

# Short Insight – Softs

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## Asia remains important growth market for cocoa, sugar and coffee

Asia remains an important growth market for cocoa, sugar and coffee and demand on this continent will grow the most in the coming years. China and India account for a particularly large share of the demand. Although demand is increasing annually in developed economies such as Europe, the US and Japan, the pace of growth in these regions is much lower.

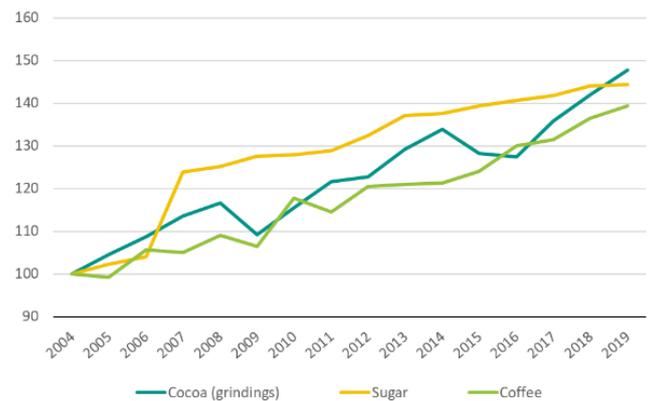
- **Cocoa: Asia remains a strong growth market**
- **Sugar: sugar consumption in Asia is still relatively low**
- **Coffee: flourishing coffee culture in Asian countries**

### Demand for cocoa, sugar and coffee continues to expand

Supply disruptions normally account for a large share of price increases. However, solid demand growth has also contributed in recent years. Since 2004, cocoa demand has grown by 48%, sugar by 44% and coffee by 39%. This means that the average growth is around 3% per year for each of these raw materials. And again this year prices have increased, rising by around 9% up to November. This was partly due to heavy rainfall in Ivory Coast and Ghana, and strong growth in the number of grindings in Asia. Price also reacted to the launching of the Living Income Differential by Ivory Coast and Ghana. So far in 2019, the sugar price has increased by 7% and prices are projected to rise further in the wake of an expected sugar shortage. The strong demand growth in Asia provides a solid base for price. Meanwhile, the price of coffee has risen by 6% this year. All-in-all, the price is still relatively low compared to the levels of 2017. Demand is growing steadily, but sufficient availability is keeping the price down.

### Path of growth in demand for cocoa, sugar and coffee

Index (2004=100)



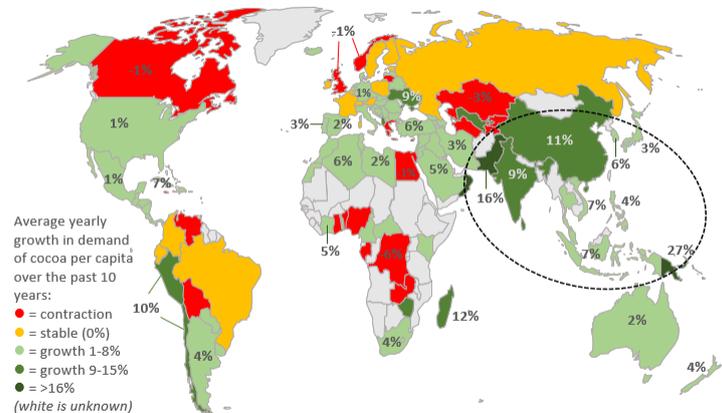
Source: Refinitiv, ICCO, USDA, ABN AMRO Group Economics

### Cocoa: Asia remains a strong growth market

Cocoa is a delicate crop. The trees on which the beans grow are very sensitive to changing weather patterns, diseases and insects. This means that the supply of cocoa has a big impact on prices. Despite the fact that sugar consumption continues to decrease in many Western economies, cocoa remains a popular product amongst consumers. Europe processes 36% of all cocoa beans on an annual basis, while Asia accounts for 24% of processing. In volume terms, the Netherlands is the largest processing country and accounts for around 13% of the global cocoa bean grindings. This also makes the Netherlands the largest importer of cocoa beans in the world. Imports amounted to 1.1 billion kg in 2018, more than half of which came from Ivory Coast. However, the Asian market is gaining ground. The growth of per capita cocoa consumption is high, on average, in this part of the world. In addition, the number of grindings and thus the demand for cocoa have increased explosively in recent years. We expect this trend to continue in the future.

### Growth in cocoa demand per capita

in % (average yearly growth of cocoa demand over the past 10 years)

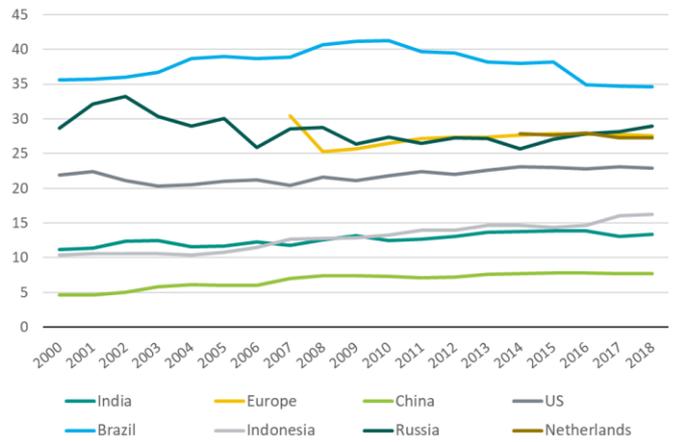


**Sugar:** sugar consumption in Asia is still relatively low

The Brazilians eat an average of 35 sugar lumps per day. This is relatively high, not only in comparison with other major economies, but also in terms of the daily recommended intake of sugar. Since reaching a peak of 41 lumps per day in 2010, the number of lumps consumed has fallen by 16% in eight years. The Dutch eat around 27 sugar lumps per day, which is around the European average. Still, at 28 lumps a day, Europeans still eat too much sugar. Since 2010, the level of sugar consumption in Europe has remained virtually stable, though it fell slightly last year. The future demand growth lies in Asia, with relatively low sugar consumption per capita. For example, the Chinese consume an average of 8 sugar lumps per day, well below the 16 and 13 lumps per day consumed in Indonesia and India, respectively. This number grew strongly in the period 2000-2018: in China by 10%, in Indonesia by 28% and in India by 14%. Nevertheless, the downside risk for future sugar consumption is high due the continuing sugar and health debate.

**Consumption of sugar per capita per day by country**

in sugar lumps per day (of 4 grams each)

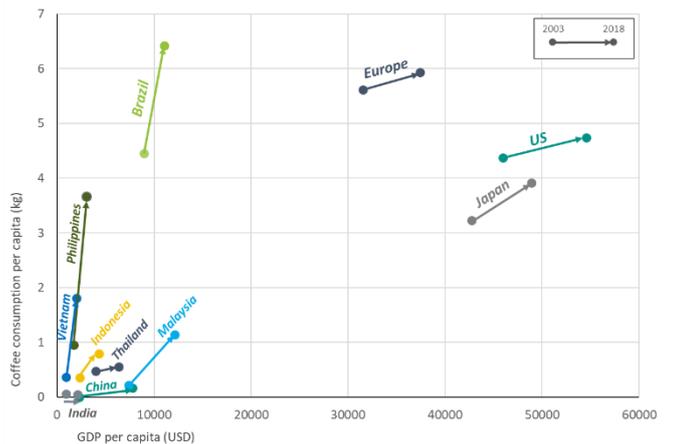


Source: Refinitiv, ISO, Worldbank, ABN AMRO Group Economics

**Coffee:** flourishing coffee culture in Asian countries

Brazilians are avid coffee drinkers, consuming 6.4 kilos per person per year. This is relatively high compared with other countries. Europeans consume about 5.3 kilos of coffee annually. In Europe, coffee consumption has risen by 5% in the last 15 years and in the US, by around 8%. At first glance, these appear to be impressive figures but compared with some Asian countries, these growth numbers are relatively low. In Asia, the growth in coffee consumption per capita over the last 15 years has been just under 240%, on average. This translates to an increase of almost 16% per year. Moreover, in most Asian countries, the level of coffee consumption per head is still very low, certainly in comparison with consumption in developed economies. This indicates that a coffee culture is emerging in many Asian countries. As a result, the growth of global demand will remain relatively high in the coming years.

**Trend in demand of coffee per capita by country**



Source: Refinitiv, Worldbank, USDA, ABN AMRO Group Economics

\* The Dutch diabetes fund has the following guidelines for sugar consumption: as a woman you can eat 50 grams of sugar per day. This is approximately 12 sugar lumps. A man is allowed 60 grams of sugar per day. This is the equivalent to 15 sugar lumps per day.

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