

El Nino-Hit Brazil Doubles Cocoa Imports as Harvest Tumbles (1)

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(Bloomberg) -- Brazil is doubling cocoa imports as dry weather caused by El Nino shrinks its harvest to the smallest in six years.

Inbound shipments have risen to 22,000 metric tons since the global season started in October, according to the Secretary of Foreign Commerce, or Secex. Dry conditions mean output in the country will fall about 30 percent to the lowest level since 2009-10, said Thomas Hartmann, head of the statistical service of the Commercial Association of Bahia.

"Last year, there was practically nothing being imported because the crop was large," Hartmann said by phone from Bahia, Brazil's biggest cocoa-producing state. "This year, the crop is going to be very small unfortunately."

Output has "fallen off a cliff," according to Olam International Ltd., the world's third-largest processor, which estimates a global shortage of 308,000 tons this season. Hartman expects a Brazilian crop of 165,000 tons at most, down from

231,000 tons a year earlier. That's the lowest since the 161,000 tons produced in 2009-10, he said.

Main Harvest

Brazil typically gathers a main harvest from October to March and a mid crop through September. Dry weather that has already hurt the main crop will also hit the mid, said Hartmann.

Deliveries from farms in Bahia, accounting for more than 90 percent of Brazil's output, fell 31 percent in the week to May 8.

"The drought we suffered starting at the end of last year and the first month of this year, it has really, really hurt not only the main crop, which came in much smaller than was expected, but mainly it will hurt the mid crop that's starting right now," Hartmann said.

Brazil is being forced to import cocoa to keep processing factories running. Processors need to work with 240,000 tons of cocoa to ensure capacity is utilized and to prevent costs rising, he said. Beans come mainly from Ghana, the second-largest producer, as shipments from top grower Ivory Coast are banned along with those of Indonesia, which ranks third.

"The only permitted cocoa to come to Brazil is from Ghana, which is the most expensive stuff," Hartmann said.

Cocoa futures for delivery in July fell 1.1 percent to \$2,896 a metric ton at 12:45 p.m. in New York.

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