Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Voluntary Report - public distribution

Date: 11/27/2000

GAIN Report #IV0018

Cote d'Ivoire

Cocoa Report

2000

Approved by:
Bruce Zanin
U.S. Embassy, Abidjan
Prepared by:
Antoine Anzele

Report Highlights:
Cocoa production in 2000/2001 is forecast to fall due to unsatisfactory weather conditions. The tense socio-political situation in the run up to the presidential election caused a slow start to the 2000/2001 crop marketing. Upcountry cocoa purchases have become very competitive as exporters and processors have joined the fray. Domestic processing is expected to increase with the start of operation of Cargill's new processing plant.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Unscheduled Report
Abidjan [IV1], IV

Executive Summary

Cocoa production in 2000/2001 is forecast to fall due to unsatisfactory weather conditions. Despite the initial good rainfall, the abrupt halt of rains in July reduced plant vegetative activities. Favorable weather conditions since September have improved crop prospects and increased the likelihood of a late crop.

The tense socio-political situation in the run up to the October 22, 2000 caused a slow start to the 2000/2001 crop marketing. Upcountry cocoa purchases have become competitive as major exporters are setting up purchasing points in main producing areas. The activities of exporters and processors may push cooperatives and middlemen out of business as there is a likelihood of a price war. There is a contradictory situation upcountry where there is a scarcity of cocoa but farm prices are falling. However, the industry believes the scarcity of cocoa will be of short duration.

Domestic processing of cocoa beans is expected to increase from 235,000 MT in 1999/00 to about 270,000 MT in 2000/01 due to entry into production of Cargill's new plant, MICAO.

The government set up a coffee and cocoa regulatory authority (ARCC) to fill the vacuum created by the dissolution of the Nouvelle Caistab (the agency which replaced the CAISTAB (the former cocoa and coffee marketing board)). The ARCC will be responsible for approving exporters, arbitrating conflicts and implementing international agreements. Little progress has been made on the plan of Cote d'Ivoire and the three other African cocoa producing countries to destroy 250,000 MT of cocoa to shore up world market price.

Exchange Rate: U.S. $1.00 = 782 F CFA on Nov 27, 2000.

PSD Table						
Country	Cote d'Ivoire					
Commodity	Cocoa Beans				(1000 HA)(MILLION TREES)(MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		10/1998		10/1999		10/2000
Area Planted	1555	1555	1556	1556	0	1557
Area Harvested	1384	1384	1385	1385	0	1386
Bearing Trees	1799135	1799135	1800500	1800500	0	1801800
Non-Bearing Trees	222300	222300	222300	222300	0	222300
TOTAL Tree Population	2021435	2021435	2022800	2022800	0	2024100
Beginning Stocks	227090	227090	202411	189411	0	61006
Main Production	980000	980000	975000	1080000	0	1000000
Mid & Other Production	230000	217000	230000	220000	0	230000
TOTAL Production	1210000	1197000	1205000	1300000	0	1230000
Bean Imports	0	0	0	0	0	0
Liquor & Paste Imports	0	0	0	0	0	0
Butter Imports	0	0	0	0	0	0
Powder,Cake,Choc. Imp.	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	1437090	1424090	1407411	1489411	0	1291006
Bean Exports	1021871	1021871	1030000	1200000	0	1000000
Liquor & Paste Exports	104865	104865	105000	114499	0	130000
Butter Exports	49026	49026	52000	51827	0	60000
Powder,Cake,Choc. Exp.	57817	57817	60000	60879	0	70000
TOTAL Exports	1233579	1233579	1247000	1427205	0	1260000
Domestic Consumption	1100	1100	1200	1200	0	1300
Ending Stocks	202411	189411	159211	61006	0	29706
TOTAL DISTRIBUTION	1437090	1424090	1407411	1489411	0	1291006

Production

Cocoa production in 2000/2001 is forecast to fall due to unsatisfactory weather conditions. The rainfall has been good since January, with the exception of the short spell of Harmattan, the north-east dry winds, in February. The rains became continuous and heavy in April through June. Precipitation stopped abruptly in July, through August in most producing areas and was followed by a relative cold snap which reduced plant reproductive activities. Since September, weather conditions have improved and most producing areas have been experiencing alternate sunshine and rainfall. Trees in the center-west and west, which are relatively young and resilient, have responded favorably to the improvement in weather conditions, bearing substantial pods and flowers. However, for the trees in the south and east, where the trees are older, pods and flowers on trees are small and production is expected to fall by about 20 percent.

Field travel indicates that crop prospects are less favorable than last year. There are fewer pods and flowers on trees than last year. Trees are bearing flower with the improvement in weather conditions mainly in the west and center west and this is expected to prolong the current main crop. Crop harvesting started timidly because of the fewer ripened pods and the uncertain socio-economic situation. In the current marketing year, there are fewer beans being dried along the main roads in the producing areas, because there is ongoing campaign to dissuade farmers from this activity to improve the quality of the beans. It is believed that cocoa beans easily acquire the scent of the material on which they are dried.

The 1999/2000 production was a record crop but its exceptionally large size was due to the extended marketing period. The government decreed a premature end of the 1998/99 marketing year in July 1999 and opened the 1999/2000 earlier than normal, in mid-August. In addition, the Nouvelle Caistab (the government marketing agency) at that time was facing financial problems due to falling world market prices, and reduced the pace of upcountry purchases. These actions cumulated in a substantial portion of the 1998/99 mid crop, 80-90,000 MT, being carried over and sold as a main crop, thus inflating the 1999/2000 production. The Nouvelle Caistab's liquidator estimated the 1999/2000 production at 1.4 MMT and 1998/99 production at 1.197 MMT. Post finds the 1999/00 very high and thinks a figure of 1.3 MMT more appropriate. However, post agrees with the 1998/99 estimate and production figure has accordingly revised its figures.

The 1999/2000 marketing year was the first year of cocoa market liberalization. It was a very difficult year for cocoa marketing. Farm prices were at low levels reflecting the collapse in world market price. Farm prices averaged 300 F CFA/kg at an average world market price of 575 F CFA/kg CIF Europe. The low farm price drew waves of protest from farmers with some farmers' group disrupting upcountry marketing operations. The continued fall in farm price caused farmers' protest to be shifted on the operation to the ownership of the Nouvelle Caistab. The farmers' organization wanted the government to privatize the Caistab (as demanded by donor organizations) with the government controlling share transferred to the farmers. They needed the Nouvelle Caistab's structure to put into place a futures selling operation. They believed that the cause of the fall in world market prices was due to spot sales of the Ivorian crop. The government suddenly dissolved the Nouvelle Caistab but did not transfer its ownership as demanded by farmers' organization. The government then set up a committee, headed by Mr Patrick Achi (the current minister of transport and infrastructure), to draw up a new marketing system which will take into account farmers' concerns. Some of its recommendations are now being implemented.

The 2000/2001 marketing year started on October 11, 2000 under two major problems: A tensed socio-political situation in the run up to October 22, 2000 presidential election and a continued depressed world market price. The former situation caused a slow start to the marketing year while the latter continues to linger on. Farm prices which were initially at 380 F CFA/kg have fallen to 320 F CFA/kg. The world market price is currently at 611 F CFA CIF London. Upcountry cocoa purchases have become competitive as the major exporters are setting up purchasing points in the main producing areas. The number of middlemen or traitants have increased and most of them are being financed by exporters. The cooperative groups are not competitive due to lack of sufficient funds for purchasing operations. They view the entry of exporters into upcountry purchases as an attack on their existence and want them out. In 2000/2001 marketing year, all the cooperatives are depending on exporters for financing of their purchases. They could not benefit from the government guarantee fund because of payment default attributed to low farm prices. In 1999/2000, an amount of 635 million F CFA was lent to the cooperatives under the guaranteed fund and only 57 percent of this amount has been reimbursed. In 2000/2001, 47 exporters have been approved as against 57 exporters in 1999/2000 when the 10 most active firms accounted for 80 percent of exports.

Despite the low farm prices, it seems there is scarcity of cocoa upcountry. Upcountry cocoa buyers complain of the difficulty in finding cocoa and the low level of purchases affirms it. This situation supports earlier assertion that the initial production for the main crop will be low. Others think that it was due to the shortage of farm labor and linked to the flight of Burkinabe farmers and farm laborers during the political turmoil in October.

Bean quality for the 2000/2001 crop is excellent. Bean size is generally less than 100 beans per 100 gm. However, the only quality problem is the high level of humidity because of the recent rains in the producing areas. Some beans have humidity level as much as 14 % while the normal humidity acceptable level is 8 %. It is a common sight to see beans being dried in front of purchasing centers.

Neighboring Ghana increased producer prices from 151,755 cedis to 192,000 cedis per 60 kg bag, about 280 F CFA/kg to 355 F CFA/kg, using an exchange rate of 9000 cedis per 1,000 F CFA. The differences in price can generate smuggling across the two borders. If producer price in Cote d'Ivoire remains unchanged, smuggling should be about normal - 20-30,000 MT.

Consumption

Domestic processing of cocoa beans is expected to increase from 235,000 MT in 1999/00 to about 270,000 MT in 2000/01 due to the entry into production of the new Cargill's plant, MICAO. Domestic processing is mainly for the production of semi-finished products - cocoa cake, paste, butter, chocolate liquor and powder - for exports.

Trade

Exports increased in 1999/2000 due to the sharp rise in supply despite the fall in world market prices. Exports from September 1999 to June 2000 were 1,155,723 MT compared to 899,821 MT for the same period in 1998/99. Exports for the first six months of 2000 were 725,608 MT compared to 561,012 MT for the same period in 1999.

The exports of semi-processed cocoa products increased due to the availability of raw materials.

Cocoa beans and product exports in 1999 accounted for about 27 percent of total Ivorian export earnings, down from 37.5 percent in 1998 due to the collapse of world market prices.

Bean Exports (MT) Jan-Jun 1999 and 2000.

	1999	**2000**
France	19,682	28,296
Benelux	11,161	60,460
Netherlands	211,340	235,906
Germany	56,669	62,273
Italy	20,920	21,101
U.K.	40,265	44,507
Spain	9,062	16,316
Brazil	23,552	26,676
U.S.	96,521	157,731
Russia	26,412	40,508
Others	45,428	5,158
Total	**561,012**	**725,608**

Cote d'Ivoire Product Exports (MT) Jan-Jun 1999 and 2000

	1999	**2000**
Cocoa Cake	16,951	16,407
Cocoa Paste	42,380	44,409
Butter	20,657	19,041
Powder	4,553	5,725
Chocolate	1,774	1,858
Total	**86,315**	**87,440**

Cote d'Ivoire Cocoa Product Exports (MT) in 1999

	Cake	Paste	Butter	Powder	Chocolate
France	5,343	38,448	24,395	1,284	120
Netherlands	1,360	22,247	0	209	0
Benelux	0	3,817	33	0	3,133
Spain	16,936	699	289	96	0
Poland	712	8,070	302	506	0
Bulgaria	462	1,125	52	0	0
Israel	0	1,779	1,332	272	0
Egypt	144	90	0	0	0
South Africa	0	1,535	438	48	0
U.S.	8212	3,685	5,098	4,430	0
Brazil	200	0	0	0	0
Germany	525	320	0	0	0
Others	706	6,326	6,604	2,977	66
Total	34600	88141	38,543	9,822	3,319

Export Trade Matrix			
Country	Cote d'Ivoire		
Commodity	Cocoa Beans		
Time period	Jan - Dec	Units:	MT
Exports for:	1998		1999
U.S.	187510	U.S.	214662
Others		Others	
Netherlands	283498	Netherlands	394418
Germany	134760	Germany	99253
France	45231	France	39732
Benelux	27573	Benelux	27828
Russia	52280	Russia	80449
U.K.	36436	U.K.	58310
Spain	30787	Spain	41327
Italy	31328	Italy	35992
Poland	11613	Poland	30832
Canada	11712	Turkey	18611
Total for Others	665218		826752
Others not Listed	43001		71762
Grand Total	895729		1113176

Stocks

Despite the large increase in supply, the ending stocks level in 1999/2000 fell due to increased exports. Stocks level is expected to fall further in 2000/01 due to the fall in supply and high level of exports.

Tariffs

The government has reduced export tax from 150 F CFA/kg to 125 F CFA/kg. Registration tax remains at 2.3 percent of CIF price and other fee at 5.304 F CFA/kg. In 1999/2000, about 176.8 billion F CFA were collected as fiscal revenue on cocoa which was a 4.5% increase over that of 1998/99.

Marketing Policy

On October 10, 2000, the government set up a coffee and cocoa regulatory authority (ARCC) to fill the vacuum created by the dissolution of the Nouvelle Caistab (the agency which replaced the CAISTAB (the former cocoa and coffee marketing board). The ARCC will be responsible for approving exporters, arbitrating conflicts and implementing international agreements. There will be an inter-ministerial committee on raw materials which will be in charge of promoting the government's policy targets which have not yet been defined. A second body, to be known as the Bourse du Café et Cacao (BCC), will be responsible for coffee and cocoa marketing. However, the BCC will not be in place until the 2001/2002 season. It will be privately run by departmental and regional farmer representatives and other interest groups. Its mode of operation is not yet well defined.

The government banned the exports of low quality cocoa in April in an effort to shore up world market prices. However, this decision was withdrawn in July when the expected effects were not achieved.

To prevent further fall in world market price of cocoa, Cote d'Ivoire joined three other major African cocoa producing countries (Ghana, Nigeria and Cameroon) to adopt a plan of action in July 2000 to withdraw 250,000 MT of cocoa beans from the market and eventually destroy them. After the first meeting in Abidjan, Cote d'Ivoire, and a second one in Accra, Ghana, little progress has been made towards this plan, despite the Cocoa Producers Alliance expression of support for the scheme at their meeting in Malaysia on October 7, 2000. It seems the problem of finance may be the main impediment. Cote d'Ivoire is the main player and accounts for about 60 percent the group's production. With its current harsh economic situation, it will be difficult for Cote d'Ivoire to find about 50 billion F CFA needed to finance the anticipated stocks of about 150,000 MT.