Structure & competition in West Africa’s cocoa trade

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Cocoa production in West Africa

- Cote d’Ivoire dominates production, with 1.4m MT produced in 2011/12
- Ghana is its closest rival, with 860,000 MT production in 2011/12
- Nigeria & Cameroon each produce 200,000-250,000 MT per year
- West Africa accounts for around 70% of world production

Sources: ICCO; Ecobank Research.
World cocoa processing

Total cocoa grind, 2011/12

Sources: ICCO, Ecobank Research.

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World exports of cocoa & cocoa products

Total exports, 2011/12

Soft commodity production
(not to scale)
- Cocoa beans
- Cocoa butter
- Cocoa powder & cake
- Cocoa paste & liquor
- Chocolate

Sources: ICCO, Ecobank Research
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Cote d’Ivoire is dominated by the top trading houses

- Cargill & ADM dominate purchases, with a 35% market share
- Barry Callebaut is the only major confectioner to buy cocoa directly
- Other foreign players include Cemoi & Touton (France), Olam (Singapore), Ecom & Novel (Switzerland), Noble (Hong Kong) & Armajaro (UK)
- Just 230,000 MT (22%) were bought by local companies in 2011/12
- The largest local player is Saf-Cacao, owned by Ali Lakiss
- But much of this cocoa is sold on to the major trading houses, further diluting African players’ market share

Source: Ecobank Research.
Ghana’s sector has strong local champions
Local companies account for 85% of cocoa purchases

- Cocobod is responsible for the marketing of all cocoa in Ghana, licensing Local Buying Companies (LBCs) to purchase beans
- The formerly state-owned Public Buying Company (PBC) has a 35% market share
- Local champions include Akufo Adamfo (13%), Transroyal & Fedco
- Armajaro & Olam are the main foreign players, although other trading houses also buy cocoa via third parties
- Ghana has resisted pressure to fully liberalise the sector, enabling the emergence of local champions

Sources: Cocobod, Ecobank Research.
Nigeria has one major local champion

% of total purchases by volume

- Nigeria produces around 220,000 MT of cocoa, of which 90% is exported as raw beans
- Bolawole Enterprises is the one local champion, affiliated to Shri Lal Mahal (India)
- The rest of the sector is dominated by the major trading houses & their buying agents
- Sucden (France) has recently started cocoa operations in Nigeria

Sources: Ecobank Research.
The main trading houses dominate in Cameroon

% of total purchases by volume, 2010/11

- Cargill & ADM purchased 2/3 of Cameroon’s cocoa in 2010/11
- Local buyers purchased just 17,000 MT, or 8.2% of the total
- Total cocoa grind was just 28,000 MT, equivalent to 12% of the country’s production

Sources: Office National Cacao et du Café (ONCC), Ecobank Research.
The Big Five dominate the cocoa sector in West Africa

% of total purchases by volume, 2011/12

• Total of 2.5m MT of cocoa was purchased in West & Central Africa in 2011/12
• Cargill & ADM dominated purchases, with a ¼ market share
• Olam, Barry Callebaut & Armajaro make up second tier of buyers, with >550,000 MT
• African companies make up 37% of purchases, 1/3 of which is PBC
• But many sell their cocoa to the Big Five
• The main trading houses are heavily involved in cocoa futures and increasingly in providing trade finance to their suppliers
• Difficult of obtaining financing is choking off the emergence of new players

Source: Ecobank Research.
It’s all about the offtakers

Confectionery sales by leading chocolate manufacturers, 2011

<table>
<thead>
<tr>
<th>Company</th>
<th>HQ</th>
<th>Total sales (US$ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kraft Foods Inc</td>
<td>USA</td>
<td>19,965</td>
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<tr>
<td>Mars Inc</td>
<td>USA</td>
<td>16,200</td>
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<tr>
<td>Nestlé SA</td>
<td>Switzerland</td>
<td>12,808</td>
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<tr>
<td>Ferrero Group</td>
<td>Italy</td>
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<td>Hershey Foods Corp</td>
<td>USA</td>
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<td>Chocoladefabriken</td>
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<td>Lindt &amp; Sprüngli AG</td>
<td>Switzerland</td>
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<tr>
<td>Arcor Group</td>
<td>Argentina</td>
<td>1,716</td>
</tr>
</tbody>
</table>

- Total chocolate sales were US$105bn in 2011
- The Top Five companies – ‘Big Chocolate’ – account for >1/3 of world sales
- For the largest offtakers the key issue is securing a regular supply of beans & products

Source: Candy Industry magazine.
Thank you