

EUROPEAN COCOA ASSOCIATION aisbl

NEWSLETTER

2002 # 6 - OCTOBER

First and foremost, the ECA Board & Secretariat wish to thank the 165 guests for their participation to our **2002 International Cocoa Event**.

Fittingly, the Event was followed, at the same location, by a meeting of the **Global Issues Group on Working Practices**, and in Geneva, by the first Board meeting of the **International Cocoa Initiative**.

The results of the quality survey and some pictures of the event will be available in our next newsletter.

ON THE ECA FRONT

• 2002 INTERNATIONAL COCOA EVENT

The European Cocoa Association (ECA) and the Federation of Cocoa Commerce (FCC) held on September 12-15 their joint "2002 International Cocoa Event" in Strasburg, the E.U. parliamentary capital, and the seat of the Council of Europe. The location befits the first of its kind get-together of the European Cocoa world, also attended by participants and guests from the cocoa producing countries, and from the Americas.

The ECA Membership formed the backbone of the attendance: all our Effective Members and Contributors were present: the only ones missing were **FORTIS-MEES PIERSON & RABOBANK**. The FCC was also well represented (many common members), as was the case for CAOBISCO (2 common members). Participants included members of CMA and CMAA (U.S.) & CMAC (Canada). In total, 125 business leaders from 21 countries on all continents plus 40 partners.

The speakers, from the entire cocoa chain – from COPAL and the Origin Countries, to retailers and MARKS & SPENCER-, covered current issues of interest to all. Ms Hannah Jones, NIKE's European Director of Corporate Responsibility, offered us some benchmarking and prior experience.

• BOARD MEETING AND GENERAL MEMBERS MEETING

On September 12, all the ECA's Board Members were present at the Strasburg's Board Meeting. We were happy to welcome for the first time at one of our Board Meetings **Bob HOBSON (ADM)**, **Jean TARDIEU (SGS)** and **Paul DAVIS (ED&F Man)**. The main decisions taken during the meeting are:

- To establish an emergency reserve fund (€500,000)
- To formalize our invitation to the COPAL and the Ghana Cocoa Board to become Honorary Members
- To finance a study on *'the behaviour of cocoa under various conditions for a long period of time'*

Guido BLEIJENBERGH announced to the Board that he would be **replaced by Dirk VANHOUTTEGHEM** as Board Member but would retain a proxy for the next 2 years.

On September 14, ECA's 6th GMM also took place in Strasburg. The main decisions taken by the members are:

- Approval in principal for an emergency reserve fund (€500.000)
- 5% increase of the base fee, i.e. applicable to all categories except the

Major Processors.

- **HIGHLIGHTS OF NEXT GMM...**

... to be held in Brussels, on April 9, 2003, will include:

- **Fumigation** issue: an industry specialist will make a presentation on the future of fumigation with/without methylbromide. Also a concern outside the E.U. (see Outside World below)
- **ATO Wageningen** will report on research on 'Cocoa behaviour under various conditions for long periods'.

- **UNICOM TO BOOST COCOA GRINDING TO 100.000 TONNES IN 5 YEARS PLUS EXPAND INTO U.S.**

On August 28, Reuters published the following: *"UNICOM International BV said today it aims to boost grinding to at least 100.000 tonnes within 5 years by building several low-cost plants in origin countries. UNICOM also plans to move into butter melting and powder grinding in the United States, replicating its successful European model."*

- **B-C ACQUISITION OF STOLLWERCK**

The business activities acquired by B-C through the acquisition of STOLLWERCK generated sales of approximately \$530 million in 2001. Together the 2 companies, which generated combined pro forma sales of approximately \$2.210 million in 2001, will have a **leading position in Germany**.

On October 4, B-C said it would announce on November 12 whether it would increase its capital to refinance the acquisition of Germany's STOLLWERCK.

A spokeswoman was responding to analysts' expectations that BARRY CALLEBAUT would have to boost its equity capital by at least 100 million Swiss francs and could do so from December. While the group had indicated a capital increase was an option to pay for the 265 million franc purchase of STOLLWERCK, markets were not very attractive now. Financial ratios would return to healthy levels in 2005 at the latest she said.

The Manufacturing Confectioner, September 2002 and Reuters Limited, October 4, 2002

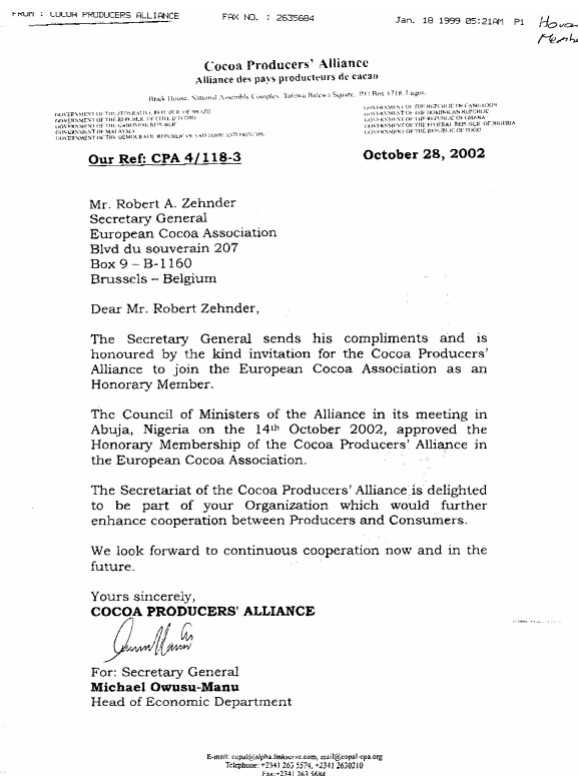
- **WELCOME TO SITOS**

As from September 1, the cocoa warehousing activities of the TER HAAK Group amalgamated into a new company, SITOS Group B.V. The core business of this new company will be cocoa products as well as other agricultural products.

On October 27, the SITOS Group took over the ECA membership of TER HAAK Warehousing & Logistics.

- **NEW HONORARY MEMBER**

ECA is happy to welcome a new honorary member: **The COCOA PRODUCERS' ALLIANCE.**



- **NORBERT GAERTNER**

On September 15, Norbert GAERTNER left HOSTA-HAMESTER. He was a regular attendee to our first board meetings.

We wish him well in his retirement in Ireland.

MASTERFOODS and NESTLE.

- **ECA'S NEW WEBSITE: EUROCOCA**

eurocoa.com will be ready end January 2003.

ASSOCIATIVE & EU SCENE

- **ECA/CAOBISCO/FCC JOINT
WORKING GROUP ON CONTRACTS**

The Contract Committee met for the second and third time respectively on **August 7 in Amsterdam and October 8 and 9 in London.**

The participants are: Hans VANLEEUWEN, ADM - Filipa SECRETIN, B-C – Alan COOK, CAD SCHW – William VENABLES, ED&F MAN - Eef PAALVAST, GERKENS COCOA – Stéphane MASSERAN, MARS – Cécile DELESTRE, NESTLE and Karel MENU, UNICOM.

During its first meeting on June 5 2002, the Committee unanimously elected **William VENABLES as Chairman**. The Committee started off by working on a **European contract for liquid butter** and will then extend its activities to other products and to other continents.

In order to establish this new 'liquid butter contract' the participants agreed **to use the FCC contract as a framework, English law and to refer to the NCV when needed.**

- **GRINDING STATISTICS**

On October 17, ECA (in association with CAOBISCO) released for the second time expanded grinding statistics representing over 90% of the total European business.

Companies reporting their total grindings in the European Union and Switzerland are now:

- For ECA: **ADM COCOA, BARRY-CALLEBAUT, DUTCH COCOA, GERKENS CACAO, HAMESTER and JAN SCHOEMAKER**
- For CAOBISCO: **CADBURY-SCHWEPPE, FERRERO, KRAFT,**

- **ECA/CAOBISCO OTA WORKING GROUP – EU HEALTH AND SAFETY DEVELOPMENTS**

On October 7, the joint ECA/CAOBISCO Working Group on OTA met in Brussels. **The next meeting** of the working group will take place on **January 15.**

EU-SANCO expects its **next OTA Commission workshop to take place in the first quarter 2003.**

On October 16, the Commission organized a working group on acrylamide involving all stakeholders and supported by technicians.

For reminder, acrylamide is a compound found in a **broad variety of foods that are cooked at high temperatures** (like bread, processed cereals, ...). Research shows it causes cancer in laboratory animals. **Its risks to human's health are under investigation.**

- **GIG MEETING IN STRASBURG**

On September 16, the GIG met and **took stock after the survey results and overall positive media reports such as in the Financial Times and New York Times.**

The main focus was the pilot projects to start with the new season... but that was before the recent development in the I.C.

- **ICI LAUNCH**

The **first board meeting** of the International Cocoa Initiative (ICI) took place on **September 17,** in Geneva.

The non-industry group includes Kevin BALES, Free the Slaves, Linda GOLODNER, National (US) Consumers League, Joëlle KUNTZ, Swiss Journalist, Tim NOONAN, ICFTU, Ron OSWALD, head of the IUF union (which includes all food and Horeca), and Kailash SATYARTHI, Global March. West Africa is represented by Charles DJEZERO TIZIE, Syndicat Libre des Employés de SACO (note: SACO is the Ivorian component of the B-C

group).

John CLARINGBOULD and Ron OSWALD are co-chairmen. Other members of the executive Committee are Kevin BALES and Robert A. ZEHNDER (as treasurer), the later being the only non-brand representative within the industry group, representing trade, processing and logistics.

The 3-persons staff is expected to be recruited in the first quarter of 2003, with actual projects off the ground during the 2003/2004 "fiscal" year, which operating budget is budgeted at around ½ million dollars.

- **RELEASE OF RESULTS THE LABOUR SURVEY IN COCOA FARMS IN WEST AFRICA**

After the release of the labour survey results on August 5, **OsterDowJones published the following on August 7:** *"When last summer's media reports alleged that children in West Africa were being sold or tricked into slavery to harvest cocoa, the chocolate industry was summarily tried and convicted by the court of public opinion. But this week after months of research, the International Institute of Tropical Agriculture released its major findings in a full report, the **media and other finger-pointers were close to silent**. Maybe the lack of sensationalism – which has characterized some of those initial media reports – and palpable evidence that abusive child labour is not as widespread as initially believed were enough to hush the pungent accusations."*

- **FCC NEW VICE-CHAIRMAN**

In September, Alan COOK was elected FCC Vice-Chairman. ECA looks forward to work with him as with the other FCC Council members. Best wishes to Steve BUTTON.

- **ICA TEAM DISCOVERS AFRICA**

The spokesmen for the GIG and officers of the International Confectionery Alliance, who have never travelled to black Africa, were to visit the Ivory Coast early October. The delegation includes Larry GRAHAM, CMA (US) President,

Jonathan O'RIORDAN, ICA Assistant Secretary General, Hans RYSGAARD, ICA Chairman and John ROWSOME, CMAC (Canada) President. David ZIMMER, CAOBISCO Secretary General, returns after a couple of decades of absence. The visit, postponed for various reasons, is now scheduled for mid-November. Robert A. ZEHNDER will join them at a **regional conference in Accra**, also attended by the donors.

OUTSIDE WORLD

- **PRICE OF COCOA**

All are aware of the new records, the major swings and the ensuing frantic state of the brokers.

- **TROUBLE IN IVORY COAST**

On October 17, Ivory Coast government, rebels and mediators signed a ceasefire. All involved hope for a return to normality, after the attempted coup and the danger of widespread civil war.

- **PACKAGING ISSUE**

More focused trouble also in the I.C.: on September 24 and October 25, ECA sent two new letters to the Ivorian Ministers of Industry, Commerce, Agriculture and Finances and to the BCC and ARCC to reassert its opposition to the presidential Decree regarding the export packaging of cocoa.

The letters describe the disruptions and concerns created by the Decree to the Association's members. They also focus on the flexibility of the other cocoa producing countries (exporting in bulk on demand) and on the potential negative impact of the Decree on the Ivorian exports. E-mail copies will be sent on request.

In its presentation during the COPAL meeting on October 14-16, ECA forcibly raised the question of export packaging in the IC. This led to an interesting discussion on the impact on quality which also involved CAOBISCO, Dr. Nicodème ZAKRA (Directeur de Cabinet, Ministry of Agriculture and Head of Delegation) and Mr. Saint-Cyr DJIKALOU (former

Minister of Commerce and now London-based Permanent Representative to International Commodity Organizations)

- **COCOA PRODUCERS' ALLIANCE 40TH ANNIVERSARY – ABUJA MEETING**

After the October 14 –16 ceremony celebrating the COPAL 40th birthday in Abuja, Nigeria, ECA received the following letter from **Hope Sona EBAI**, COPAL's Secretary General:

"The Secretary General sends his compliments and has the honour to express his sincere gratitude for your presence during the just ended manifestations marking the 40th Anniversary of the Cocoa Producers' Alliance.

As we strive to supply the world cocoa market adequately and with the best quality the consumer deserves, it is my wish that occasions like this serve to enhance the cooperation we need to sustain our global cocoa economy.

Once again and on behalf of the entire Secretariat, thank you very much indeed and accept our very best regards".

- **METHYL BROMIDE**

The North American Millers' Association (NAMA) has presented an application to the U.S. Environmental Protection Agency (EPA) **to exempt NAMA members from a ban on methyl bromide (MB) fumigant**. The NAMA exemption application calculated the cost of a **MB ban to the grain milling industry at more than \$60 million annually**. The decade old allegation that MB was an ozone-depleting substance is being phased out and scientific evidences show that banning MB will not significantly accelerate the healing of the ozone hole. When a third cut is implemented January 1, 2003, the phase out will be 70% complete. MB will be totally banned on January 1, 2005.

Business Wire, September 23, 2002

- **BRAZIL NEAR MAPPING WITCHES' BROOM COCOA FUNGUS**

On October 3, Brazilian scientists announced they were **closed to mapping the genetic sequence of the Crinipellis perniciososa**

fungus, the deadly fungus that devastated cocoa plantations in the north-eastern state Bahia. The deadly fungus, which thrives in wet conditions, blights cocoa buds and shrivels branches into spindles to look like a witch's broom. The coordinator of the witches' broom project at the Sao Paulo University of Campinas, Goncalo GUIMARAES, reported that he would have identified over 90% of the genes by March 2003. He also indicated that the mapping of the genetic sequence of the 8.000 genes of which only 1 percent are deadly would **eventually lead to the production of a fungicide to control the disease**.

CEPEC, the government's cocoa research center, has in recent years been **fighting the disease by cloning disease-resistant cocoa tree**. An estimated 60.000 hectares out of a total of 450.000 hectares in Bahia have been renewed with disease-resistant cloned tree. However, Goncalo GUIMARAES indicated that **the fungus could overcome the cloned tree's resistance within 10 years**.

Reuters Limited, October 3, 2002

MEETINGS/EVENTS

- November 7: GIG Meeting Toronto
- November 18 – 21: Accra – STCP regional meeting
- November 19: Product WG, Amsterdam
- December 17-18: Product WG, Paris
- January 13–14: ECA Board Meeting Zug, CH
- March: FCC Merger Celebration (date & venue to be defined)
- **April 8 – 9: ECA Board Meeting and GMM, Brussels. Presentations on "the future of fumigation" and "Cocoa Behaviour"**
- May 27 – 30: CMAA International Cocoa Conference, Sonesta Beach Resort, Bermuda
- June 17 - 18: ECA Board Meeting, London
- **September 9 – 10: ECA Board Meeting and GMM, Amsterdam**

- May 13, 2004: Hamburg Cocoa Dinner

