

AN INTRODUCTION TO THE CAMEROON COCOA INDUSTRY
MAY 2012

1. INTRODUCTION

1.1 This report will outline the current situation of the cocoa industry in Cameroon, referencing recent trends, exports and major players within the industry. The report will later discuss projections for the industry and risks associated with the production of cocoa.

1.2 Global production of cocoa is concentrated effectively in the regions between 10° North and 10° South of the Equator. Cocoa was first imported to Spain from South America by Hernan Cortes in 1528 in an unsuccessful attempt to satisfy the growing demands of the Spanish Court.

1.3 It was not until during the 19th century due to increasing demands that cocoa was introduced to Africa through Ghana and Nigeria. Between 1925 and 1939 African production expanded to Cameroon.

1.4 In Europe cocoa was originally consumed as a beverage, however innovations as a result of industrial development gradually reduced the costs of production and led to the development of solid chocolate on a wide scale.

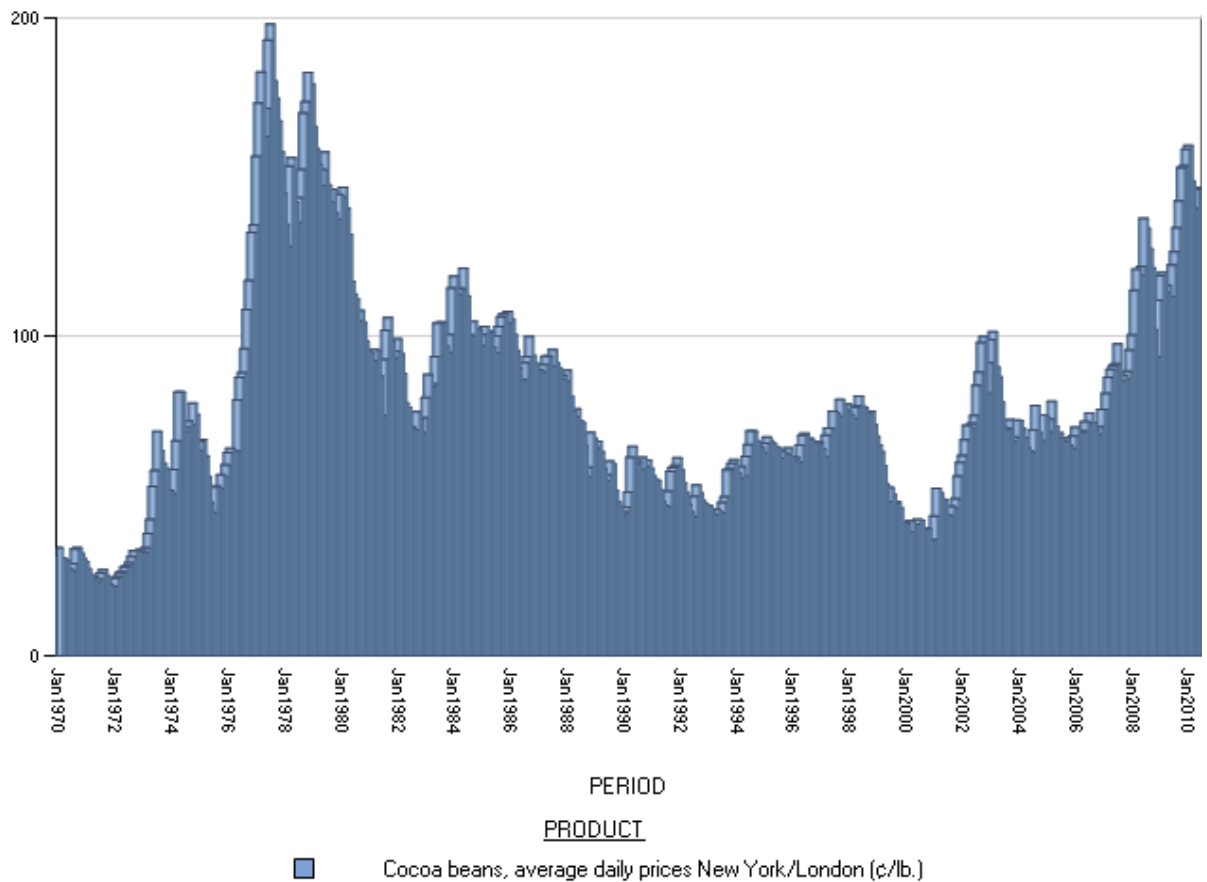
1.5 Over the last forty years there has been considerable growth in international demand for cocoa, increasing from around 1.5 million to nearly 4 million tonnes. West Africa now supplies around 70% of global output and is easily the most important cocoa region in the world.

2. COCOA PRODUCTION AND PRICING

2.1 Map of Cameroon – illustrating the main cocoa producing regions



- 2.2 Cameroon is Africa's fourth biggest grower of cocoa and currently the world's fifth cocoa producer behind, Ivory Coast, Ghana, Brazil and Nigeria.
- 2.3 Cameroon's cocoa season runs throughout the year with the main harvest period being between October and February. Official figures show production to have stagnated within the range of 98,000 to 134,000 tonnes per annum from 1990 to 2002 but then to have increased sharply, breaking through 200,000 tonnes in 2009 and totalling an estimated 236,000 tonnes in the 2010-2011 harvest.
- 2.4 Despite production growth, Cameroonian yields remain low. Potential yields of cocoa cultivation are 2 to 3 tonnes per hectare; however the average yield across Cameroon remains below 400kg per hectare.
- 2.5 The South-Western region adjacent to the Nigerian border has previously dominated Cameroonian production accounting for around 40% of total production. Production in recent decades in other regions has increased rapidly, most notably in the Centre which now produces a similar volume to the South-West.
- 2.6 Production of cocoa is predominantly still small scale, taking place on small family farms, typically 2-10 hectares in size. As a result there are estimated to be 4 to 5 hundred thousand cocoa farmers in Cameroon.
- 2.7 World prices for cocoa over the last forty years show some evidence of a long-term cyclical trend with brief periods of very high prices, reaching up to US\$4,000 per tonne. Heavy plantings, followed by prolonged periods of relatively low prices, mainly in the range of \$1,000-\$1,500 per tonne resulting in many farmers moving away from cocoa farming.
- 2.8 There was a period of very high prices in the late 70s and early 80s, and another that is occurring at the moment, as a result of underinvestment, high taxes and low production in the leading producing country, Ivory Coast (40% of world of global output).
- 2.9 International cocoa prices 1970-2010 (¢/lb.)



3. QUALITY, PROCESSING AND MAJOR PLAYERS

3.1 Quality of Cameroon cocoa

- 3.1.1 Quality remains an important issue affecting the export price of Cameroonian cocoa – an international trade source has suggested that Cameroonian cocoa is discounted by varying amounts compared to Ghana, the premium supply source, due to quality defects along with a combination of other considerations such as fat percentage, slaty etc.
- 3.1.2 Ghana cocoa was being quoted £145 per tonne more than Cameroon for shipment in January 2010, which in itself is a high figure but not unusual. If Cameroon could achieve an increase of £100 per tonne by increasing the quality of cocoa shipped the country could stand to gain circa £20 million for a crop of 200,000 tonnes. This has led some to comment on whether Cameroons sole focus should simply be to increase the quantity of cocoa produced or instead aim to improve to quality of the beans it currently produces.

3.2 Processing - Crushers

- 3.2.1 Within Cameroon there are only two companies providing crushing facilities, SIC Cocoa and Chococam. SIC Cocoa are 50% state controlled and 50% owned by the Barry-Callebaut conglomerate – the world's largest chocolate processing company.

3.3 Major Players

- 3.2.1 Firms of note operating within the cocoa industry are; Telcar Cocoa Limited, Cameroon Marketing Commodities (CAMACO), Olam Cam, Ets Ndongu Essomba, Achanyi and Sons and the Cocoa Development Company (SODECOA). Which now operate largely as agents of two importing groups; WMDS and Cargill.
- 3.2.2 Between Barry-Caillebaut, WMDS and Cargill they account for around 90% of the cocoa beans exported from Cameroon.
- 3.2.3 The main government organisations operating within the industry are the Cocoa and Coffee Board and the International Cocoa and Coffee Interprofessional Council (CICC).

4. RISKS AND ANALYSIS

- 4.1 The cocoa sector in some parts of the country is faced with the issue of aging plantations and older generation of farmers who in some instances are uneducated in the use of fertilisers which is often a factor related to reduced yields.
- 4.2 An additional risk to the industry is the somewhat technological backwardness and lack of adequate conservation and storage equipment serving the industry which would better allow for the industry to fully flourish and develop.
- 4.3 Despite the government announcing in recent years that it intends to increase production by 37% by 2016 concerns have arisen over matching this increase in the production of the crop with that of processing facilities in-country in order to add value to the crop. An additional concern that has been made by some is that Cameroon should perhaps look to increase the quality of the cocoa produced rather than simply the quantity.

5. FORECASTS

- 5.1 On a general level, Cameroon's cocoa industry is benefitting from increased investment, improved industry fundamentals and better macroeconomic conditions, forecasts also envisage positive consumption growth for the commodity.
- 5.2 Demand will be supported by an economy that is predicted to expand at an average annual rate of 4.3% to 2016. Growing domestic demand for cocoa will be fuelled by rising disposable incomes.
- 5.3 Cocoa production growth to 2015/16 is estimated to increase by 13.6% to 269,000 tonnes – over the long term, Cameroon's cocoa industry is expected to benefit from better crop management techniques, as well as increased private and public sector investment.
- 5.4 Cameroon's agriculture sectors stand to benefit from infrastructure improvements. In September 2011 the government announced plans to spend CFA 175bn (US \$379mn) on constructing roads over the next 10 years – building around 350km of roads each year over the next decade. New roads in particular will enable farmers to move more effectively their produce to market, thereby reducing waste and ensuring that a greater proportion of their crops can be sold domestically or internationally.

6. SUMMARY

- 6.1 The level of cocoa production and the predicted growth expected to occur within the coming years could see Cameroon overtake Nigeria as Africa's third largest producer, which is very impressive. If producers in Cameroon can make significant inroads in



terms of improving the quality of the crop there will be further significant gains to be had. Further still, if the service and quality of in-country processing plants can be better developed, it will also allow for the industry to develop and better serve the domestic market for processed goods and perhaps reduced to dominance of three major exports of cocoa from Cameroon, enabling the country to establish better clientele.