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RPT-FEATURE-Ivory Coast cocoa farmers miss high prices

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ABIDJAN/NEW YORK, April 23 (Reuters) - An unusually harsh harmattan -- a seasonal cold, dry wind that carries clouds of dust from the Sahara -- was the first sign of trouble for West African cocoa farmers.

This was followed by a drought, described as the worst in living memory by farmers in parts of top grower Ivory Coast, cutting the supply of their main crop beans short well before the end of the season.

About 70 percent of the world's cocoa, chocolate's key ingredient, is grown in West Africa, much of which is deeply impoverished. Cocoa prices have risen sharply, hitting four-year highs, because of the expected shortage due to poor rains and below-average production.

But even if prices are rising, most farmers in Ivory Coast are unable to cash in on the bull market. Many don't have any cocoa to sell.

"Poverty will increase because farmers will have gone nearly six months without selling cocoa beans. They'll only start getting cocoa in July, if they are lucky," said a manager at the Kavokiva cooperative in Daloa, Ivory Coast.

"The farmers have not profited from the rise in prices because they have had no cocoa for three months," said farmer Magloire Gnankan in the outskirts of the western town of Daloa.

Stiff competition between buyers for scarce beans as the October-March main crop limped to a close pushed farm gate prices in some areas over 500 CFA francs (\$1.03) per kilogram -- well above the prices they fetch in an average season.

"When we had cocoa, the best price was 300 CFA francs per kilogram. When the cocoa was gone, the prices rose as high as 500," said Gnankan.

Unfortunately, there are no beans left in the bush for the growers to share in this price rise, said the commercial representative for a large international exporter in Abidjan.

"The main crop is finished, the representative said, and work is beginning on a new crop. "We only hope the prices stay like this a little while longer to allow the growers to make a bit of money," the representative said.

Abundant rains have since returned to the region, promising a rebound in the April-September mid-crop, farmers said, and wholesale prices have already started to pull back from their peaks.

Consumers may never prices for candy bars move higher, though in late March, Masterfoods USA, a division of Mars Inc., hiked wholesale prices of well-known chocolate bars

like Snickers by about five percent due to rising costs. Shortly after, Hershey Co. (HSY.N: Quote, Profile, Research increased its prices by about four percent to five percent, citing the need to help offset costs.

Since retailers typically order chocolate in advance, they should not feel the increased wholesale rates in the near future, and therefore were not expected to hike prices on their store shelves until September or later, said Daniel Butler, vice-president of merchandising and retail operations for the National Retail Federation, a Washington, DC-based organization that represents retailers.

A spokeswoman for privately-held Publix Super Markets Inc., which has about 900 stores in five states, has not raised its chocolate prices and she could not say when, or if, they will as they secure pricing in advance.

"These past three weeks we've seen cocoa prices at the levels they reached during the worst part of the war in Ivory Coast in 2002 and 2003 when fighting was raging between rebel and government soldiers," said the director of an international cocoa exporting company based in Ivory Coast's main city Abidjan, last week.

Cocoa is expected to continue to be scarce due to the expectation of a smaller West African crop and growing demand fueled in part by increasing popularity for higher quality chocolates.

Consumers have also been upping their purchases because recent studies have attached health benefits to eating chocolate, with researchers stating in one that dark chocolate improves the function of blood vessels while another report showed that flavanols, an ingredient found in cocoa, may boost brain function and delay decline as people age.

CONSUMERS EXPECTED TO PAY UP

"People are willing to pay the price as they never have been before. They really want the best that they can afford, obviously that's a subjective decision of what you love the most," said Joan Steuer, of Los Angeles-based Chocolate Marketing LLC, which publishes an annual U.S. Top Ten Chocolate Trends report.

"No longer is chocolate just a sweet. Chocolate is consumed as a food."

The firm prices come at a time of heightened consumer awareness of cocoa growers' working and living conditions. Large chocolate companies including Hershey Co. (HSY.N: Quote, Profile, Research, Lindt & Sprungli (LISP.S: Quote, Profile, Research (LISN.S: Quote, Profile, Research and Mars Inc. belong to the World Cocoa Foundation, which partly funds public-private partnerships in West African programs that target small-scale farmers and aims to improve sustainability.

"We're looking at how to diversify cocoa farms so farmers aren't so reliant on one cash crop," World Cocoa Foundation President Bill Guyton said