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www.cocoa-association-asia.org
Registration No: 0281/2003

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Dear Members,

For the past three years, we have seen a tremendous growth in the Asian cocoa industry, in particular in South East Asia (SEA) countries like Malaysia, Indonesia and Singapore.

Cocoa production in Indonesia, the third largest cocoa producer in the world has exceeded 450,000 metric tons per annum and would hit half a million metric tons in about two years time. The region in total now produces slightly more than 550,000 metric tones per annum, contributing to about 16% of the world total production.

Aided by a good consumption growth worldwide, cocoa grinding has also expanded significantly in the region over the last three years, with total grind in the region hitting slightly more than 550,000 metric tons per annum. Asia is now the second largest cocoa processing centre in the world after the European Union (EU). With more new capacity being planned, the region is forecasted to be a net importer of cocoa beans in the near future.

The inauguration of the Cocoa Association of Asia (CAA) in early 2004 was, therefore, very timely as the cocoa industry in the region then was fragmented in dealing with many challenges common to the cocoa industry such as quality and food safety issues, trade disputes and barriers, legal issues and the lack of co-operation to tackle common problems among the various industry players. The objectives and constitutions of the association can be found at the CAA website: www.cocoa-association-asia.org. The association now brings together many representatives from the trade, processors and chocolate manufacturers.

During the formation of the association, many of you had made sacrifices in terms of time, efforts as well as contribution of money in order to get the association registered and started. To this, on behalf of the council members, I would like to express my sincere thanks to those who had contributed in one way or another, be it large or small, in making this association a reality. As of today, we have 13 members and one associate member. This represents about 70% of the trade in Malaysia, Indonesia and Singapore.

Looking back over the last two years, the association has made a lot of progress especially in the area of cocoa quality. Special thanks should be given to members of the CAA cocoa quality sub working group in formulating the **CAA cocoa quality standard** for Asian beans which is now the industry standard for the trade in the region. CAA has held various dialogues with agencies such as ASKINDO (Cocoa Association of Indonesia) and government bodies in the region in putting forward the industry's views and ideas and offering our assistance in formulating policies and standards.

CAA has also received recognitions from government bodies such as the ASEAN Cocoa Club, a government agency set up under the auspice of the ASEAN governments to formulate agriculture policies. In the last ASEAN Cocoa Club meeting held in Bali in June 2005, CAA was formally accepted as a member of the ASEAN Cocoa Club, representing the interest of the private sector of the cocoa industry in the region. CAA was also given the task by the ASEAN Cocoa Club to lead in the drafting of an ASEAN Cocoa Contract.

In order not to re invent "the wheel", CAA has obtained the permission from the Federation of Cocoa Commerce (FCC), London to use its market rules with modification tailored to local requirements and practices in formulating the proposed ASEAN Cocoa contract. A meeting would be scheduled in the near future involving the various industry players and government officials in order to get this project moving.

CAA also has held dialogues with non government organizations (NGOs) such as the World Cocoa Foundation (WCF), European Cocoa Association (ECA), and Federation of Cocoa Commerce (FCC). We have participated in some of the cocoa sustainability funding programs conducted by the WCF and other funding agencies such as ACDI/VOCA, USAid in countries such Indonesia, Vietnam, Philippines. For the past one year, CAA has been working with the ECA/FCC in drafting a new cocoa butter contract.

In the Malaysian International Cocoa Conference (MICC) held in Kuala Lumpur in June 2005, CAA was given the honor in chairing one of the sessions and presented a paper titled: **Growing Importance of Asian Cocoa Industry**.

Food safety in cocoa products is a major issue. At the request of ECA, CAA has taken up the issue of Polycyclic Aromatic Hydrocarbons (PAH) at the ASEAN Cocoa Club meeting and assists the ECA in securing a session at the MICC to discuss this issue. The members have also raised concern on the introduction of a "positive list" of agricultural chemicals on cocoa and cocoa products by Japan. CAA has raised the issue with the various governments within ASEAN and has requested the various governments' help for a review with the relevant Japan authorities.

Some progress have already been made on these two issues which have resulted in EU setting a maximum level of 2ppb for oils & fats starting 1st April 2005 but provides for a review specifically for cocoa butter by 1st April 2007 and Japan revising the limits imposed on some of the chemicals found in the finished products.

The above is a brief summary of the major events and progresses that had taken place since CAA's inception. I would like to thank all members for their support and contributions. Without which, it's not possible for us to achieve so much in such a short period of time.

There are still plenty of work to be done going forward. Listed below are some of the programs being organized in the coming months:-

- 1) Drafting of an ASEAN Cocoa contract
- 2) Organize training for market rules and arbitration, and grading to upgrade the trading skills of the industry players
- 3) Participate in dialogues with government bodies to formulate quality standards & policies
- 4) Support and participate in funding programs organized by NGOs to improve the livelihood of cocoa farmers
- 5) Continue to work closely with our counterparts in other parts of the world such as ECA, FCC, CMA in improving the quality standard of cocoa and cocoa related products & trade practices
- 6) Seek co-operation with the various government bodies to assist in formulating policies on quality standards and food safety, tariff barriers and trade related issues

CAA is still a very young association. I welcome all members' help in contributing towards the betterment of the association. The association is constrained by the limited financial resources on some of things or projects we want to do. I would like to seek all members' help in recruiting more members so that the association can grow both in terms of knowledge and resources.

Once again, thank you for giving me the opportunity to serve the association and I look forward to your continual support and co-operation.

Sincerely yours,

(Yeong Chye)
Chairman