

# BITTERSWEET CHOCOLATE

India's chocolate consumption is growing at a steady clip but we still depend mostly on imports for its key ingredient, cocoa

by G Seetharaman

Toward the end of the drive through GSVR Prasad's organic farm in central Andhra Pradesh, you are hit by an odour difficult to shake off. If stickiness had a smell, this would be it. There is not much else you can say about it, except that it takes a bit of getting used to it if you are going to spend some time there. The smell has its provenance in fermented cocoa beans being dried in the sun, right outside Prasad's unassuming home. Chocolate is the last thing on your mind as you breathe it in. Resembling candied almonds, some of the beans cling together in clusters which will be manually broken later. Next to them are beans fermenting in a plastic tray covered with sacks. The beans will later be deshelled, and the nibs inside roasted and ground to create a thick liquid called cocoa liquor, from which are derived cocoa butter, which is essential to chocolates but also used in cosmetics, and cocoa powder, used in cooking and beverages.

It would be an understatement to say Prasad knows a thing or two about growing cocoa. A mechanical en-

gineer who was involved in building thermal power stations for a decade, Prasad has been cultivating Theobroma cacao in Sagipadu, 130 km northeast of the state capital Amaravati, since 1999. "In India you can't just grow one crop, multi-cropping is needed for sustainable agriculture. It increases water percolation into the soil and minimises evaporation and soil erosion," Prasad says.

#### Cocoa Consumption

In India, cocoa is grown primarily as an intercrop in Andhra, Tamil Nadu, Karnataka and Kerala, as the tree requires about 40-50% shade. More than two-thirds of cocoa are grown in coconut groves and around a fifth with arecanut, with the rest in oil palm and rubber plantations. Prasad too cultivates cocoa as an intercrop on 19 acres, more than half of it with coconut. Andhra's cocoa fields are concentrated in west Godavari, east Godavari and Krishna districts. The total area under cultivation in the four southern states at the end of 2015-16 was 81,274



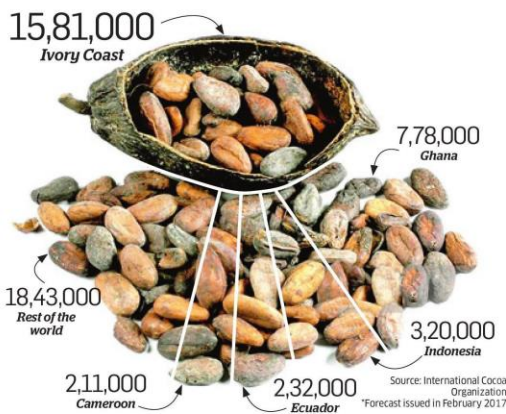
*"In India you can't just grow one crop, multi-cropping is needed for sustainable agriculture. It increases water percolation into the soil and minimises evaporation and soil erosion"*

GSVR Prasad, cocoa farmer

Ivory Coast is the world's largest cocoa producer

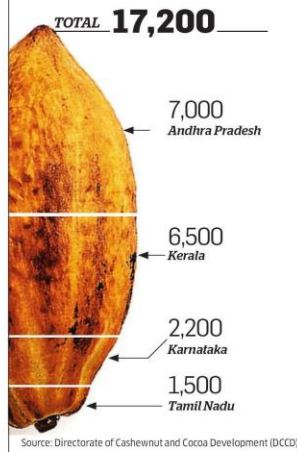
**TOTAL 49,65,000**

Cocoa bean production in 2015-16\* (tonnes)



Andhra is the top cocoa producer in India

Cocoa bean production in 2015-16 (tonnes)



hectares (1 ha equals 2.47 acres) – is nothing to write home about, given that cocoa has been grown commercially in India since the 1970s. In 2015-16, India harvested 17,200 metric tonnes (mt) of cocoa beans, only 1.1% of the yield in the Ivory Coast, the largest cocoa bean producer in the world, according to estimates by the International Cocoa Organization. In 2015-16, India's total consumption of cocoa beans was around 30,000 mt, 57% of which was imported. In the five years to 2015-16, India's cocoa bean production grew at a compound annual growth rate of just 3.6%, according to data from the Directorate of Cashewnut and Cocoa Development (DCCD). India's per capita chocolate consumption, on the other hand, is estimated to have grown at 7.8% between 2010 and 2015, according to Mintel, a market research firm. Between 2015 and 2016, India's growth, estimated at 13%, was even more impressive. India's per capita consumption is minuscule compared to the world's most chocolate-crazy nation, the UK, whose citizens consumed a staggering 8.61 kg on average in 2016. Marcia Mogelonsky, director of insight, Mintel Food and Drink, says 90% of adults in North America and Europe already eat chocolate, making significant growth hard.

## India imports more than half of its cocoa bean requirements

However, in India, apart from the low base, "urbanisation has helped to make it possible to grow the market as climate control makes it easier to display and hold chocolate confectionery in the marketplace".

The size of the Indian chocolate confectionery market in 2016 was around ₹11,260 crore, according to Euromonitor International. The top three players are all multinationals, with Mondelez India (formerly Cadbury India), maker of the popular Cadbury Dairy Milk chocolates, controlling nearly half the market, and Nestle accounting for 13%. Despite the demand for cocoa beans far exceeding its supply in India, Prasad cannot understand why the government is not pushing more farmers to grow the crop. "There is no guidance from research institutes or the government. It's all farmer-to-farmer." G Andal, assistant director of horticulture in Andhra, says the farmers of west Godavari district, where Prasad's land is, are quite progressive and have, without the government's prodding, made cocoa an established crop. Andhra is the top cocoa-producing state in India. She adds the cocoa farmers are being provided a subsidy of ₹20,000 per hectare for the first three years since 2005, under the National Horticulture Mission of the central government. Venkatesh Hubballi, director, DCCD, says while the objective under the mission is to add around 20,000 hectares in cocoa cultivation every year, only a fourth of that is realised. "The horticulture department has many crops to focus on and their staff strength is limited." Cocoa was planted on an experimental basis in Kerala in the 1960s as part of Cadbury's efforts to promote the crop, and the company is involved in cocoa cultivation through its 'Cocoa Life' initiative. It has partnered the Kerala Agricultural University and Tamil Nadu Agricultural University for research, and distributes seedlings at a subsidised rate. The Central Plantation Crops Research Institute in Kasargod, Kerala, is also involved in cocoa research.

### Cocoa Futures

Cocoa, a tropical crop native to parts of South and Central America, is now also grown in West Africa, where Ghana is second to the

*"A farmer growing cocoa with coconut can earn a profit of ₹60,000 per acre every year. This is in addition to the ₹30,000 he can make from coconut"*



**Ganesh Boyapati,**  
cocoa trader



**Cocoa bean consumption in 2015-16**  
**30,000 tonnes**



**Imports**  
**57%**

Source: DCCD, Agricultural and Processed Food Products Export Development Agency

India's chocolate consumption lags far behind that of developed markets

Per capita chocolate consumption in 2016 (kg)

**8.61**  
**UK**



**8.59**  
**Switzerland**



**8.26**  
**Germany**



**6.68**  
**Russia**



**5.37**  
**Austria**



**0.17**  
**India**

Source: Mintel Group

Women extracting cocoa beans from pods in west Godavari district in Andhra Pradesh



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Caption for the picture comes here in few lines on black circle

India's cocoa production is not keeping pace with its chocolate consumption

**7.8%**

CAGR of per capita chocolate consumption between 2010 and 2015

**3.6%**

CAGR of cocoa bean production between 2010-11 and 2015-16

Source: Mintel, DCCD

Ivory Coast in production, and southeast Asia, where Indonesia is the largest producer. The tree starts yielding pods from its fifth year and is productive for 25-30 years. KP Magudapathy, senior manager, cocoa operations, Mondelez India, says south India's geographical proximity to the Equator means it has ideal climatic conditions suitable for cocoa cultivation. "With the availability of about 3 lakh hectares of irrigated coconut, arecanut and oil palm areas in the southern states and with only a very small area of them being tapped so far, there exists a huge opportunity for cocoa planting in India." Mondelez India sources a third of its cocoa requirements locally. Asked for the reasons behind cocoa production not rising substantially in India, he says, "There is no specific resistance to grow cocoa. However, there are some challenges in growing cocoa like lack of awareness about this crop, weather factors, competition from other crops, etc, that are true to any agriculture crops."

Nestle did not respond to ET Magazine's questions. Suresh Bhandary, managing director of Mangaluru-based Central Arecanut and Cocoa Marketing and Processing Co-operative, or CAMPCO, says in coastal Karnataka, arecanut farmers fear planting cocoa might lead to a drop in the yields of arecanut, a remunerative crop. "Even if they plant cocoa, they focus more on arecanut." Campco makes its own chocolates and also supplies cocoa solids for brands like Amul.

The price for a kg of dry cocoa beans in India has hovered around ₹200 in the past three years, during which period there was a short-fall in production in west Africa. But with production in the Ivory Coast expected to be up 20% in 2016-17 (starting October 1, 2016), the season will see the biggest cocoa bean surplus in six years. There will be a buffer of 2,64,000 tonnes compared to a deficit of

1,96,000 in 2015-16. As a result, cocoa futures in New York have dropped by a third over the past year. Ganesh Boyapati, a cocoa trader who lives not far from Prasad's farm, says prices fell from ₹200 between January and March to ₹185 in April and will further decline to ₹170-175 in the coming days. But demand from the local industry and a 30% import duty on cocoa products might give them protection from a steep fall in prices. RS Sodhi, managing director of the Gujarat Cooperative Milk Marketing Federation, observes that the government should increase the import duty. "You have to incentivise local farmers so that they get a good price." GCMMF uses cocoa not just in its Amul chocolates, but also in its ice-cream and chocolate drinks. "A farmer growing cocoa with coconut can earn a profit of ₹60,000 per acre every year. This is in addition to the ₹30,000 he can make from coconut," says Boyapati, who also grows cocoa on leased land.

A few paces from his new house in the making, a bunch of women are seated in a semi-circle next to a heap of cocoa pods which have just been harvested. They are cutting the pods open and scooping out the glutinous, pulpy beans with their hands, after which the beans will be left to ferment. Magudapathy says Indian cocoa beans are comparable to the best in the world in quality. While Kerala is believed to be saturated, Tamil Nadu, Andhra and Karnataka are far from fully utilising their cocoa-growing potential. There are also attempts to look beyond the south, with cocoa being introduced in Assam and Nagaland a couple of years back. But as an in-demand intercrop which does not usually see the kind of price volatility witnessed in other crops, cocoa is yet to get its due in India. ■

Mondelez accounts for half of the Indian chocolate market

Size of Indian chocolate confectionary market in 2016  
**₹11,256 crore**

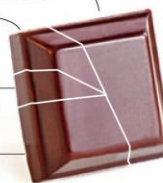
Market share

**48.6%**  
**Mondelez**

**12.8%**  
**Nestle**

**7.8%**  
**Ferrero**

**30.8%**  
**Others**



Source: Euromonitor International