

## Cocoa Market

Cacao beans may be bought in different Quality levels:

- 1) **Organic Cacao** (Type Hispaniola (incl. fermentation) or Sanchez (only dried))

Some producer countries in Latin America, among them the Dominican Republic, have developed their own facilities for grinding beans and processing, and ensure Fair Trade certified quality. Central America and the Caribbean (Dominican Republic) are the dominate suppliers of organic and Fair Trade cocoa

- 2) **Fair Trade Cacao**

The Fair Trade relates to the contractual agreements between buyers and sellers, usually represented by grower-owned cooperatives and associations. Fair Trade prices are set by the Fairtrade Labeling Organizations (FLO). The Fair Trade cocoa prices are calculated on the basis of world market prices plus Fair Trade premiums.

The DR offers "**Fine flavor cacao**" (Criollo, Trinitaria) Cacao enterprises able to supply high quality *criollo* and *trinitario* beans will be at an advantage in finding international buyers willing to pay premium prices.

- 3) **Conventional Cacao** (does not have organic certification)

With the price of conventional cocoa trends downward, marketers of specialty cacao in Europe and the United States face increased competition from their competitors in the conventional cacao sector. When the price of conventional cacao trends upwards, smallholder cacao enterprises in producing regions may face challenges to collect sufficient production volumes, as producers may sell certified products to outside buyers of conventional cacao

## About Cocoa Pricing

Conventional prices are determined largely on the commodity exchanges in London (LIFFE) and New York (NYBOT). The fine flavor/single source market segment offers an opportunity for significant premiums above commodity pricing. While premiums for fine flavor cocoa vary widely, the FOB price for some beans can reach up to \$800 per MT more than the New York or London exchange prices in the most extreme cases

Example

Conventional cacao			Organic cacao		
Conventional price	Fair Trade price	Premium (%)	Organic price	Premium (%)	Fair Trade price
1,549	1,750	13	1,875	21	1,950

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## Trading conventional cacao, even of "fine flavor" like the DR Cacao Dealers

Cocoa dealers are the first intermediaries to take possession of cocoa from the exporting agent. Few dealers are involved with the processing of cocoa beans or the

manufacture of fine flavor or organic, cocoa based ingredients, or finished consumer products. **Most dealers are not concerned with differentiation based on quality** or other factors above and beyond their customers requirements.

**Recent Fair Trade rules website:** <http://fairtrade.ca/en/products/cocoa>

**The international standards for Fairtrade certified cocoa are:**

Producers are small family farms organized in co-operatives (or associations), which they own and govern.

The minimum guaranteed price is paid directly to the producer co-op. **The minimum floor price** is currently (May 2014) set at US\$3000/metric ton (MT) for conventional cocoa beans and **US\$3640/MT for organic cocoa beans**. When the world market price is higher than Fair Trade, the market price, plus the premium, is paid to producers. A Fairtrade Premium of US\$500/MT is included in the purchase price.

This premium is used by cooperatives for social and economic investments such as education, health services, processing equipment, and loans to members. **Some pay more: like the buyer from LA RED in Nagua:** [PDF] Taza Transparency Report - Maya Mountain Cacao Ltd.

mayamountaincacao.com/files/Taza\_Transparency\_report.pdf.pdf. - paying a premium of at least 500 US dollars per metric ton above the NY ICE price for cacao beans.

**Pre-harvest lines of credit, of up to 60% of the purchase price, are given to cooperatives if requested.**