ghana 'National Identity Summit' held in Accra.

The event brought together businesses, civil society groups, promotional agencies, political and opinion leaders to discuss Ghana's Competitive Identity and Strategy. It was aimed at reinforcing conscious citizenship development to ensure a sustainable national development.

Mr. Newman, who read a speech on behalf of President Mills, stated that to grow and attain middle income status, Ghana needs a massive growth in inward investment, tourism and export brands. We also have to retain our best talents to attract international attention, investment and goodwill, the image of Ghana needs to be positively differentiated from the rest of Africa," he added. He said in the absence of substantial brands, the country must provide direction and inspiration to successfully develop other commercial brands. He called on Ghanaians to shape Ghana's aspirations and create a stronger sense of national identity and social cohesion.

Our people's active intellectual and emotional buy-in is critical to continually improving our image of a developing democracy with the government working hard to ensure stable social environment to improve the livelihood of its people," he emphasised.

The Chief Executive Officer (CEO) of Brand Ghana Office, Mathias Akotia noted that the programs involve national mobilization and identification of core national brand values. He said country branding is also about "harmonization of channels of national expressions as varied as acts and policies of government, values and behaviors of the citizenry, education, culture, sports, public health, taxation, public diplomacy, export and investment promotion and infrastructure development."

He reiterated that "internally Brand Ghana will work to stimulate creativity and innovation among stakeholders as part of the national competitive strategy, and unite the nation under a common vision and shared values, nourishing confidence, pride, harmony, ambition and national resolve to enhance nationhood and citizenship."

### **Cocoa farmer Organisations to become Fairtrade Certified Agencies.**

Ghana Broadcasting Corporation

Sept 02, 2010

Twelve cocoa farmer organisations in Ghana are on course to join others in becoming Fairtrade Certified agencies by the end of 2010.

The initiative will help farming Organisations become stronger and have the opportunity to achieve Fairtrade accreditation to enable them to receive a guaranteed minimum price for the products as well as Fairtrade social premiums.

This follows an initial 45 million pound agreement signed in 2008 to support cocoa farmers in the country and other parts of the world to further extend its services in the cocoa sector of the country.

The Cadbury Cocoa Partnership and other stakeholders have established the Cocoa Ambassador Programme.

The Ambassador Programme is aimed at whipping up the interest of the youth to replace the aging farmers.

The Managing Director of Cadbury Ghana, Mr. James Boateng, said, the initiative will ensure a sustainable supply of cocoa.

The President of KRAFT Foods UK and Ireland, Mr. Nick Nunker, reiterated his outfit's commitment to support cocoa farmer Organisations to increase yields and improve their livelihoods.

The Executive Director of Fairtrade Foundation, Harriet Lamb, said, Fairtrade Foundation will continue to institute policies that will bring significant giants into the cocoa sector of Ghana.

### **Local Chocolate, for Local Consumption**

New York Times

By ALICE PFEIFFER

September 2, 2010



Green

### **The Zotter factory in Bergl, Austria, produces more than 200 varieties of organic chocolate.**

BERGL, AUSTRIA — In 1996, Josef Zotter's bakery business in Graz, Austria, was floundering. Facing bankruptcy, he decided to close shop and go back to his roots, a village named Bergl in the Feldbach district of Styria. There, with 2 of his 40 former employees, he set up a tiny chocolate factory in a converted cowshed on the farm where he had grown up.

His plan was to build a microbusiness, buying "fair trade" chocolate beans from smallholder producer cooperatives in Nicaragua and Brazil for the small-scale production of chocolate confectionery using local produce, for local consumption.

Turning out bars with flavors like apricot and sheep's milk, he built a following among customers who liked the concept of Austrian specialty chocolate made in an environmentally conscious way.

Today, the factory has grown to cover more than 5,500 square meters, or 60,000 square feet, from its original 200 square meters. The company, Zotter Schokoladen Manufaktur, employs 112 people producing as many as 50,000 to 80,000 bars a day in a range of more than 200 classical and exotic flavors.

Among the odder ingredients: Fish; soy; green tea; acai berry; and ketchup and peanut butter — a tongue-in-cheek celebration of American taste, for President Barack Obama's election victory.

Sales have grown by word of mouth: "We don't advertise, whatsoever," Mr. Zotter said in an interview last month. However, the company organizes factory tours that bring about 150,000 visitors a year to taste and smell and also to sit on cocoa bean bags in the on-site "Cocoa Cinema" where they can watch presentations on the brand's history and ecological principles.

Other attractions include a "Drink Chocolate Online" room where a small cable conveyor system, like a miniature ski-lift, trundles bars of chocolate around the room, waiting for visitors to pick them off and turn them into cocoa drinks at an adjoining hot chocolate bar.

A recent visitor found crowds of children drinking from cocoa fountains at the entrance to the factory while their parents cut chocolate chunks from brimming samplers. But behind this playful, almost whimsical, presentation lies a strong commitment to sustainable production and equitable trading relations with the company's suppliers.

The company's chocolate beans have been certified as "fair trade" products since 2004, meaning that it buys directly from the producers, offering them a higher price by cutting out middlemen. Mr. Zotter said he traveled regularly to Nicaragua and Brazil to meet with the producers, for whom he has financed the purchase of machinery and the construction of storage space. "I know how much they earn, and how much of their salary such equipment represents," he said.

Residues from grinding the beans are fed into a biomass converter to produce heat, power and fertilizer. Between the biomass plant and solar panels, 60 percent of the energy required by the factory is produced on the site. "We aim to reach full energy autarchy in the next 10 years," Mr. Zotter said.

Since 2006, the factory's output has been certified organic: Mr. Zotter uses dairy products from organic farmers in the mountains of Tyrol and specialty organic products, like seeds, fruit and nuts, from local farms. "I want to use as many local specialties, and specialists, as possible. Steiermark needs the jobs," Mr. Zotter said, using the German name for Styria.

Mr. Zotter has also established an organic canteen on the factory site for his employees "so they get used to quality," he said. "Also, I want them to work not just for money, but in a place they feel good in."

Other environmental gestures include using only water from local springs, which is then recycled for cleaning; and using environmentally friendly packaging, without glossy coatings. "You can make changes by paying attention to the smallest details of everyday life," he said.

Applying the same principles to his private life, he says he has driven an electric car for the past 15 years and powers his home with a domestic solar/ biomass generator that produces more energy than he needs.

"My home energy production is really efficient," he said. "I actually produce too much, so I wind up reselling it."

In an extension of his fair trade principles, Mr. Zotter is also involved in several social projects, including one in Colombia that aims to wean coca growers onto cocoa as a substitute crop, and his product line includes fund-raising chocolates, like the Zuki bar, a flavorsome blend of acai, mango and brazil nuts. The company says it donates 30 percent of Zuki bar sales to an aid project for Calcutta street children.

Mr. Zotter says he is not interested in developing a global presence or selling through large distribution chains. Franchising has no place in his strategy, and faster growth is not an object. "I've reached my ideal size," he said. "Plus, I don't think we need yet another global brand. "The world needs a completely new approach to making the economy work. I find it so frustrating to see the same products in every corner of the globe." "The world is changing," he added. "There is a return to simplicity. Greed is over."

#### **2010 COPAL celebration launched in Accra**

Ghana Broadcasting Corporation

Source: GBC

02/09/2010

Cocoa farmers have been asked to drastically modernize cocoa cultivation to prevent the decline in production in future. This is because a cocoa sector with very high productivity requires diversified and intensive farming as well as rapid growth rates in supply and demand.

The Secretary General of Cocoa Producers Alliance (COPAL), Hope Sona Ebai, said at the launch of this year's COPAL cocoa celebration in Accra. He noted that scarcity of land for cultivation of cocoa poses a real danger and stressed the need of farmers to become dynamic managers of highly productive and diversified farms.

The Chief Executive of Ghana Cocoa Board, Anthony Fofie, stressed the importance to build a healthy nation by consuming more cocoa in order to build a better Ghana full of wealth. This is the basis for the theme "Our Health, our Wealth" for this year's celebration.

The main event will be held in Hohoe on the 1st of next month. Prior to the day, there will be campaign to generate interest in the health benefits of cocoa. There will also be a health outreach programmes to create awareness about topical health issues.

**Others**