

Journal

THE AMAZING WORLD OF CHOCOLATE

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chocolate”

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“We want to help balance the challenges along the entire value chain.”



JUERGEN STEINEMANN
CHIEF EXECUTIVE OFFICER

This Journal could be termed a journey. It will magic you from the cocoa-growing regions of Africa and Asia, to our global customers, partners and their customers, with a special focus on South America and Eastern Europe. Belgium and France are also on the itinerary, as we visit our colleagues for some indulgent insights into the chocolate side of the Hotel, Restaurant, Catering, Confectionery and Bakery & Pastry businesses.

You will find interesting and varied stories reflecting our strategy and showing its implementation in action. But it is not just about Barry Callebaut. There is a need for more efficient knowledge transfer and exchange between all stakeholders in the complex chain leading from the cocoa bean to the finished chocolate product. In the mid-term, this will determine the success of all players. As the “heart and engine of the chocolate industry,” we want to help balance the challenges along the entire value chain. That is why we initiated a neutral, bi-annual platform: CHOCOVISION. At this first global stakeholder conference, 200 senior leaders and decision-makers from across the value chain, including business, government, international and national institutions, NGOs and the world of science, gathered to discuss the industry’s most pressing strategic issues. You will discover some of its topics – including nutritious cookies for India, the chocolate bar of 2030 and the link between price development and sustainability – in this issue.

Building on the theme of sustainability, we are also bringing you the sequel to a success story: how to get more from less when it comes to running a cocoa and chocolate factory with optimal efficiency. And to keep you on track on your reading journey, be sure to head for our centerfold – a map of the world showing the rich diversity of chocolate taste profiles across the miles.

We hope you enjoy our food for thought.

IND



INDIA'S SWEET TOOTH



The snacking market has been growing between 15% to 18% per year and represents USD 1.9 billion of a total USD 220 billion food industry (from which only 9% is branded and packaged food).



With its rapidly expanding consumer base and a reputation for having a sweet tooth, India has become an extremely attractive market. But companies operating there must embrace the complexity of the market and the particular needs of its multifaceted consumers.

For decades, the culture of having a tea and a cookie has been ingrained in India's tradition: 80% of households consume biscuits on a daily basis and cookies and snacks can be found at literally every corner of India, both in rural and urban areas.

In this cookie-loving nation, chocolate snacking has made a significant breakthrough as consumers are replacing or supplementing traditional snacks with chocolate. The affordable pricing of mass brands and small packs sold at the low unit price of Rs2 or Rs5 is boosting growth in rural areas.

However, this love and tradition for cookie and snacking comes with its health challenges. India is the world's capital of diabetes patients; over 50 million Indians are diagnosed with the disease and retailers have adapted their products to this challenge. Take the example of the largest Fast Moving Consumer Goods company in India, Britannia Industries. Britannia has been a pioneer in offering healthy alternatives including diabetic-friendly snacking solutions to its consumers. On the flip side of the coin, the country's love for cookies is a boon in the fight against malnutrition. As Vinita Bali, CEO of Britannia, explains: "With 47% of children under five years malnourished, nutrition is a mammoth problem. We identified this as a consumer need that can be addressed through food." Britannia offers cookies including fortified iron in order to provide essential nutrients within one cookie. The company has managed to turn medicine into a welcome treat by adapting its popular products to the needs of this part of India's consumer base and demonstrates that everything is possible for the love of a cookie. **AR**

Miniature chocolates, bite-size pastries – the current trend towards all things “mini” is huge. The question is, why?

In the current economic climate, the biggest sensations come in the smallest of packages. Shrinking household budgets and dwindling purchasing power has resulted in a predictable shift towards discount

and value-for-money products. Less predictable, however, is the parallel shift at the premium end of the market. Today’s consumers, it seems, are still prepared to spend money on indulgence. It often boils down to the simple fact that people continue to want to spoil themselves and are turning more and more to small premium treats as a form of affordable and guilt-free pleasure. As such, miniatures are the ideal response to this growing desire and are evidently capable of

is
the
new
big



straddling an increasingly polarized marketplace.

When it comes to trends like this, innovation is essential to meeting the demand. Barry Callebaut is accommodating this trend with a range of original solutions, offering premium products in tiny packages. The provision of a range of fully customized decorations and inclusions to respond to market requirements is proving to be a recipe for success for Barry Callebaut. For example, the Barry Callebaut Mignature™

range of mini decorations and inclusions, such as chocolate vermicelli, Shiny Pearls™, blossoms and Crispearls®, present manufacturers with an endless array of options for adding a touch of individuality, luxury and guilt-free indulgence to their products. As a growing number of consumers turn to affordable indulgence, these small ingredients are already cooking up big results for major brands around the globe. That seems to confirm that mini is the new big. JMK



HARVESTING KNOWLEDGE

Barry Callebaut applies a winning agronomy formula to improve the taste, quality and crop yields of Asian cocoa.

The highly sensitive cocoa tree grows in the rainforest and is most productive in a very humid climate. So cultivating cocoa on a plantation presents farmers with some unique challenges to overcome. Barry Callebaut is committed to supporting the farmers with its agronomic expertise, to provide them with optimal farming methods and technologies, all geared to local environmental and climatic conditions.

In 2011, Barry Callebaut joined forces with the Malaysian Cocoa Board on a project to exchange knowledge about Good Agricultural Practices (GAP), enabling both organizations to learn more about how to protect and promote the growth of the cocoa tree. Some of these insights have now been implemented in Barry Callebaut's agronomy research plots in Selborne, one of the leading estates on the western coast of south-central Malaysia. The first

cocoa from the Selborne Estate will be harvested in late October 2012 and expectations are high for a significant improvement in yield compared to conventional cocoa farming practices. The information gathered will go into a database that could be adopted and used for further projects in other cocoa-growing regions around the world.

The agronomy-based program focuses on increasing cocoa yields through biodiversity – and also on cost reduction to help meet future demand efficiently. Planting other trees such as fruit and timber trees, along with annual crops like tapioca, can enhance cocoa output per hectare and help cocoa trees thrive. In addition, they provide shade for the younger cocoa trees and even act as a natural fertilizer, thus reducing the need for chemicals. Farmers are set to reap the benefits too. “By focusing on crop diversity, we hope to maximize the economic advantage for the farmers. Biodiversity of this kind can help farmers develop multiple income streams,” Herwig Bernaert, Innovation Manager at Barry Callebaut, explains. The tapioca planting has been a great success, justifying the agronomic research team's high hopes for the future.

JWA





*Cocoa plantation
with low biodiversity*



*Cocoa plantation
with high biodiversity*



Quality
Assurance
is
everybody's
business



JEFF BANKS, GLOBAL HEAD OF QUALITY ASSURANCE & REGULATORY AFFAIRS

Jeff Banks is a dapper Englishman whose humor can make anyone laugh. His job at Barry Callebaut, however, is a very serious one. As Global Head of Quality Assurance & Regulatory Affairs, he is responsible for everything from the quality of the ingredients that are used to the food safety and legality of the products we make, from making sure that systems in manufacturing can produce “Right First Time” to ensuring that all of Barry Callebaut’s customers around the world get exactly what they need, in the time frame they require it – and with a smile.

“When I arrived in mid-2011, I found a company that maintained a culture of doing its best to produce quality products for its customers, and this is a never-ending process

where continuous improvement is essential,” Banks says.

There are all sorts of challenges and hazards that a food company like Barry Callebaut needs to be aware of to prevent them from turning into a crisis, he adds. These challenges start with the core ingredients of the products: cocoa beans, sugar, milk and other natural products. “The things that go into making chocolate start out as raw agricultural materials that need to be freed from natural and man-made contaminants, cleaned and heat-treated to make them safe. And safe food must be a given – no one will thank us for getting it right every day, but we will pay a heavy price if we fail, even just once.”

Prevention is always better than cure, and Barry Callebaut relies on its entire supply chain to make that concerted effort to minimize risks. Responsible suppliers, reliable logistics operators and near-perfection in the company’s manufacturing plants are all needed in order to make this happen. “Attention to detail is crucial and safeguards our quality promise to our customers,” says Banks.

Quality, he argues, is everybody’s business, not just for those who have the two letters “QA” in their titles.

“We need to exercise the same level of care when producing a batch of 20 tonnes of liquid chocolate shipped to a factory in Poznan, as when we make intricate Gourmet decorations that end up in a fine dining establishment in Paris,” says Banks. And that’s no laughing matter.

PW



Open up!



Unilever and Barry Callebaut provide the ideal recipe for Magnum Infinity.



An interview with Alan Gerrard, Global Technical Project Leader – Ice Cream & Frozen Foods Global at Unilever.

There is a huge variety within the product range. Why is it important to continually develop or invent new tastes for Magnum®?

It's our responsibility as market leader to maintain the momentum of the market. We do this by continually offering fresh ideas and products to our consumers and customers. While many of our consumers have their favorite Magnums from within our range, we love to bring new experiences to existing and new consumers

You launched the new Magnum Infinity in March this year. What was the initial idea behind it? What was it supposed to be like, or taste like?

We understand the importance of chocolate for our consumers. They won't buy a Magnum just because it's ice cream, but also to get chocolate satisfaction. Working with our chocolate expert, Barry Callebaut, we were able to marry the flavors of high-quality cocoa beans from Tanzania and Ghana to produce a Magnum coating with nibs that delivers an intense, long-lasting chocolate taste.

What was so special about this cocoa from Tanzania?

We decided on combining the Tanzanian and Ghanaian cocoa in the coating because both are of a very high quality and have wonderfully

compatible flavor profiles. Incorporating the nibs from the Ghana beans added a special chocolate intensity. And Barry Callebaut was able to provide the ideal dark chocolate recipe for the ice cream without it tasting too bitter.

In addition, Barry Callebaut's suppliers of the high-quality cocoa beans used for the Magnum Infinity – Biolands in Tanzania and Cocoa Abrabopa Association in Ghana – work directly with local farmers and are Rainforest Alliance Certified™, which is very important for us because we have committed to having the cocoa for Magnum chocolate sustainably sourced by 2015.

Let's pick up the collaboration between Unilever and Barry Callebaut you mentioned before. You chose an Open Innovation Process by working with Barry Callebaut as an outside expert. Why?

With Magnum Infinity we identified an area where we don't have all the expertise and that's why we needed a company like Barry Callebaut as a partner to deliver these very innovative products. As a company, Barry Callebaut has a wealth of knowledge and experience in this area.

With Barry Callebaut as your main chocolate supplier and innovation expert, there needs to be a lot of team work and arrangements. What were the main challenges of working with Barry Callebaut on this project?

You need to have a relatively high degree of trust and openness.

So we had many calls and meetings where we worked together. There will always be issues and problems in projects that have to be solved, but by working in an open innovation process, it is much easier to solve them in partnership. Issues are opportunities!

What impact on business partnerships can arise from a joint innovation project like this one?

First of all, we expect the partnership to be ongoing and long-term. With this kind of partnership, we expect a higher level of responsiveness and engagement from Barry Callebaut. On the other side, Barry Callebaut surely will demand more clarity on directions and insights. Five years ago, we had the classic supplier-consumer relationship. We called to place our chocolate order and that was it. Now, we talk more about what we want to achieve and how we might achieve that together. Barry Callebaut is what we call a "Partner to Win" Supplier – a supplier that we work very closely with to support Unilever's sustainable growth ambition. A partner like Barry Callebaut is essential for us to accomplish our goal of sourcing the cocoa that we use in our chocolate sustainably.

Do you have any other open innovation projects ongoing or was this the only and last one?

We're already working on other innovation projects with Barry Callebaut and are looking forward to other successful results. JWA

Open up!

PARTNER TO WIN

This year, Unilever recognized Barry Callebaut for its support on the launch of Magnum Infinity with its “Partner to Win” Award in the category Innovation. The Award honors suppliers who have made a significant contribution to the company’s goals and products. The “Partner to Win” program enables Unilever to create more long-term partnerships and develop new capabilities together with its trusted suppliers.



Massimo Garavaglia (President Western Europe) (center) accepted the award for best innovation on behalf of the Barry Callebaut team. On his left: Pier Luigi Sigismondi (Chief Supply Chain Officer Unilever), on his right: Kevin Havelock (President of Unilever’s Refreshment category)

“Our Ice Cream category has a significant role to play in Unilever’s sustainable growth model to deliver our ambition of doubling the size of our business whilst reducing our environmental impact. Our leadership position has been built on great taste, innovation and increasingly sustainable ingredients. We need partners like Barry Callebaut to help us extend this position and achieve our overall aim.”

**KEVIN HAVELOCK, PRESIDENT OF
UNILEVER’S REFRESHMENT CATEGORY**

Energetic efforts in energy reduction

Two Barry Callebaut plants raise energy efficiency to an art

The pungent smell of pure cocoa fills the air even before entering the large brown hall at the end of the parking lot. Huge blue tankers wait to be loaded as factory workers, clad in hairnets, white coats and steel-toed boots, disappear into the building.

As the visitor walks onto the factory floor, the noise of the machines grinding, roasting, conching, blending, pressing and performing all the other steps necessary to turn a cocoa bean from Africa into chocolate that will be consumed in Europe, North America or elsewhere is deafening. For a layperson, visiting the inside of a chocolate factory for the first time, chocolate-making suddenly loses all of its romance.

But in Wieze, Belgium, at the largest cocoa production and chocolate factory in the world, the spirit of fine chocolate-making is still very much alive even if the processes involved have become automated and computer-controlled machinery does most of the work. Volumes have grown exponentially in the

101 years since the Callebaut family started up production. Raw materials have become more expensive, and the availability of natural resources is declining just as fast as the cost of energy to process them is rising.

Volume increases and higher energy consumption go hand in hand. The Wieze factory's annual energy bill is in the high-single-digit millions of euros. Reducing cost is always a strong argument in any corporate decision-making process, but there are other equally important reasons for implementing an energy reduction plan.

Finding ways to save the planet

In Wieze, Hassan Abid is in charge of finding ways to reduce energy consumption and help preserve the planet's resources. The Utilities Manager leads Wieze's efforts to achieve the company's declared goal of reducing energy consumed per tonne of product by 20% by 2014 – the signature program in Barry Callebaut's environmental policy and one of several targets set in a five-year plan. With several hundred factory workers working on a five-shift system and 24 liquid chocolate production lines, a cocoa processing



Conserving energy to reduce Barry Callebaut's impact on the environment is an important part of the company's sustainability efforts. Processing cocoa, making chocolate and transporting products is energy-intensive. Barry Callebaut has the following goals, all to be reached by 2014: a 20% reduction in energy consumed per tonne of product, a 20% reduction in carbon emissions per tonne of product and 20% of energy consumed will be "green."

line, a nuts and Vermicelli production line as well as ten molding lines, Abid and his team really do have their hands full.

"We always talk about raw materials – the ingredients – that go into processing cocoa and making chocolate. Well, energy is a fundamental raw material, too, and we need to treat it as such," says Abid.

Abid explains that Wieze is a "mature site" when it comes to energy management. That means that much of the equipment is already operating at a high level of efficiency and the site team is constantly exploring new ideas. But: "It's like your washing machine at home. At some point, you need to consider if it might be a better value to buy a new one that is more modern – a large initial investment but one that will save energy. It's the same with the machines in the factory. We see if we can find a way to make them more energy- and output-efficient, but sometimes we must say goodbye to them and install new equipment."

The first step on Wieze's journey to more energy efficiency was to create greater awareness among staff, and then to define and implement KPIs for which every department can take responsibility. This process is embedded in a company-wide continuous improvement program called One+. One+ aims to improve operational effectiveness by focusing on five key areas: management, production, maintenance, supply chain and energy.

Marnix Van der Biest, Corporate Continuous Improvement Manager, says: "In the end it's a change management program. People must change their habits, and you need to guide them in the right direction. It is vital that people realize that they themselves have a stake in it, and that they can see the difference they are making."

The results in Wieze can already be felt. "It's not like we just started on this," Abid says. "The company discussed these things already 20 years ago, but we only recently formalized them and now have concrete targets to work towards. Overall, we are down more than 10% so far and still going strong." Turning off lights and shutting down computers may seem like small

steps, but over the course of a year, they can amount to a great deal. And when we started looking at what we can do inside the plant on a process level, or in our transportation and logistics department, well, that's when we really discovered a huge positive impact."

Energy awareness campaigns are currently being run in one-fifth of Barry Callebaut's 46 production

"Energy is a fundamental raw material, too, and we need to treat it as such."

HASSAN ABID, UTILITIES MANAGER,
WIEZE, BELGIUM

facilities worldwide across Asia, the Americas and Europe, with more on the agenda.

American Canyon forges ahead

Nine time zones west of Belgium, Barry Humphries leads the energy savings charge in American Canyon, California. He is the plant's Site Manager and, not to be outdone by his European colleagues, Humphries was able to reduce the site's energy consumption by a whopping 30.4 percent in two years. The plant is now the most energy-efficient of all Barry Callebaut production sites worldwide.

"Besides the goal of reducing the overall consumption of energy in the plant, we are increasing production output and at the same time, we are trying to improve quality," says Humphries. "So our goal is to improve everything simultaneously – utilization of lighting, temperature control and process automation – while keeping a close focus on quality."

So far, American Canyon has realized two projects that have brought down energy consumption significantly: installing motion detectors for lights in less frequented areas of the factory, and retrofitting conches so that they can operate at variable rather than constant speeds as necessary. Another system improvement is reclaiming heat from the chocolate to heat the water

systems, and then turning the process around and using cool water to cool the chocolate. These seem like obvious improvements that could be implemented in factories around the world without much effort. But it's not always that easy.

"Each of our factories is slightly different, so it's hard to just take a carbon copy of one solution and introduce it somewhere else. But there are a lot of great cost- and energy-saving ideas out there waiting to be put into action," Humphries says.

Small steps make a big difference

The most recent initiative American Canyon has completed is a revamp of the HVAC system, and using outside air to cool the factory rather than relying solely on refrigeration systems – another relatively simple solution in a region where the climate allows for it. From November until February, the American Canyon plant will be cooled by fresh air 24 hours a day and during the rest of the year it will be cooled by fresh air during the nights. "This way we can save 1,200 kWh or USD 180 every day. Calculate that over a year or five years and the number becomes really significant," Humphries says.

"It is sometimes amazing how big the potential for savings is and the effect that a change in people's behavior can have," remarks Continuous Improvement Manager Marnix Van der Biest. "The first time we introduce formalized shutdown procedures in a site, we can reduce energy consumption by as much as 20%, and people say: 'That's a great achievement!' The third time we do it, the improvement might even rise to 40% and people say 'WOW!' The difference is in how many people behave differently. And then you think about how much energy we all consume unnecessarily – not just in our factories, but everywhere, around the world. When people notice that they really can make a difference, we can bring about change for the better, permanently."

PW

A close-up photograph of a hand holding a small cluster of hazelnuts. The hand is positioned in the center-right of the frame, with fingers gently cupping the nuts. The background is a dense field of hazelnuts, creating a textured, warm-toned backdrop. The lighting is soft, highlighting the natural colors and textures of the nuts and skin.

Doing
things
differently



Opening up an attractive business niche on the doorstep of Spanish hazelnut fields

When Joaquim Barriach casually walks through his hometown Reus, other pedestrians often stop to pass the time of day. The 62-year-old is a well-known citizen of this typical Catalan city, located about an hour's drive away from Barcelona heading south. This is no coincidence. Joaquim Barriach is closely linked to one of the province's most important export products: hazelnuts. Both his parents and grandparents were hazelnut growers. "I have a passion for this great crop that my family has grown all their lives. You could almost say I was born under a hazelnut tree," says Joaquim Barriach, at the same time pointing to one of the numerous modernist buildings Reus is famous for.

From wine to nuts – and back

Next to the world's main producers of hazelnuts – Turkey (70%), Italy (15%) and USA (5%) – Spain accounts for 3% of the total global production. Hazelnut cultivation in Spain dates back to the 12th century, and export to the 19th century. Spanish hazelnuts largely originate from the province of Tarragona and the area surrounding Reus is home to most of the province's hazelnut farms. "In 1920, Reus became the



Over the years, la Morella nut's product range expanded to also include pistachios, pecan, pine nuts and many others.

main nut producing area in the region," explains Joaquim Barriach. "Prior to that, the town was very important for the Spanish wine industry and home to the world's spirits market. Around the turn of the century, however, a devastating pest destroyed all the vines. This led to a renaissance of hazelnut production in our province." Today, there are about 7,000 small hazelnut farms, with an average size of between 1 and 5 ha, producing nearly 25,000 tonnes each year. And the local wine industry has also made an impressive comeback. The nearby Priorat region again became one of the most prestigious Spanish wine-growing



Joaquim Barriach with his family in a nut orchard – the fruit that fuelled his life time passion.



areas in recent years. Hence, hazelnut farms and vineyards are once more sharing joint sovereignty of the landscape around Reus.

Born in the midst of a crisis

“Have you ever noticed that on top of Sagrada Família – the famous church in Barcelona – there are nut fruit carvings in the towers?” asks Joaquim Barriach while walking towards an old townhouse in Reus. He answers without a pause: “Antoni Gaudí, the world-famous architect, was born here – although you won’t find any building designed by him in Reus. He immortalized the hazelnut in one of his most important works in the region’s capital city, underlining the importance of this crop for the region.”

Spending endless hours in the orchards as a child and later working in nut companies himself, Joaquim Barriach decided to found his own hazelnut business in the mid-’90s. However, he was convinced that to be successful he had to do things differently, since, at this time, the Catalan hazelnut industry was in the midst of its biggest crisis ever. “Each month saw hazelnut farmers and nut

crackers going bankrupt. Nobody would dream of entering this business. People laughed at me,” Joaquim Barriach reminisces. The key to his success was finding his own attractive business niche – and avoiding doing what others already did. He founded “la Morella nuts” in 1986 and started building his first factory in Castellvell del Camp, a Reus suburb nestled in the gentle slopes of Mt. La Morella. With his company’s name, he is not only alluding to the La Morella wind blowing from Reus and Mt. La Morella straight into Barcelona. La Morella is also the name of one of the world’s finest varieties of hazelnut tree and native to Spanish Catalonia, yielding perfect, round hazelnuts bursting with flavor.

A unique nut specialist

In his factory in Castellvell del Camp, Joaquim Barriach was determined to produce hazelnut products that were different to those already on the market. The result was hazelnut products with a light, natural taste that incorporate more fruitiness, less sweetness and above all unrivalled freshness. It took him and his team years of extensive research

to reinvent all the processes, from sourcing the nuts, to roasting, caramelizing, grinding and conching. Today, Joaquim Barriach is convinced this strategy was the right one: “We are able to offer the most comprehensive range of premium nut products, not only from hazelnuts, but also from almonds, pistachios, pecans, pine nuts and many others, carefully sourced from all over the world. Being a nut specialist, we can offer everything from whole nuts to fine pastes, from exquisite croquants to innovative nut concepts for the future.” And success has indeed confirmed his conviction: in 2003, he built a second, modern factory in Reus’ industrial zone.

Key competences: sourcing, roasting and caramelizing

Shielded from light, humidity or temperature changes by the shell, the taste, aromas and rich essential oils of nuts are – by nature – well protected. But once shelled, they can quickly lose their main qualities. “At la Morella nuts, we aim to preserve every nut’s freshness, unique taste and aromas. Therefore, we never keep our stocks very long. All nuts

Doing
things
differently

Only six months after the acquisition of la Morella nuts, Barry Callebaut has already launched various new nut products. French Gourmet brand Cacao Barry introduced eight new nut-related offerings. The Belgian Callebaut® brand is equally proud of its new generation of nut products, delivering on its promise “The fresh nut taste.” In addition, Barry Callebaut is offering a variety of la Morella nut products to target the needs of its Food Manufacturing customers.



“Today, we are able to offer the most comprehensive range of premium nut products, not only from hazelnuts, but also from almonds, pistachios, pecans, pine nuts and many others carefully sourced from all over the world.”

JOAQUIM BARRIACH

are freshly cracked, instantly processed and leave Reus immediately after the final quality checks, always within a week. For us, this is the best way of guaranteeing nut products with all the original, natural qualities,” says Barriach. Completely focused on nuts, la Morella nuts has a highly specialized sourcing department devoted to selecting only the best nuts to assure a fruity taste and unrivalled freshness.

As with chocolate, roasting is one of the first production steps – and one of the most crucial ones. Standing next to a 20-meter long roasting machine, Joaquim Barriach

explains: “Roasting the fresh nuts awakens the finest flavors and determines the color of the nuts. It demands a unique combination of roasting time and temperature to achieve excellence. Roasting is a science, as well as a fine art. Our three long-standing nut roasters master this art like no one else.” Over the years, Barriach and his team of 90 employees also finetuned another differentiating technique: la Morella nuts is the only company able to carry out high-quality, artisanal caramelization on an industrial scale. This unique caramelization process transforms all kinds of nuts into delicacies such as croquants, sablages and nougatines.

la Morella nuts and Barry Callebaut – a perfect couple

Nuts are an ideal complementary product for chocolate to give additional, new taste experiences. Many Barry Callebaut customers are asking for combinations of chocolate and nut products. Although nuts represented a familiar territory for Barry Callebaut as the company already produced some specific nut products for its customers, the acqui-

sition of la Morella nuts in January 2012 facilitated significant extension of the existing nut offerings. The integration of la Morella nuts underlines the strategic intention of Barry Callebaut to further strengthen its market position in adjacent products for both its Gourmet & Specialties and its Food Manufacturing businesses. Joaquim Barriach draws a positive conclusion from selling his company to Barry Callebaut: “I am convinced that la Morella nuts complements the Barry Callebaut product portfolio in an ideal way and creates added value for the whole group. Like nuts and chocolate, we make a perfect couple.” **RW**

POPLAND, RECHOCOLU

“If the market leader starts promoting values that are important to consumers, the house brand market naturally follows. Consumers quickly notice the measurable benefits of purchasing house brands and become loyal to them.”

BOCUSEAN DUBZINSKI

SUBSTITUTION

Poland is a market with a fundamentally healthy economy, where purchasing power and Gross Domestic Product (GDP) are both expected to grow by more than 3% in 2012. Barry Callebaut spoke with the owner of the family-owned confectionery company EDBOL to find out what makes Poland such a unique place to manufacture and sell chocolate.

Studies show that Polish consumers have a sophisticated taste for chocolate and a growing interest in premium products. How did the Polish consumers discover their preference in chocolate?

After the borders opened in the early 1990s, Polish consumers sought brand name products, with a well-known producer's logo, thinking that the quality was better. But our decision to choose the quite narrow specialization of house brand products was carefully thought out, and our market share is now rapidly growing. The recent economic crisis forced consumers to look at cheaper house brands in a new way. And we

benefitted once they realized that house brands are just as good as well-known brands.

Which are the key advantages of EDBOL's cooperation with Barry Callebaut?

We build relationships with our business partners, both suppliers and customers, based on respect. The cooperation between EDBOL and Barry Callebaut is based on a deep mutual understanding of our needs and abilities and the conditions in which we work. Three factors are vital for us: first, the best quality in raw materials, second a "be on time" policy, allowing precise production planning and third, Research & Development know-how that enables us to find optimal solutions for the most demanding customers.

What are the future trends in the Polish market?

The consumption of chocolate in Poland and Eastern European countries is still small in comparison with Germany or Great Britain for example. Based on this simple indicator, the market in this part of Europe should be considered as developing. The growth rate of sales is a confirmation of this trend. We are committed to fulfilling our customers' increasingly detailed and discerning requirements. It is expected that components in chocolate are as

natural as possible. That means, reducing the amount of sugar, or substituting white sugar with cane sugar, increasing the percentage of cocoa, eliminating emulsifiers and replacing vanillin with vanilla. These requirements will be a challenge for our companies in the coming years, in particular when it comes to the crucial criterion: pricing. Whether the upward trend in sales of chocolate remains depends mainly on consumers' disposable incomes, which are influenced by economic circumstances.

What are the advantages and disadvantages of being a family business?

A family-run business has a lot of advantages. These include: a friendly, family atmosphere, the ease and speed of decision-making resulting from the trust among co-workers, a lack of anonymity which translates into a greater determination of the team to complete even the most difficult tasks, quick and accurate identification of customers' needs, flexibility and rapid responses to changes in the environment, and optimal use of the company potential.

The OSCARs of GASTRONOMY

Passion, innovation, creativity, quality and professionalism take center stage for the world's best chefs and Cacao Barry®, one of Barry Callebaut's global Gourmet brands.

The World's 50 Best Academy chose Cacao Barry as exclusive chocolate sponsor for its 2012 award ceremony to announce the world's 50 best restaurants. As premium chocolate partner for passionate artisans, the Gourmet brand proudly took on this role for the second consecutive year. The event is considered to be the award ceremony for the "Oscars of Gastronomy," creating the "list to be on" in the world of modern fine dining.

The stylish event presents an annual snapshot of the opinions and

experiences of over 800 international restaurant industry experts. Sponsored by S.Pellegrino and Acqua Panna, the award evening took place at London's Guildhall in April 2012. For the third consecutive year, René Redzepi from the Noma Restaurant in Copenhagen, Denmark, won the title among 500 nominated chefs. Jordi Roca, Pastry Chef at El Celler de Can Roca, Girona, Spain, was ranked second. He is one of the prestigious Cacao Barry Ambassadors, a member of Barry Callebaut's Chocolate Ambassadors Club, representing the global Gourmet brand.

Cacao Barry visibly reinforced its position in the high-end restaurant business through its participation in and contribution to the ceremony.

The 150 guests took the opportunity to admire an incredible piece of art by Paul Wayne Gregory, famous British pastry chef and Cacao Barry Ambassador. This took

the form of a life-size pastry chef, made entirely of chocolate.

During the ceremony, Cacao Barry awarded Brett Graham, chef at The Ledbury in London, UK, the title of "Highest Climber," acknowledging his impressive rise from 34th to 14th position since 2011. This specific prize marked and celebrated the great potential of this restaurant.

Pascale Meulemeester, VP Global Gourmet Brand Marketing: "Our presence at this prestigious event goes hand in hand with our strategy to connect with the most innovative and creative chefs around the world, to position our global brand in the HORECA market and to share our passion, know-how and techniques with the chefs." Actively collaborating with the crème de la crème talent of the sector is a key success factor in the overall Gourmet strategy, perfectly exemplified by the Barry Callebaut Chocolate Ambassadors Club. "This is a highly



CACAO BARRY
Cacao Barry is all about inspiration, creativity, innovation, and above all passion. Since its creation in 1842, Cacao Barry has been entirely committed to preserving and expanding its French pastry heritage all over the world. Today, Cacao Barry provides the most complete palette of products to passionate chocolate craftsmen around the world – chocolates and couverture, pure origins and exclusive plantations, nut based products, decorations and molds – inspiring them and opening doors to new creative experiences.

Jordi Roca loves ... Cacao Barry Cuba Origin dark chocolate couverture, for its aromas of red fruits, vanilla and spices. He also admits to having a soft spot for the Madirofolo Plantation dark chocolate.



CUBA ORIGIN DARK CHOCOLATE:
70% cocoa – a balanced chocolate with good cocoa taste, it has fullness and bitterness in harmony. Emitting beautiful fruity notes, it presents a spicy accent and a biscuit note.

MADIROFOLO PLANTATION DARK CHOCOLATE:
65% cocoa – it is a finely balanced dark chocolate with fruity and acidic notes followed by a slightly bitter finish.



active network of around 150 well-known chefs and restaurant owners, pastry chefs and artisans, who represent one of the three Gourmet brands – Callebaut®, Cacao Barry or Carma®. These dedicated individuals contribute huge energy and expertise to this important area of our business,” she adds.

Jordi Roca states: “Being a Cacao Barry Ambassador gives me access to in-depth product knowledge, including technical expertise on the possibilities harbored by each chocolate. I’m also excited about gaining further insights into the products’ histories and origins – both vital ingredients in my own dessert stories.”

Cacao Barry is particularly proud to count such great chefs as Jordi Roca among the members of its Chocolate Ambassadors’ community. Especially since the aim of this club is to share and transfer chocolate know-how and techniques to

optimally address top chefs’ needs.

Winning an “Oscar” is undoubtedly an admirable achievement. Cacao Barry already has its eye on many successful “sequels” to be seen in the kitchens of the world’s most talented chefs – with passion, inspiration and know-how all playing leading roles. SD

Enjoy amazing chocolate desserts made with Cacao Barry chocolate at the following restaurants of our Chocolate Ambassadors:



FRANCE

Régis Marcon

Executive Chef

Restaurant Régis et Jacques

3-star Michelin

Larsiallas, 43290 St-Bonnet-le-Froid

Phone: +33 4 71 59 93 72

www.regismarcon.fr

Laurent Delabre & Guillaume Caron

Executive Chef & Pastry Chef

Restaurant La Tour d'Argent

1-star Michelin

15, quai de la Tournelle, 75005 Paris

Phone: +33 1 4354 2331

www.latourdargent.com

François Adamski

Executive Chef

Le Gabriel

1-star Michelin

10, place de la Bourse, 33000 Bordeaux

Phone: +33 5 5630 0080

www.bordeaux-gabriel.fr



BELGIUM

Hertog Jan

Executive Chef

Hertog Jan

3-star Michelin

Torhoutsesteenweg 479, 8200 Sint-Michiels (Brugge)

Phone: +32 50 67 3446

www.hertog-jan.com

Thierry Theys

Executive Chef

Restaurant Nuance

2-star Michelin

Killaanstraat 6–8, 2570 Duffel

Phone: +32 15 63 42 65

www.resto-nuance.be



NETHERLANDS

Sergio Herman

Chef

Oud Sluis

3-star Michelin

Beestenmarkt 2, 4524 EA Sluis

Phone: +31 117 46 12 69

www.sergio-herman.com



SPAIN

Jordi Roca

Pastry Chef

El Celler de Can Roca

Can Sunyer, 48, 17007 Girona

Phone: +34 972 222 157

www.cellercanroca.com



U.K.

Alan Murchison

Executive Chef

L'ortolan

1-star Michelin

Church Lane, Shinfield, Reading RG2 9BY

Phone: +44 1189 888 500

www.lortolan.com

The role of price

**in achieving
a sustainable
cocoa supply**

As Managing Director
Currency Commodity &
Alternative Investment
Research at Credit Suisse,
Joe Prendergast's research
focuses on the role of
price in a sustained access
to commodities.

Joe Prendergast gives us an insight into the need for the industry to invest in more systematic sustainability projects in order to stem a price increase in the cocoa supply chain in the long run.

How do you define a sustainable supply of cocoa and why is it important for the future of the cocoa industry?

We approach sustainability mainly from the analysis of the price of cocoa. We focus our research on cocoa farmers' net income as we believe that the real challenge of the cocoa industry lies in this very central point. The net income determines for example the resources that the farmer will have in order to invest in growing quality cocoa and keeping the trees healthy and the attractiveness of the cocoa farming activity that he will be able to legate to younger generations. In addition, we believe that pursuing sustainability is essential and beneficial for both ends of the supply chain: for the farmers as the constraints in the supply chain begin at their level and for the retailers as the interface to an ever more discerning consumer.

Environmental, Social and Governance (ESG) factors are becoming increasingly important for investors, how do you view the role of investors in influencing sustainability topics?

From my experience of dealing with private and institutional clients, I observe a deep interest and consideration for ESG factors when investors appraise their investment portfolio, a trend that is bound to accelerate in the future. This new consideration will put additional pressure on companies, in particular the listed ones, to embed sustainability in their core activity. And as the trend becomes increasingly important, companies will no longer need to convince their shareholders to support their investments in sustainability.

How has the price of cocoa evolved in the past decades and where do you see it going in the future?

Occasional increases have been seen in cocoa prices such as in 2011 amid political uncertainty in the Ivory Coast, but over the past few years, the real price of cocoa has been rather low compared to previous



The harvest is weighed at a cocoa buying station in Ghana.

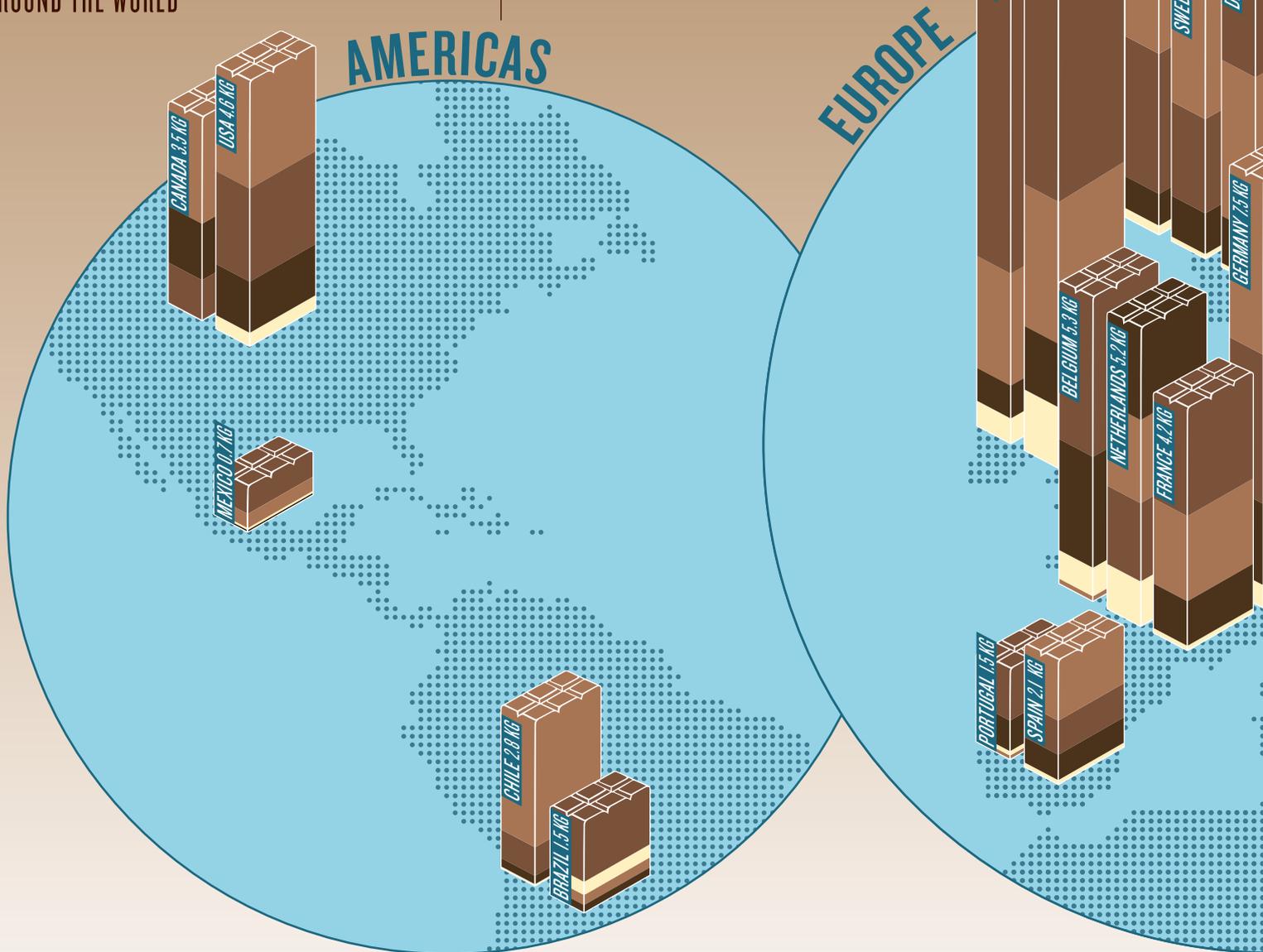
decades. But the current structural challenges faced by the industry such as ageing trees, abandonment of cocoa cropping by younger generations, general underinvestment and poor infrastructures are, in my view, the main reasons why prices in the coming decade will not look as soft as the last. Indeed, the risk for more extreme price spikes is increasing as these structural challenges become more pressing. Over the longer term, we think somewhat higher prices are necessary to develop a more sustainable cocoa supply chain and to promote further investments. Ultimately, this should ensure future supply and lead to a more stable and predictable price of cocoa.

How do you see the cocoa industry evolving in the future?

Global demand in cocoa has been growing by about 2.5% over the past ten years. But the industry could face challenges in accessing the raw material; besides the weather and geopolitical challenges occasionally faced in origin countries, the cycle of investment in cocoa is a long one. It takes several years for a new tree to bear fruit and many more before it reaches its peak, so the supply response cannot be fast and flexible. This means that one or two bad harvests to come would lead to a severe supply shock, which is a key indicator of the urgent need to invest in long-term sustainable supply model that will ensure the industry a sustained access to raw material.

CHOCOLATE CONSUMPTION AND TASTE PREFERENCES AROUND THE WORLD

Chocolate has conquered the world, but taste preferences vary from country to country. Barry Callebaut offers its customers more than 3,000 recipes, allowing us to cater to local taste preferences around the world.



UNITED KINGDOM
11 KG

CREAMY FILLED MILK

Plain milk chocolate as well as filled tablets

IRELAND
9.6 KG

PLAIN MILK FILLED WITH LOWER SUGAR LEVELS AND NUTS OR DRIED FRUIT ARE THE MOST POPULAR DARK CHOCOLATE

Plain milk and filled, most notably with nuts and/or dried fruit are the most popular chocolate tablets. Considered as a healthier option due to lower sugar levels and caloric values, dark chocolate grows in popularity.

SWITZERLAND
9.5 KG

HIGH COCOA CONTENT ORGANIC MILKCREAMY FAIRTRADE

Creamy milk chocolate; growing demand for Fairtrade, organic and premium tablets with high cocoa content over 70%.

AUSTRIA
7.5 KG

HIGH-QUALITY INGREDIENTS PLAIN MILK PREMIUM QUALITY

Filled chocolate and plain milk tablets; increasing focus of high-quality ingredients.

GERMANY
7.5 KG

FILLED MILK EXOTIC FILINGS HEALTH-CONSCIOUS

Filled chocolate with exotic flavors; reduced sugar and fewer calories continue to play a role for consumers.

NORWAY
6.9 KG

HEALTH BENEFITS FILLED MILK DARK CHOCOLATE PLAIN MILK

Filled milk followed by plain milk chocolate. Norwegians are chocolate lovers who adapt slowly to new trends. Dark chocolate is gaining in popularity because of its health benefits.

DENMARK
6.7 KG

FILLED TABLETS MILK DARK - BETTER QUALITY

Plain milk and filled chocolate tablets; plain dark chocolate tablets considered better quality and healthy compared to milk chocolate.

USA
4.6 KG

CHILLI CHOCOLATE SALTY FILLED

Filled tablets with salt/savory flavors; trend towards exotic chilli chocolate combinations.

NEW ZEALAND
4.3 KG

HEALTH BENEFITS FILLED CHOCOLATE DARK CHOCOLATE MILK FAIRTRADE

Filled and plain milk chocolate are most popular followed by plain dark chocolate due to increasing awareness of health benefits.

FRANCE
4.2 KG

HEALTH & WELLNESS CARAMEL OR PRALINE FILLED TABLETS WITH NUTS

Plain milk and filled chocolate with nuts, caramel or praline; increasing health awareness with interest in chocolate with less sugar or fat.

CZECH REPUBLIC
3.9 KG

MOST POPULAR GIFT CHOCOLATE FILLED TABLETS

Plain milk and filled tablets; tablets are the most popular and traditional chocolate confectionery and often bought as small gifts.

CANADA
3.5 KG

DARK AND NOT SWEET FILLED ORGANIC

Filled chocolate most popular; intense dark chocolate with high cocoa levels, not sweet as well as premium and organic chocolate tablets on the rise.

CHILE
2.8 KG

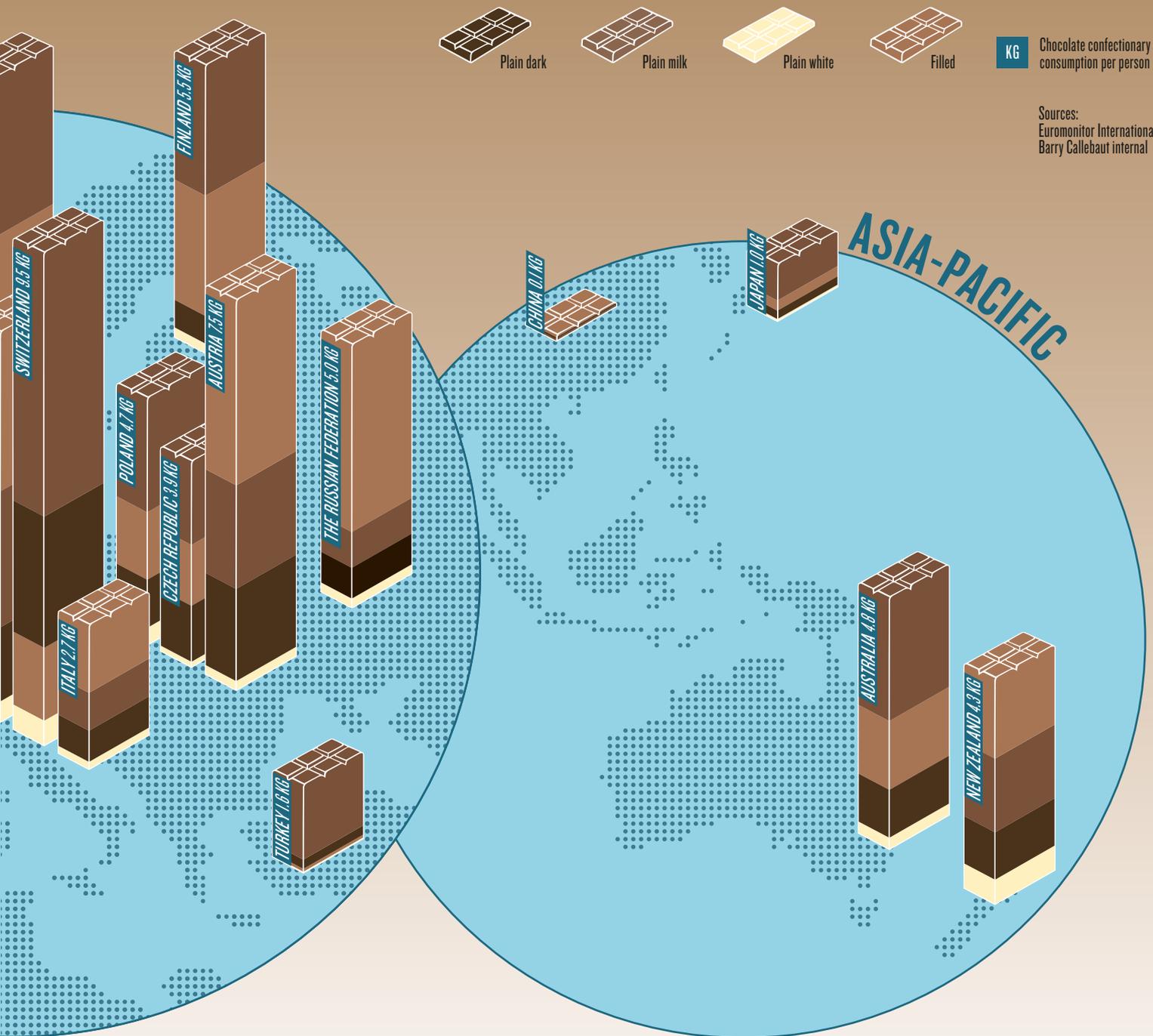
CARAMEL BETTER QUALITY FILLED NUTS SEASONAL CHOCOLATE

Filled tablets with strawberry or caramel fillings as well as nuts. Strong seasonal chocolate interest; growing preference for better quality chocolate.

ITALY
2.7 KG

INTEREST IN DARK CHOCOLATE FILLED

Filled chocolate most popular; trend towards darker chocolate due to health benefits.



SWEDEN 5.6 KG

QUALITY CERTIFIED CHOCOLATE INDULGENCE TASTE SENSATIONS

Filled chocolates with creamy flavor combinations; increasing interest in certified and chocolate with more than 50% cocoa content.

FINLAND 5.5 KG

DARK CHOCOLATE FILLED CHOCOLATE MILK ALMOND TASTE

Plain milk tablets are the preferred choice followed closely by filled tablets with almond taste. Interest in dark chocolate growing.

BELGIUM 5.3 KG

HEALTH BENEFITS MILK DARK AND PREMIUM CHOCOLATE

Milk chocolate; growing interest in dark chocolate due to its health benefits.

THE NETHERLANDS 5.2 KG

PREMIUM QUALITY FAIRTRADE HEALTH

Dark chocolate is valued for its perceived health attributes. Growing interest in Fairtrade chocolate.

THE RUSSIAN FEDERATION 5.0 KG

FILLED CHOCOLATE TABLETS QUALITY-CONSCIOUS NUTS RAISINS DARK CHOCOLATE - PREMIUM

Combinations of milk or dark chocolate with different fillings with nuts and raisins or even pepper and yoghurt. Plain dark is considered premium chocolate due to fewer calories and believed to be healthier than milk chocolate.

AUSTRALIA 4.8 KG

FILLED FRUIT PLAIN MILK NUT PROVENANCE

Plain milk chocolate dominates before filled milk chocolate tablets; wide variety of plain, filled, fruit, and nut dark as well as white chocolate. Higher cocoa content and provenance gaining on importance.

POLAND 4.7 KG

COFFEE WITH TOFFEE NUTS HEALTH-CONSCIOUS PLAIN DARK COCONUT CHOCOLATE WITH CREAM

Plain creamy milk chocolate; growing interest in filled chocolate tablets with two fillings such as coconut with nuts, coffee with toffee and chocolate with cream.

SPAIN 2.1 KG

FLAVORED MOUSSE NUTS MINT FILLED

Filled chocolate with nuts, mint and flavored mousse.

TURKEY 1.6 KG

MILK HIGH COCOA CONTENT DARK CHOCOLATE

Plain milk chocolate; rising interest in dark chocolate with high cocoa content.

BRAZIL 1.5 KG

VALUE-ADDED MILK DARK AND FILLED TABLETS

Milk chocolate; trend towards more value-added products such as plain dark and filled tablets.

PORTUGAL 1.5 KG

VALUE-FOR-MONEY DARK MILK

Plain milk chocolate most popular with dark chocolate on the rise. Value-for-money is key consumer priority.

JAPAN 1.0 KG

HAND-MADE MILK CHOCOLATES

Plain milk chocolate; also mainly used for hand-made chocolates. Easing of the boom in dark chocolate with high cocoa content.

MEXICO 0.7 KG

NO TRADITION IN DARK CHOCOLATE MILK

Plain milk chocolate; little interest in dark chocolate.

CHINA 0.1 KG

DAILY SNACK COST-CONSCIOUS FILLED DARK CHOCOLATE

Filled tablets, were promoted and bought due to rising cost of raw cocoa; dark chocolate gains market share due to continued health and wellness trend overall. Chocolate gradually becomes more a snack for every day than a gift item.

ACCELERATING SUSTAINABILITY

Cocoa Horizons programs in origin countries are seeding new opportunities for farmers



An abundant supply of high-quality cocoa beans is essential to the production of high-quality chocolate, the heart of Barry Callebaut's business. To satisfy the world's growing appetite for chocolate, by 2020 manufacturers will need one million more tonnes of cocoa beans than are processed today. Where and how will this enormous supply of new cocoa be grown? How can we ensure that cocoa is grown in a sustainable and responsible way? And what measures are needed to make cocoa farming a viable livelihood for young farmers for generations to come? These are pressing concerns for the cocoa and chocolate industry. Barry Callebaut has been working for many years to address these challenges through its own programs with farmers and farmer organizations, as well as through industry actions.

In March 2012, Barry Callebaut launched Cocoa Horizons, a CHF 40 million cocoa sustainability initiative to boost farm productivity, increase quality and improve family livelihoods in key cocoa producing countries in West and Central Africa, Brazil and Indonesia over ten years. It is the most ambitious and far-reaching sustainability program in the company's history.

The initiative builds on Barry Callebaut's proven Quality Partner Program (QPP) for cocoa farmer cooperatives. Launched in 2005, and currently engaging more than 40,000 farmers in Côte d'Ivoire and in Cameroon, QPP was the first program of its kind to emphasize quality improvement goals for cocoa as well as farming practices.

As part of its Cocoa Horizons initiative, Barry Callebaut is estab-

lishing a Cocoa Center of Excellence, and five Farmer Academies that will be located in important cocoa-growing regions in Côte d'Ivoire, the world's largest cocoa producer. It has developed a portfolio of yield enhancement techniques aimed at increasing the yields per hectare and quality of cocoa grown by smallholder farmers.

“We're aiming to develop activities with farmers themselves, who – supported with the proverbial ‘hand up’ versus a ‘hand out’ – can grow businesses that gain momentum and impact many lives.”



STEVEN RETZLAFF, PRESIDENT
GLOBAL SOURCING & COCOA

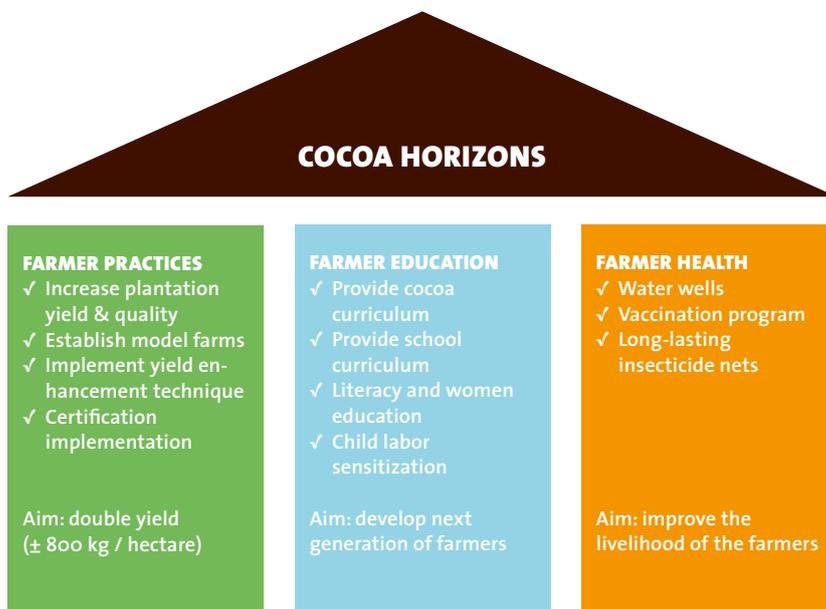
Marina Morari, CSR Manager Global Sourcing & Cocoa, talked with Steven Retzlaff, President Global Sourcing & Cocoa, about Cocoa Horizons, the guiding principle of “farmers first” and the

necessity to design programs that can be scaled up to maximize impact – the ultimate measure of success.

Cocoa farmers in West Africa produce about 70% of the world's cocoa crop. Over the years, the farmers have experienced waves of agricultural projects and training programs funded by exporters, traders, processors, manufacturers, retailers, government bodies and NGOs – all fueled by good intentions. How is Cocoa Horizons different?

The cocoa farming landscape is indeed dotted with many well-meaning projects. While progress certainly has been made over the years to address productivity concerns, the lasting impact on farmers and farming communities is still notoriously hard to measure. Cocoa Horizons is our long-term initiative to improve farm productivity, cocoa quality and farmer livelihoods in a sustainable way. It comprises three pillars – Farmer Practices, Farmer Education and Farmer Health – and the core activities under each of these pillars focus on the cocoa farmer. This is what we mean by putting farmers first.

Our goals under Cocoa Horizons are to enable cocoa farmers to double their yields per hectare, to train the next generation of modern young cocoa farmers, and to help ensure farmers and their families have access to clean water and basic health services. And in order to achieve lasting impact, we want to make sure that core activities can be scaled up, ideally by the participating farmers themselves, to benefit more and more producers. We believe such innovative approaches will be essential to ensure future supplies of



Cocoa Horizons: mobilizing young farmers through innovation and entrepreneurship

quality cocoa and improved livelihoods for farmers and their families.

The claim “made with sustainable cocoa” is appearing on more product packaging. To consumers, this must surely sound like a good thing. How far can labels and claims go in educating the public about the challenges of growing cocoa?

The many labels and claims probably cause more confusion than clarity for consumers today. The cocoa sector is very complex, on the one hand; and, on the other, there are many opinions about how to define cocoa sustainability and not all definitions would fit easily on a package. At Barry Callebaut, we define cocoa production as “sustainable” when farmers earn equitable

income, engage in responsible labor practices, safeguard the environment through sound agricultural practices, and can provide for the basic health and education needs and general well-being of their families. These are the aspirations we have defined for our programs.

Let’s talk about how Cocoa Horizons aims to work with farmers to achieve sustainable cocoa production. Training is a big part of the Farmer Practices pillar.

We see farmer training in “good agricultural practices” or GAP as the fundamental building block. You’ve got to start with sound knowledge of farm maintenance, disease and pest management, and proper fermentation and drying techniques. Beyond

good agricultural practices, we will also be providing advanced training in grafting, farm regeneration and intercropping at our Cocoa Center of Excellence and Farmer Academies. Knowledge is important but applying it is critical. So we also want to be sure that farmers understand the business value of applying good agricultural practices and yield enhancement techniques – meaning how investing time and effort in these activities can help them earn more.

What about activities such as certification and participation in controlled fermentation programs?

Agricultural training offers a pathway for interested farmers and farmer organizations to work towards compliance with certification standards including UTZ Certified, Rainforest Alliance, Fairtrade, organic and others. Barry Callebaut began offering certification training to farmers in 2001, and we’ve included in Cocoa Horizons activities to help enable farmers to meet their goals for independent certification.

Also under Cocoa Horizons, we are expanding our controlled fermentation programs in Côte d’Ivoire, Cameroon and Indonesia to create additional opportunities for farmers to increase their incomes. Using our patented advanced fermentation technique, farmers can produce high-quality cocoa beans with no defects or off-flavors in significantly less time than by conventional fermentation methods.

With around one million smallholders in Côte d’Ivoire alone, scaling up successful programs will be essential to produce that additional one million tonnes of cocoa needed by 2020 to

satisfy the world's sweet tooth. How can this challenge be addressed?

We believe that tapping into the entrepreneurial skills of competent and motivated young farmers will be one of the best ways to ensure scalability. For example, we are developing models in which trained farmers could be provided with seed funding to go into business for themselves providing seedlings, inputs and yield enhancement services to their neighbors. Once again, it's about putting the farmer first.

The need to be able to scale up programs also applies to the core activities that comprise the Farmer Education and Farmer Health pillars of Cocoa Horizons.

That's right. Within each pillar, we want to have a mechanism in place that can result in scaling up core activities. Our goal under Farmer Education is to develop the next generation of young cocoa farmers. We aim to work towards that goal by promoting a curriculum that includes cocoa farming education and business skills training for youth, with tailored activities for girls and women.

Under the Farmer Health pillar, we've decided to focus on improving access to clean, safe water as well as basic health care. Here, too, we're exploring how to apply good business principles to address the challenge of how to make potable water available to many more beneficiaries than in our initial targeted areas of intervention. Ultimately, we're aiming to develop activities with farmers themselves, who – supported with the proverbial “hand up” versus a “hand out” – can gradually grow businesses that gain momentum and have a significant impact on many lives. **MM**

COCOA CENTER OF EXCELLENCE

Barry Callebaut is establishing a Cocoa Center of Excellence to promote advanced agricultural techniques in Côte d'Ivoire, the world's largest cocoa producing country. The Center will include training facilities for farmers and a 30-hectare “showcase farm” to demonstrate state-of-the-art intercropping techniques and other yield enhancement practices such as grafting to rejuvenate aging cocoa farms and increase farm productivity.

The Center will be situated in Pacobo in the Department of Tiassalé in the south-central region of Côte d'Ivoire. A cornerstone of Barry Callebaut's Cocoa Horizons global sustainability initiative, the Center is scheduled to be operational from October 2012.

Barry Callebaut will use the 30-acre showcase farm to test different approaches for growing cocoa alongside rubber as well as with other food crops such as plantain, coconut, mango, pineapple, beans and maize. Native shade trees are also being planted. The company is building on its prior experience with intercropping of compatible plants to improve productivity and preserve biodiversity.

An abundant variety of plants and trees simulates the natural diversity found in the rainforest and results in a healthy ecosystem. This, in turn, means more productive cocoa trees. In addition to the environmental benefits, planting other food crops and trees together with cocoa also directly benefits farmers and their families by providing variety to the family diet as well as creating additional sources of income to complement the earnings from cocoa.

EAST MEETS WEST

How an Expo
cooperation turned
into a flourishing
business.



The tall, blond Belgian dwarfs the petite Chinese woman at his side. But size isn't everything in this business, as the Belgian chocolatier Kris Dooms will be the first to tell you. Dooms and Jenny Tian, two experts in their craft of chocolate-praline-making, are equal partners in a venture that was born two years ago, at the World Expo 2010 in Shanghai, China. Their Belgian-Chinese chocolate boutique, Chocolaterie Dooms-Tian, is the project they planned, created and carried out together. Today it is thriving – and is a real cross-cultural success story.

Chocolaterie Dooms-Tian is located in an ordinary Shanghai neighborhood away from the flash and the glamor of the Nanjing Road shopping district. It caters to middle-class Chinese who are looking for extraordinary taste in a product that they are only beginning to discover.

Entering the glass doors into the narrow shop, one imagines oneself in a fine chocolate boutique in Brussels or Paris, with the sweet smell of freshly made pralines enchanting the visitor from the moment she sets foot in the store. Glass vitrines showcase the creations, fresh from the kitchen at the back.

Bringing the Belgian Chocolate tradition to China

The idea for Kris Dooms' leap of faith into the Chinese market was born during the World Exposition in Shanghai in 2010. As the President of FENACO, the Belgian Royal Association for Artisanal Chocolatiers and Confectioners, he initiated a campaign that would bring together all of the notable Belgian chocolate companies to showcase their craft at the Belgian Chocolate Corner in the Belgian-European Pavilion at the exposition. "I thought we must do something together – put all our differences aside and join together to make an effort to conquer this huge market. We needed to show the Chinese people the very best that the Belgian chocolate tradition has to offer."

He brought a total of 77 artisan chefs to Shanghai over the course of the six-month event, and engaged Jenny Tian, a Chinese chocolatier, to be his local assistant. Tian was already a Barry Callebaut Gourmet customer, and owned her own speciality chocolate shop in Shanghai.

The Expo was a great success, and then Dooms began to think about the future.

"I knew at the time I wanted to try something out in China myself, but I didn't know how to go about doing it," Dooms says. "I needed a partner who spoke Chinese, someone who had experience dealing with authorities and the Chinese customer, and also who was a top-notch chocolatier. After we found Jenny to help out at the Expo, I asked her if she would be interested in trying something out together long-term. She agreed."

"Barry Callebaut asked me four times to become Kris' assistant at Expo before I said yes," adds Jenny Tian. "Because I knew that this

"In China, it's all about going back to the pure basics."

KRIS DOOMS

would not be an easy job. But when we met each other for the first time and started working together, I stopped doubting, and I could see us doing some kind of chocolate business together long-term."

An equal relationship

The pair agreed on a 50-50 relationship from the start, where each has equal say in running the venture. In return for revamping Tian's chocolate boutique – making it look, feel, taste, sound and smell like a boutique in the West – Dooms got to see first-hand what it is like to do business in the booming Chinese metropole. Tian is a real insider in the industry, and her business contacts were priceless.

"It was an equal partnership from the beginning, and we both have been able to benefit immensely," says Tian.

But before they could start, they had to solve a few basic logistical challenges. For example, all of the raw materials for the exquisite pralines that are made in the Belgian tradition must be imported. Even local dairy products and sugar are not of the quality which Dooms was used to using in his products.

Evolving tastes and sophisticated products

And what are the main differences between China and Europe? What do Chinese customers prefer?

"I quickly found out that we are far too complex with our tastes in Europe," says Kris Dooms. "In

Europe, we have had many decades of learning about all the flavors chocolate can offer, and our tastes have evolved. In China, consumers are only beginning to discover the taste of fine chocolate, so we must be careful not to overload them too many with sensory experiences all at once. In China, it's all about going back to the pure basics."

"Chinese consumers are still at the very beginning of this journey," adds Tian. "Therefore topics which are at the top of the agenda in Europe, such as sustainability and ethically sourced cocoa, are really not of concern here. That is one of the things we do at the shop: educate consumers about the cocoa bean, how it is harvested, and its voyage to the other side of the world where it is made into a wonderful chocolate product."

The tastes in China are also changing, the two say, adding that in a few years' time, the Chinese customer will demand just as sophisticated products as customers in Europe.

The future of Chocolaterie Dooms-Tian seems secure, and the two are making other plans, too.

A place for experiments

"Our shop is a test case and we can use it to try things out," says Tian. "It is the perfect place to teach people about chocolate and let them experiment with chocolate themselves. We have a third partner in our team who is specialist in retail and franchising, and will use the knowledge we have gained with this project to help other chocolate companies."

"Chocolaterie Dooms-Tian is an experiment for me," adds Dooms. "We are not planning on opening stores in every city in China. But I think I can pass on what I have learned to other food and specialties companies who are thinking about entering the Chinese market. I now know what it takes to organize events and to run a successful business in China. I have found people I trust so I think it would be useful to try to transfer that knowledge to others. Because what many Western businesspeople think they know about the Chinese market is not at all what it is really like."

PW

In the fast lane: the Gourmet business is thriving in Russia

Until a few years ago, the potential of Russia – was a giant in waiting. Today, it is a success story.





As in the fast-growing chocolate market, the best way to get consumers' attention is to set new trends and support pastry chefs. Growth in the chocolate market is defined by a shift in consumer preference towards high-quality premium products. Barry Callebaut's Chocolate Academy responds to this trend by helping chefs enhance their chocolate-making skills.

What a difference five years can make. In 2007, Barry Callebaut imported its Gourmet product range to Russia through an official representative office. But that was not enough for the potential this huge Eastern European market offered. Barry Callebaut recognized this opportunity for growth early – and acted quickly. A factory, completed in 2007, and a state-of-the-art Chocolate Academy™, opened in 2008, proved to be wise investments in what was, for Gourmet, an underdeveloped region. Both are located in Chekhov, 60 km south of Moscow, and they are flourishing. Russian consumers' taste for high-quality, sophisticated products is helping Barry Callebaut Gourmet gain ground in Russia. This trend includes the opening of premium cafés and the use of refined chocolate desserts in restaurants

and hotels, mainly in urban centers. Over the past five years, the Barry Callebaut Gourmet business in Russia has tripled its volume. By the year 2016, Russians are expected to be consuming an average of 5.9 kilograms of chocolate per capita, compared with just 3.9 kilograms in 2004¹. The trend here is clear. Demand for high premium chocolate products in Russia is booming.

“The Russian chocolate market shows a shift in consumer preference towards high-quality chocolate,” says Wielfried Hauwel, Head of the Chocolate Academy in Chekhov. “Through our courses at the Chocolate Academy, we can help our clients to create new delicate flavor impressions for consumers.”

Accomplished chocolate-, confectionary- and pastry-makers, as well as beginners who are just starting

their careers in the industry, gather regularly in the Chocolate Academy to acquire and share technical expertise. The Academy offers a wide range of seminars, demonstrations, theoretical courses and practical workshops which provide professionals with new recipes, innovative techniques or new products they can use and implement in their businesses.

“Each Chocolate Academy course unleashes new enthusiasm, inspiration and passion among artisans and culinary professionals to train their skills in working with fine chocolate products,” Galina Bogdanova, Gourmet Sales Manager Russia, explains. “This is exactly what the discerning Russian consumer demands.”

TF

¹Source: Euromonitor



MORE FROM LESS

Increasing output without increasing capacity?

Yes, we can!

How can you turn the world's biggest chocolate factory into the world's most efficient one? Sven Pieters, Production Manager in Wieze, Belgium, has the answer and proudly shows the result to Flemish Minister-President Kris Peeters.



Continuous improvement results in Wieze, Belgium:

- 14%: man-hour per tonne
- +15%: capacity on powder line
- 20%: change-over time in molding
- 30%: gas consumption
- 33%: planned maintenance cocoa line
- 40%: electricity consumption
- 50%: time for overhaul of refiners



**MARNIX VAN DER BIEST,
CORPORATE CONTINUOUS IMPROVEMENT
MANAGER OPERATIONS & SUPPLY CHAIN**

“With our continuous improvement methodology, we have a comprehensive full-loop system to make people work and think in a performance-oriented way, every single day. And we now have a factory management method that helps us to digest our ambitious growth today and tomorrow.”



**HERVE CANTELOU,
PLANT MANAGER, LOUVIERS, FRANCE**

“Project success is when an operator from another workshop asks you when the continuous improvement method will be implemented at his or her facility.”



**NICK RUSSINKO,
BUSINESS PROCESS MANAGER FOR THE BARRY
CALLEBAUT FACTORIES IN NORTH AMERICA**

“I strongly believe in the threefold process to develop ownership and commitment for Continuous Improvement activities. This involves encouraging people to challenge the status quo in a constructive way, training them to find cross-departmental solutions and implementing these on the floor.”

The last issue of the Journal featured a story about continuous improvement in efficiency. Its content focused on successful pilot projects in the U.S., France and Japan. Following the powerful example set by the movie industry, we now proudly present the sequel, “continuous improvement II” – no 3-D glasses required!

In the interim, many other locations in the Americas, Western Europe and Asia have started to apply standardized methodology to obtain “more from less” through sharing best practices, successes, findings, and also flops, with other regional teams. These teams represent a dynamic combination of experienced and young colleagues. For the younger members, the continuous improvement know-how is a strong foundation on which to build their future professional careers. Their more seasoned colleagues enhance their management insights with new techniques and eye-

opening experiences. In this way, continuous improvement actively contributes to the continuous development of employees.

The magnitude of the results inevitably varies from site to site (see example for Wieze, Belgium, the world’s biggest chocolate factory), with each one contributing to an overall achievement exceeding our expectations. Top of the tree is Japan with an impressive 55% increase in production line output.

The yearly recurring benefits are a multiple of the initial investment cost and interestingly, the project has a payback of less than one year. Whereas continuous improvement was initiated as a program, it has now become embedded in our organizational structures and is here to stay.

“We all have our individual management concepts and techniques, but significant differences are only made when the entire organization acts as one. My biggest

learning has been the effective implementation of a holistic system to manage performance across an entire organization, with the aim of systematically driving performance improvements. With our continuous improvement methodology, we have a comprehensive full-loop system to make people work and think in a performance-oriented way, every single day. And we now have a factory management method that helps us to digest our ambitious growth today and tomorrow,” explains Marnix Van der Biest, Corporate Continuous Improvement Manager.

With Barry Callebaut’s around 45 factories, we are sure the script for the next sequel of our story on “more from less” is already in the making...

JW

Nature's best: Terra Cacao

What started as
a research project
nine years ago
becomes a huge
market success.





The Terra Cacao line covers a number of milk and dark chocolate products with cocoa percentages ranging from 33.5% to 70.5%.

“Terra Cacao was a big leap forward in taste and I’m pleased to say that we have been able to inspire many customers with our range. We see a great future for our Terra Cacao products.”

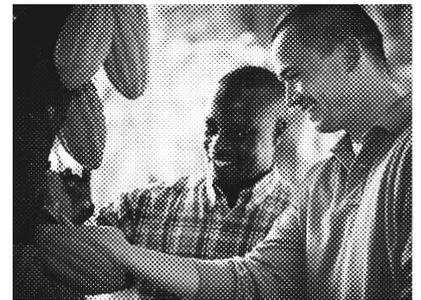
SOFIE DE LATHOUWER, MARKETING DIRECTOR
FOOD MANUFACTURERS WESTERN EUROPE

Terra Cacao™ – the name and the logo of Barry Callebaut’s superior quality chocolate range already reveal what is behind the name: a new innovation in superior-tasting chocolate.

Terra Cacao comprises cocoa that has virtually zero defects and off flavors, resulting in a 100% natural chocolate, from sustainable and ethical production, with a harmony of pure tastes and rich aromas. The beans arrive from farms located in the most favorable growing regions of the equatorial belt, where the soil is fertile and farmers tend trees with care.

The innovation in Terra Cacao is applied after the harvest, during the critical fermentation of the cocoa beans, when many factors, including weather, make the difference between top quality and lesser quality beans.

“We created a technique to naturally enhance the process and promote the growth of the cultures, bringing out the flavor of the beans more prominently,” said Nicholas



Nicholas Camu (right) in the research field.

Camu, who initially helped develop the process. Nine years later that process has led to a product line that Barry Callebaut is proud to call nature’s best.

Terra Cacao also supports Barry Callebaut’s long-standing commitment to foster sustainability in the cocoa industry through close ties with local farming organizations. By improving overall quality, local farmers in origin countries can earn higher incomes and thus create better livelihoods for themselves and their communities.

PW

A FACTORY TAKES SHAPE

On a field near Makassar in rural Sulawesi, a brand new cocoa processing factory is taking shape. The permits are in, the foundation has been poured and the machines have been ordered. In a few short months, Barry Callebaut will open its first plant in Indonesia, to supply the ever growing Asian market with much-needed cocoa liquor, butter and powder.

The construction site is the first physical manifestation of the joint venture agreement Barry Callebaut signed in November 2011 with Indonesian diversified soft commodities trader and exporter P.T. Comextra Majora. The new company, P.T. Barry Callebaut Comextra Indonesia, is owned 60% by Barry Callebaut and 40% by P.T. Comextra Majora. The cocoa processing facility on the island in east-central Indonesia will have an initial grinding capacity of 28,000 tonnes and is due to start production in May 2013.

Diversifying to Asia

Expansion – organic growth as well as through acquisitions – is one of the company's four strategic pillars, and diversification in sustainably sourced cocoa is a top priority, especially for the Asian market, says Richard Fahey, Vice President Sales and Marketing Cocoa for the Asia Region.

Barry Callebaut will be responsible for running the factory and will purchase the products manufactured, while P.T. Comextra Majora will use its 20 years of experience in cocoa sourcing to supply the factory with cocoa beans under a long-term supply agreement. The new joint venture will allow Barry Callebaut to increase its sustainable sourcing activities in Indonesia through P.T. Comextra's strong on-the-ground presence and relationships with local cocoa farmers.

"So far we have not been active on the ground in Asia," says Fahey. "We don't have the same physical setup in Indonesia as we do in Western Africa – we don't have the history here – so this joint venture is one big step in that direction. We are pooling our expertise and this is the best kind of setup you can have."

And the demand for chocolate in Asia continues to grow. In the fiscal year 2011/12, Asian chocolate markets outperformed all other regions, rising by 5.5%, with sales volume up by 10.3%. The additional production capacity in Asia will certainly help to satisfy this demand.

Supporting Indonesian cocoa farmers

Indonesia is the world's third largest cocoa producing country, with 60% of the beans coming from Sulawesi. Cocoa also grows in Sumatra

and Java, though other crops are encroaching upon the area previously dominated by cocoa. "We see palm creeping in, especially on Java and Sumatra, and we are getting worried that this will happen in Sulawesi too," says Fahey. "The fact is these crops might offer a better short-term proposition for farmers."

In order to prevent this from happening, Barry Callebaut is introducing the "Cocoa Horizons" model in Asia and is in the process of identifying locations for farmer outreach programs similar to those already operating successfully in Ivory Coast. Launched in March 2012, "Cocoa Horizons" is Barry Callebaut's CHF 40 million cocoa sustainability initiative designed to boost farm productivity, increase quality and improve family livelihoods in key cocoa producing countries over the next ten years.

"An important priority is diversification of sustainable sourcing," says Fahey. "That means securing a supply of cocoa from regions outside of West Africa. So we need to do all we can to maintain the cocoa that we have in Indonesia – that in itself would be quite an achievement for the short term."

PW

Model of the new Barry Callebaut cocoa processing factory in Makassar, Indonesia.



ONCE UPON A TIME IN MEXICO



Chocolate's history and the Barry Callebaut expansion in Latin America share common ground.

The first records of chocolate consumption date from 1519, when Spanish explorer Hernán Cortés had his first cup of chocolate when visiting the court of Aztec Emperor Moctezuma of Mexico. Five centuries later, Mexico looks set to play another decisive role in growing the market for chocolate – this time at the root of the Barry Callebaut expansion in Latin America. Today, the seeds take the form of major outsourcing and distribution agreements with Mexican corporations.

The Barry Callebaut approach to geographic expansion is characterized by a strong partnership principle. Translated into the terms of daily business, this means win-win collaborations with corporations sharing the same integral values of

quality, innovation, sustainability and customer service. This strategy is already bearing its first fruits in Latin America as a result of outsourcing and distribution agreements with two extremely strong Mexican partners. In June 2011, Barry Callebaut signed a long-term outsourcing agreement with Chocolates Turin, one of Mexico's leading chocolate manufacturers, with distribution channels spanning all five continents. Hot on the heels of this deal was a supply agreement with Grupo Bimbo, one of the largest food companies in Latin America, which was finalized in January 2012.

Both collaborations have got off to an excellent start, laying impressive foundations for growth on all sides. Jesús Carlos Valencia, Director & Country Manager, Barry Callebaut Mexico, reflects on the progress and future of these relationships: "It is already evident that the potential of these new partnerships is greater than the sum of its parts. In addition to reaching

the goal of a successful expansion for Barry Callebaut in Latin America, both companies look forward to reaping benefits ranging from increased technical expertise to servicing far-reaching distribution networks."

Sharing knowledge and expertise

The Mexican example clearly demonstrates the vital ingredients of Barry Callebaut's effective growth in emerging markets. As is the case with any happy marriage, successful business cooperation is heavily reliant on good communication, comprising a large portion of listening. First feedback from Turin and Bimbo has ticked all the boxes here, with specific praise being given to the Barry Callebaut determination to understand the two companies' needs in depth. This has involved gaining insights into customers' mindsets and preferences, taking on board their two partners' defined priorities and jointly developing action plans aligned to these.



Grupo Bimbo is one of the world's largest baking companies in terms of production and sales volume. As the market leader in the Americas, Grupo Bimbo has 155 plants and 1,000 distribution centers, strategically located in 19 countries throughout the Americas and Asia. Its main product lines include sliced bread, buns, cookies, snack cakes, English muffins, bagels, pre-packaged foods, tortillas, salted snacks and confectionery products, among others. Grupo Bimbo produces over 7,000 products, has one of the most extensive direct distribution networks in the world and more than 125,000 employees.



JAVIER GONZÁLEZ,
CEO, GRUPO BIMBO

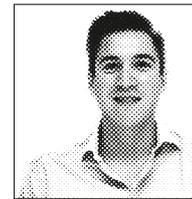


GABINO GOMEZ,
CEO, BARCEL
(A SUBSIDIARY
OF GRUPO BIMBO)

“For us, Barry Callebaut appeared to be the most solid choice for a variety of reasons. They lead the field in health and wellness, facilitate cost optimization through synergies, reformulations and raw materials and deliver quality products on time. We look forward to facing the challenge of combining our cultures and ways of doing business to achieve mutually beneficial growth.”



Grupo Turin is Mexico's leader in chocolate manufacturing. It was founded in 1928 by Don Pablo Traverso, an Italian master chocolatier from Turin in Italy, who emigrated to Mexico to pursue his dream of producing fine chocolate using the original Mexican cocoa. Today, Grupo Turin remains a proudly Mexican company with two manufacturing plants integrating the latest European technology for the production of top quality, full-filled and solid chocolates. It has 750 employees and distribution channels in 25 countries across the five continents.



ALEJANDRO PEÑALOZA,
VP FINANCE AND OPERATIONS,
CHOCOLATES TURIN

“We chose to work with Barry Callebaut because of its people. We feel assurance with the determination and decision-making abilities of the Barry Callebaut management team. The distribution agreement has showed that 2+2 sometimes can make 5. Turin and Barry Callebaut together offer by far the best product range and options in the market. We feel local expertise combined with the world leader equals more for the customer.”

Jésus Carlos Valencia explains that the key here has been open and completely transparent communication from day one. Barry Callebaut achieves this through regular meetings with Bimbo and Turin colleagues, embracing all main areas, including R&D, quality assurance, operations, finance and human resources. At these, ideas are exchanged, critical issues are discussed and mutually agreed conclusions are drawn concerning the way forward.

Another important ingredient flavoring these agreements is the shared conviction that joint activity represents a collaboration of experts. Both Bimbo and Turin attach great importance to the fact that they are gaining direct access to Barry Callebaut expertise that complements their own commitment to innovation. For example, if they detect the emergence of a trend in the local market, they can approach colleagues at Barry Callebaut to capitalize on their international experience. This often includes the joint development of new products, tailor-made to the local market's needs.

Further growth potential can be opened up with the long-standing sourcing expertise Barry Callebaut is able to offer to its new Mexican partners. This gives competitive advantages in the marketplace stemming from the procurement of high-quality, attractively priced ingredients. The resultant recipe is the optimal blend of local knowledge and global strength.

Customized solutions for best market positioning

Barry Callebaut has never been a fan of the "one size fits all" philosophy. As such, the agreements with

Turin and Bimbo have their own specifics. The deal with Turin represents a dynamic working relationship benefitting both sides. Barry Callebaut is supplying all of Turin's liquid chocolate directly to its manufacturing facilities. At the same time, Turin has exclusive distribution rights in Mexico for Barry Callebaut Gourmet products including the Cacao Barry®, Callebaut® and Sicao® brands. In addition, as part of the transaction, Barry Callebaut has acquired a production facility from Turin, neighboring the brand new Turin chocolate complex in Toluca,

"Each of us is born with a box of matches inside us but we can't strike them all by ourselves."

LAURA ESQUIVEL, LIKE WATER FOR CHOCOLATE

65 km southwest from Mexico City. This is of major strategic importance since Mexico City and the surrounding area makes up 70% of the national chocolate market. Barry Callebaut invested approximately 28.5 million (USD 30.0 million; EUR 20.8 million) in its 2011/12 fiscal year to expand the facility's capacity. Juergen Steinemann, CEO of Barry Callebaut, is convinced of the competitive advantage this new factory will offer to Barry Callebaut: "With this additional production facility, combined with our existing facility in Monterrey, we are well-positioned to serve the Mexican market as well as other emerging

markets in Latin America." The joint opening of the first Chocolate Academy in Mexico took place on September 17, 2012, further expanding the exchange and transfer of expertise.

Likewise, the agreement with Bimbo is a big step for Barry Callebaut in the Mexican market. Through its factories in Monterrey – and now Toluca – Barry Callebaut will be supplying one of the largest food companies in Latin America with 32,000 tonnes of chocolate products annually for the Mexican market. The significant volume will consist of compounds and chocolate. Dave Johnson, President and CEO Americas, adds: "It is an important landmark in the expansion in promising emerging markets and offering a lot of growth potential for both sides."

Many moons ago, the Aztecs attributed the creation of the cocoa plant to their god Quetzalcoatl, who descended from heaven on the beam of a morning star, carrying a cocoa tree stolen from paradise. They then made an unsweetened beverage called "Xocolatl". Apparently wishing to recreate the sensation of being in paradise, Europeans later added sugar and milk to great effect. We have good reason to believe that the latest Barry Callebaut activity in Mexico was born under a similarly effective star.

AB



Revamping Callebaut

Callebaut® is one of Barry Callebaut's global Gourmet brands. This year, the brand has undergone a major revamp: a bold shift to 100% sustainably grown cocoa and a new improved packaging.

Since 1911, the Callebaut brand has become the preferred partner for chocolate and chocolate-related products for skilled professionals in the confectionery, pastry, restaurant and catering communities. Chefs around the world rely on the legendary quality of our chocolate products for their creative journeys. That's why the Marketing and R&D teams are working closely with customers to meet their demands. The brand is also a highly visible platform for showcasing the company's innovation and expertise. In 2011, Callebaut celebrated its 100th anniversary and is now taking its next steps into the future.



“When I got the news about the Growing Great Chocolate Campaign, it was the biggest relief! I was getting more and more requests from my customers to have an offering of sustainable chocolate products.”

JULIAN ROSE, MASTER CHOCOLATIER AT MOONSTRUCK CHOCOLATE IN PORTLAND, OREGON, U.S.

“I am really impressed with this initiative. Growing Great Chocolate creates a huge difference for the Callebaut brand, especially in the food service sector.”

TONY MYCOCK, CALLEBAUT DISTRIBUTOR, HB INGREDIENTS, U.K.

“It’s great to know that each step from bean to chocolate is a step into the right direction.”

BART VAN CAUWENBERGHE, BELGIAN CHEF AND OWNER OF DE ZWARTE VOS

“The new packaging is a welcomed improvement, with color-coded bags for each chocolate and all the information I need as a chef to create my confections: cocoa content, viscosity, reference number and tempering notes.”

JULIAN ROSE, MASTER CHOCOLATIER AT MOONSTRUCK CHOCOLATE IN PORTLAND, OREGON, U.S.

“The Growing Great Chocolate campaign confirms that Callebaut is leading the chocolate world with 100% sustainable cocoa and once again affirming why Callebaut is the preferred chocolate for professionals. The sustainable issue is a hot subject in Australia.”

GARY WILLIS, CALLEBAUT DISTRIBUTOR, F. MAYER (IMPORTS), AUSTRALIA



More about the Callebaut brand and the Growing Great Chocolate campaign www.callebaut.com and www.callebaut.com/ocen/growing-great-chocolate

Growing Great Chocolate™

Callebaut believes that great chocolate starts with great cocoa beans. The question as to how we can continue to supply high-quality reliable chocolate is fundamental for the Callebaut brand. Its success is directly connected to the success of thousands of cocoa farmers in West Africa. That’s why Callebaut Finest Belgian Chocolate is now made entirely with sustainable cocoa as part of the Growing Great Chocolate program which was launched earlier this year. This makes Barry Callebaut the first company in the Gourmet industry to make such a shift for an entire chocolate range, and with that recognizing our Gourmet customers’ requirements for high-quality chocolate with a guarantee of sustainable cultivation.

Callebaut’s customers can now be confident that their chocolate is made with cocoa bought directly from cocoa farmer cooperatives, helping to improve the livelihoods of farming families. The company also collaborates closely with the Fairtrade organization through the

Callebaut Fairtrade range to maximize the impact of its sustainable sourcing activities.

Various tools have been developed to encourage our customers to share this great story and involve their customers. The Growing Great Chocolate website provides information how we work together with cocoa farmers for sustainable cocoa; the Calletizer app turns our chefs’ pictures – and yours – into Callets®; customers can download personalized posters and share personalized messages in their e-mails, on Facebook and Twitter. Movies and special recipes by our Chocolate Ambassadors show their support to the program.

A new improved packaging and look

The second big change for the Callebaut brand is the upgrade of the packaging for chocolate Callets and blocks. The goal was to create a new packaging that offers easy handling and more convenience for users; to create a new pack design reflecting the brand identity and product quality; and to create a design system that works across the

entire Callebaut range including fillings and decorations – making the entire range look like one family.

The new Callets packaging has a reclosable Choc-lock™ seal which opens and closes like a ziplock and keeps the chocolate fresh. The pack has four sealed sides, allowing it to stand up stable. This means more convenience for our customers in stocking it, picking it up, reading it and opening it.

Another great change is that the Callebaut icon that had shifted to the background for almost two decades is back. This strong brand asset, recognized by artisans, reappears proudly in the Callebaut logo. Inspired by Aztec symbolism, it reflects the interdependence between cocoa, chocolate and craftsmanship and embodies the integral quality of the Callebaut brand, from bean to chocolate.

RL

“I love choco



Chocolate”

When she applied for Barry Callebaut’s two-year graduate trainee program, 26-year-old Ghislaine Fotsing would never have believed where in the world she would end up or that she would have the opportunity to work on three different continents in less than two years. An engineer from Douala, Cameroon, she completed her master’s degree in Agro-Food Processing at the National Advanced School of Agroindustrial Sciences in Ngaoundere in 2009 and joined Barry Callebaut as a trainee in September 2010. She soon found herself experiencing her first northern European winter and, a few months after that, in Southeast Asia, optimizing Barry Callebaut processes and learning to cook Malaysian food.

Ghislaine, why did you apply for Barry Callebaut’s trainee program?

At the university in Cameroon, we had to do an industrial training or internship during every year of our studies as part of the curriculum. I always wanted to do one at Barry Callebaut Cameroon but I never had a chance to do so. I had a friend who did an internship there; he heard about the Graduate Trainee Program and shared that information with me and other classmates as well.

My own experience was actually in the mineral water and plastics industry but – I love chocolate! Especially milk chocolate with hazelnuts, because I really love sweet things! So I was very excited to see that Barry Callebaut, the world’s biggest chocolate company, offered a program that fit my interests and skills and also satisfied my wish to gain experience abroad. For someone like me, it was the best way to start my career in the chocolate world.

How does the Graduate Trainee Program work?

The program begins in September, when everyone meets in Marbach, our training center, for a few days. There are six of us in my group and I met my colleagues there for the first time. We spent a few days in orientation, getting more details about the program, speaking with corporate managers, learning about Barry Callebaut’s structure, organization, and vision of success.

The traineeship is set up so that we first do assignments in or close to our home region – that would be Africa for me – and then an assignment overseas. But I was so, so lucky – I got the opportunity to work in Cameroon in the beginning, and was then sent on three other assignments overseas! First I went to work at Barry Callebaut’s biggest cocoa factory, in Louviers, France, for six months, then my next stage was at Port Klang in Malaysia, where I spent one year. I had never expected to go to Asia! That was a great experience for me. Now I am working at the plant in Banbury, UK, and am planning to stay here probably a little less than one year.

What are some of the things you were responsible for in Louviers, Malaysia and now in Banbury?

When I was recruited, they told me that I would be working in Operations, on the Continuous Improvement program One+. One+ is a program that is all about implementing a new way of working. In this new way of working, we would like to standardize processes at our various plants around the world. For example, if Banbury is doing something that works well for them but may be causing problems in other factories, then the colleagues there should learn from Banbury and implement its solution in the same manner. That keeps costs down and increases efficiency.

The tools are basically the same and we help implement them in

different contexts and in different countries – to make sure the processes are uniform, at all of our facilities around the world. I help to identify which processes need to be optimized. It’s about communication, methodology, about the process itself and about the people. The production/factory/operations managers

“I was excited to see that Barry Callebaut offered a program that fit my interests and skills. It was the best way to start a career in the chocolate world.”

**GHISLAINE FOTSING,
GRADUATE OF THE TRAINEE PROGRAM**

in the plants – they know how to run the business, and our job is to support them so they can do their tasks in a more efficient way. Cost leadership is one of our strategic pillars and One+ is a manifestation of that.

What was the biggest challenge you faced during the trainee program?

Beginnings are always difficult for me. It takes me a while to get used to a new place, and the people I work with have to get used to me, too. Also, challenges are different from place to place. In France, I had

close friends and relatives there but it was too cold. It took me a while to get used to the weather and the culture. Malaysia was my biggest challenge – I did not know anyone there. It was about 6,000 miles away from my home, with a 7-hour time difference. It was the first time I had been to Asia, the first time I went so far away for so long and my first time in an English-speaking country. I really missed my friends and my family, especially my mother and my three sisters back home in Cameroon. I am sometimes quite shy, so there were moments when I felt overwhelmed.

Luckily, my coach in Malaysia was very caring so I was not totally lost. After a few weeks, some other graduate trainees came; I got out of my comfort zone and made some friends in and outside the factory who were there to cheer me up when I was down. In the end, everyone was very nice, I learned a lot from the people, I learned a few words of Malay, Chinese and Hindi – and I even learned to cook Indian and Malaysian food! They, in turn, learned a bit about where I come from. For example, I braided my hair like we do in Africa, and for me that was normal and common, nothing special, but for some of my colleagues it was maybe a little bit strange in the beginning.

We trainees have regular conference calls so I could discuss my personal and professional challenges with them, and with Lisa Krauer, my contact person and Program



Yourfuture@BC was created by Barry Callebaut to recruit, train and develop young talents for challenging international careers. With strong ambition, passion and high performance, the trainees are able to grow and progress within Barry Callebaut into positions of responsibility where expertise and entrepreneurship are valued. The program is offered in Sales & Marketing, Finance & Controlling, Sourcing, Innovation/ R&D, Operations and Quality Assurance. Trainees spend two years working on different projects within one functional area and rotating through three or four of Barry Callebaut’s facilities, depending on their skill set and interests

“I love
chocolate”



Barry Callebaut has launched a new employer branding campaign to guide employees and future employees on a voyage of discovery – in the fascinating world of cocoa and chocolate.

Coordinator in Global Human Resources (HR) in Zurich, as well as with my mentor, who is based in Belgium. They were all helpful and very supportive, and encouraged me to stay positive when I faced difficulties.

And what about your positive experiences?

Oh, there were so many! I could write a book on that! So far I have had the opportunity to visit six different Barry Callebaut sites (including Headquarters) on three different continents. The people I have met in all these places and the support I have received as someone starting out in their career has been amazing. The HR department makes sure that each trainee’s placement is a good fit and they do a lot of work in helping with the immigration paperwork and proceedings, and also in finding a nice place to live. In Louviers, I had some “practical” issues in my apartment and my colleagues from the maintenance team helped me to sort them out. I will never forget the farewell gift I received from my colleagues in Malaysia, the birthday cake from HR, and all of the other personal touches. Those mean a lot to me. Even in Cameroon, every time I go back there just for a visit or for work, people are very welcoming and open – as if I never left.

Where do you see yourself in five years?

That’s a very easy question – I know exactly where I want to be in

five years: I would love to be a regional Continuous Improvement Manager for Africa. The project has not been kicked off yet, but I really want to be a part of it. I hope that with the experience I am getting here in the Barry Callebaut Graduate Trainee Program, I will have the skills and knowledge that will take me there. The trainee program has given me deep insights into the company and the way we do things at Barry Callebaut. And I have decided that that’s what I want to do for a career.

And will you continue to cook Asian food?

Of course! I love the spices almost as much as I love chocolate!

PW

For the past few years, the chocolate industry has seen rapid changes and emerging markets have shown to develop a taste for chocolate. So what kind of chocolate will we be eating in 2030? Let's take a ride to the future.

CREATIVE FLAVORS

To satisfy consumers' different tastes and to retain competitive advantage, chocolate companies will be more innovative than ever in developing new products, including combining chocolate with savory tastes such as bacon and wasabi or with new flavorings such as salt, olive oil, herbs and flowers.

HEALTHY & TASTY

Consumers become increasingly aware of the impact of chocolate on their health. The industry will focus on the antioxidant effects of dark chocolate and the energy-boosting properties of bars with oats, nuts or "super fruits". In developed economies, additive-free chocolate will become the norm and already represents 7% of products available on the market.

RISING EMERGING MARKETS

Although the global market is still dominated by Western Europe and North America, the BRIC countries (Brazil, Russia, India and China) account for more than half of global confectionery retail growth. As the middle class grows, its disposable income increases along with their taste for fine chocolate and luxury is expected to continue to embrace the mainstream.

SUSTAINABLY SOURCED

Increasingly, consumers want to know the origin of the food they consume and choose the sustainably sourced option. To satisfy this growing aspirational consumer, major brands have started converting their best-selling products to sustainably sourced cocoa and, across the industry, commitments to source all cocoa sustainably by 2020 are on the rise.

CONVENIENCE CONSUMER

Convenience is a major driver for chocolate lovers as they want to grab and go, buy to share, or enjoy the product in more than one go. In time-constrained societies, sales of tablet bars are growing. Premium chocolate makers are rethinking their products to get a bite of this lucrative market.

PERSONAL EXPERIENCE

With the multiplication of choice and consumer empowerment, customers will be able to tailor product combinations to their own taste. Chocolate companies will offer their customers the opportunity to create their self-designed chocolate bar and packaging, for them to enjoy.

THINK SMALLER

The new chocolate bar will be smaller and healthier partially due to rising obesity levels amongst adults and children in several countries along with increased government regulation globally. Earlier this year, Mars cut back the portion size of its Snickers® bar to no more than 250 calories.

CHOCOLATE, THE SEASONAL TREAT

In many countries, chocolate is an essential component of religious events, special occasions and festivals. For example, Easter is the biggest chocolate event globally. Additionally, not many prestige gift items fall into the affordable price range which

means that middle class in emerging countries will be keen on gifting premium chocolate during festivals.

VALUE IS KEY

In the U.S., 79% of consumers look for good value when choosing chocolate. Value is also important in economies where the middle class has a growing but still limited disposable income. One-size-fits-all global pricing solutions will hence be difficult to implement.

INNOVATIVE PACKAGING

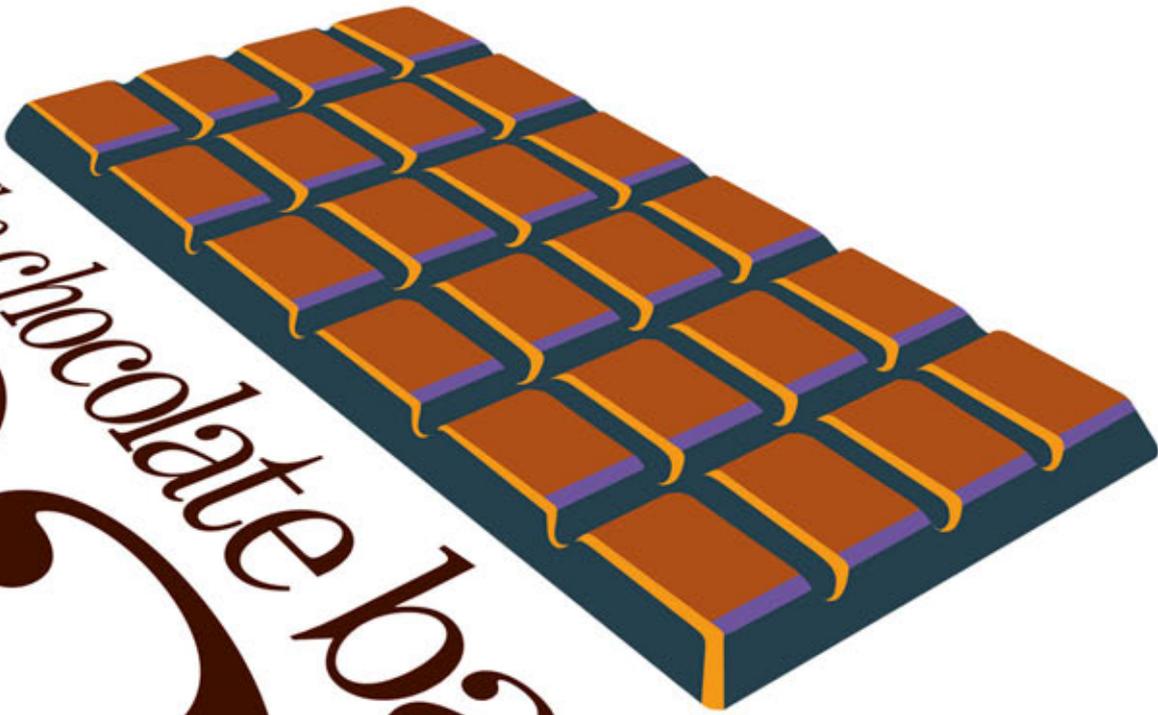
Companies will devise new ways of packaging to ensure that chocolate does not melt in the extreme heat of emerging markets. They will also introduce new bar sizes and look at innovative ways of packaging to allow a product to be consumed in more than one sitting (e.g. Mars "twist & save" wrapper), in response to rising obesity and increasing government regulation.

THE NEW CHOCOLATE BRAND

The most successful companies could become purely marketing, sales and R&D operations after outsourcing their production to industrial suppliers. Consumers won't even have heard of the world's largest chocolate producers who will lack an interface with the public.

RETAILING

To reach more consumers and to cater to their lifestyle, chocolate will be available from a wider variety of outlets, from coffee shops to health food stores, to supermarkets and discount stores. Premium chocolate could make its way into mainstream stores and brands might seek to move up the value chain by creating their own flagship stores. AR



The chocolate bar

of



COMPANY HISTORY

Barry Callebaut, headquartered in Switzerland, resulted from the merger between Belgian chocolate producer Callebaut and French chocolate maker Cacao Barry in 1996. The merger combined Cacao Barry's know-how in procurement and initial processing of cocoa beans with Callebaut's extensive experience in producing and marketing chocolate products. Since 1998, Barry Callebaut has been listed on the SIX Swiss Exchange.

Today, the company is a fully integrated chocolate company with a global presence. It provides comprehensive chocolate solutions to the entire food industry. Barry Callebaut is present in 30 countries, currently operates 45 production facilities, employs around 6,000 people and generated sales of CHF 4.8 billion in fiscal year 2011/12.

1999

Acquisition of Carma AG, Switzerland

2002

Acquisition of the Stollwerck Group, Germany

2003

Acquisition of Dutch Group Graverboom B.V. (including Luijckx B.V.)

Acquisition of Brach's Confections Holding, Inc., U.S.

2004

Acquisition of the vending mix business of AM Foods, Sweden

2005

Opening of a chocolate factory in California, U.S.

2007

Opening of a chocolate factory in Chekhov, Russia

Divestment of Brach's Confections Holding, Inc., U.S.

Signing of major outsourcing contracts with Nestlé, Hershey and Cadbury

Acquisition of a cocoa factory in Pennsylvania, U.S.

2008

Opening of a chocolate factory in Suzhou, China

Acquisition of a 49% stake in Biolands, Tanzania

Acquisition of a 60% stake in KLK Cocoa, Malaysia

Opening of a sales office and Chocolate Academy in Mumbai, India

Opening of Chocolate Academies in Suzhou, China; Zundert, the Netherlands; Chekhov, Russia, and Chicago, U.S.

Acquisition of IBC, specialist in decorations in Kortrijk-Heule, Belgium

Outsourcing agreement with Morinaga in Japan and start of production in new factory

2009

Opening of a chocolate factory in Monterrey, Mexico

Sale of Van Houten Singapore Consumer business to Hershey's

Acquisition of Danish vending mix company Eurogran

Acquisition of Spanish chocolate maker Chocovic, S.A.

2010

Opening of a chocolate factory in Extrema, Brazil

Signing of a long-term strategic partnership agreement with Kraft Foods Inc.

2011

Acquisition of remaining 40% stake in Barry Callebaut Malaysia Sdn Bhd, formerly KLK Cocoa

Expansion of the existing supply and innovation agreement with Hershey

Signing of a long-term outsourcing agreement with Chocolates Turin, Mexico

Sale of European Consumer Products business to Belgian Baronie Group

Joint venture with PT. Comextra Majora to form PT. Barry Callebaut Comextra Indonesia

2012

Acquisition of la Morella nuts, Spain

Acquisition of Mona Lisa Food Products, Inc., U.S.

Launch of "Cocoa Horizons" initiative based on new strategic pillar "Sustainable Cocoa"

Signing of an agreement to purchase the Chatham facility from Batory Industries Company in Ontario, Canada

Signing of long-term outsourcing/ partnership agreements with Unilever, Grupo Bimbo, Mexico, and Morinaga, Japan

EFSA issues positive Scientific Opinion on Barry Callebaut's health claim on cocoa flavanols



**BARRY
CALLEBAUT
IN NUMBERS**
FOR FISCAL YEAR
2011/12

**NUMBER
OF EMPLOYEES**

6,100

**SALES VOLUME
GENERATED IN
EMERGING MARKETS**

24%

**TOTAL INVESTMENTS
IN FACTORIES**

CHF 178.2
million

**NUMBER
OF RECIPES
LAUNCHED**

972

**PERCENTAGE
OF DIRECT COCOA
SOURCING**

69%

**NUMBER OF
R&D PROJECTS**

2,131

**NUMBER OF
CHOCOLATE
AMBASSADORS**

155

**NUMBER
OF FACTORIES**

46

**CO₂-REDUCTION
(SINCE 2008/09)**

19%

**NUMBER OF PRO-
FESSIONALS PER
YEAR TRAINED
AT OUR CHOCOLATE
ACADEMIES**

38,000

Barry Callebaut is the world's leading manufacturer of high-quality cocoa and chocolate. The company serves the entire food industry, focusing on industrial food manufacturers, artisans and professional users of chocolate.



