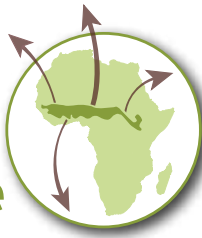


Global Shea Alliance



GSA News Quarterly

the official newsletter of the Global Shea Alliance

Space is limited! Register today! www.globalshea.com/shea-2012-registration

Shea 2012

Cotonou, Benin Apr 23–27, 2012

www.globalshea.com

shared value

Networking
Business
Marketing
Expertise
Insight
Investment
Information
Assistance
Trade
Connections
Vision
Profit

Key themes include:

- Financing solutions for international exports
- Natural cosmetics—sustainable formulation and packaging
- International marketing—functional ingredients and specialty fats
- Sustainable supply chains, transparency, certification and management
- Building the shea industry: Global Shea Alliance General Assembly

Agenda

- April 23-24 Workshops and trainings: accessing financing, developing cosmetics, improving quality and sustainable supply chains
- 24 Global Shea Alliance General Assembly
- 25 Cocktail Reception
- 25-26 Shea Industry Annual Conference Business-to-Business Forum: Hundreds of 1-on-1 meetings!
- 27-29 Field trips to shea processing facilities & Pendjari national park

Over the last 10 years, the value of shea exports has increased over 1,000%, generating millions of dollars in business. With consumer demand for natural cosmetics continuing to grow and demand for chocolate also increasing, the industry is poised for sustained growth.

Shea 2012: Shared Value allows you to connect with producers, traders, product developers, investors, financiers, transporters, researchers, and technicians - everyone you need to know across the industry. You'll gain valuable insight, find solutions to shared challenges and discover new opportunities.

Reach hundreds of the most important shea business people: Ask us about opportunities to sponsor Shea 2012! info@globalshea.com

More information about Cotonou, international travel, visas, currency, local attractions and event details is online at www.globalshea.com/shea2012 For answers to any of your questions, contact the Secretariat at info@globalshea.com

Way forward for the Global Shea Alliance in 2012

The greatest development in the shea industry in 2011 was the formation of the Global Shea Alliance (www.globalshea.com). The Alliance is promoting a concept of "shared value" to increase the benefits of the shea industry for all stakeholders within the industry, especially the rural women pickers who determine the quality of the nuts and butter produced. These women are the most important stakeholder group in the diverse shea value chain. Major international companies that produce specialty fats for the world's largest confectionary

makers and high-end natural cosmetics lie at the opposite end of the spectrum.

The USAID West Africa Trade Hub currently supports the Alliance, hosting the Secretariat and helping to build its institutional capacity. The Trade Hub continues to promote shea in the international market, undertaking market linkage activities to ensure that shea becomes well-known globally and becomes a competitive crop. The Alliance will therefore partner with the Trade Hub, supporting industry

stakeholders across the board in a non-partisan manner improve the industry.

The Alliance continues to work on its three top priorities:

- Promote Shea, internationally and in the Africa region
- Improve shea nut quality through industry-set standards, grading, and trade transparency
- Advocate the importance of shea to national and regional authorities

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Inside this issue

An in-depth assessment of the shea industry today

Invisibility of Shea in the Food Industry

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- Shea in chocolate
- Shea butter prices follow that of cocoa butter
- Recent price changes & trends
- New developments to leverage European food labelling rules
- U.S. Dietary Guidelines Advisory Committee
- The way forward

Promoting Shea Around the World

Dates for the Calendar

Promotion

The GSA will promote shea on the international market and work to increase market demand for shea in both the food and cosmetic industries. In consultation with key stakeholders, the Alliance logo will leverage both functionality and social impact to assure consumers of a traceable and sustainable industry. This GSA's brand message represents a commitment to reforestation, ethical business practices, proven provenance, and positive support for women in rural Africa. The Alliance, in partnership with the USAID West Africa Trade Hub will support export-ready West African small businesses to attend international trade shows in Europe and America to showcase different types of shea products and engage with stakeholders from similar industries.

Quality improvement

The yield of oil from shea nuts varies significantly and is linked to variation in nut quality. That variation can be as much as 40%. Moreover, fat and oil content of shea nuts vary across the region. Improving quality will make a significant contribution to increasing the market and value addition. The results will be increased efficiency, prices and profit margins.

There are currently no clear, consistent, objective industry quality standards against which kernels can be assessed. In addition there is insufficient value chain connectivity between producers and processors to incentivize this desired quality increase. The low yield of some nuts makes them unattractive to buyers and this is a matter of

concern to the GSA. To ensure the sustained interest of buyers of shea nuts and butter, the Alliance is working with various partners to start pilot quality improvement programs in Benin and Ghana.

With support from development agency GIZ and Fludor, a shea processor in Benin, a pilot program will be conducted in five communities to train women pickers on best practice regarding quality preservation of nuts during the picking season.

Four Critical Quality Steps

The first four steps in post-harvest processing are critical—rapid harvesting of fresh shea nuts, boiling the kernels, efficient drying and aerated storage in jute sacks. If quality is not preserved at these stages—the resulting quality can only be maintained—not enhanced during the following steps for oil/butter extraction. Premium quality nuts attract higher prices. The same pilot program will be undertaken in Ghana with support from the USAID West Africa Trade Hub. The result of these projects will be validated with international buyers and certification bodies to formally grade shea nuts across the region. In partnership with regional bodies and various country representatives, a standard measurement system will be developed for trading shea nuts. These quality standards and measurement systems will ensure standardized and competitive trading of shea nuts across the region.

Advocacy

In partnership with ECOWAS, the Alliance will build the capacities of national associations

in Benin, Burkina Faso, Ghana, Mali and Nigeria and appoint a national representative in Côte d'Ivoire in 2012. The GSA—through its members—will undertake national and regional advocacy to develop the shea sector through national initiatives and engage with senior policymakers to develop an action plan to progress the industry. These associations will liaise with government for greater investment into infrastructure in the shea-growing zones and also advocate for policy change to favour a private sector-led industry through stakeholder workshops and strategic meetings.

Secretariat

The GSA is working to establish a staffed Secretariat working to clear targets. The Secretariat will support the:

- Executive Committee
- Steering Committee
- Management of events/membership drive

Staffing

- Operations Manager
- Technical Advisor
- Administration & Communications Officer

The Trade Hub's Chief of Party and Business Director as well as the Executive Committee will exercise supervision and control.

The Secretariat will work to develop a business plan for the GSA together with well-established revenue sources. In collaboration with the national associations, it will advocate for a greater voice for a private sector-led shea industry in West Africa.

Invisibility of Shea in the food industry

Shea as an edible specialty vegetable fat

Against the backdrop of the multi-million ton vegetable oils and fats industry, shea butter production represents less than 0.1% of the total edible oils market.

Despite most western knowledge being on hand-crafted shea butter, more than 90% of exportable shea is destined to be industrially processed into butter before fractionation into stearin (solid fat) and olein (liquid oil) for edible use in the Western European, American, Japanese and BRIC¹ markets.

Stearin demand comes from the production of specialty fats in the confectionery sector—for use in ice creams, chocolates, biscuits—and shea is the preferred source of this ingredient for the production of cocoa

butter alternatives—notably for 'equivalents' and 'improvers' (CBEs and CBIs) in preference to cheaper hydrogenated oils (which have a propensity to contain unhealthy trans-fats) to make cocoa butter replacers (CBRs).

Along with five other species, the European Union has approved shea for use in the formulation of non-cocoa butter fats for chocolate production (up to 5% content by weight is allowed²).

The U.S. Food and Drug Administration (FDA), also considers shea butter to be edible: "Generally Recognized as Safe" (GRAS³) and shea can be used in confectionery coatings or fillings, in the US, but alternatives to replace cocoa butter in 'chocolate' products are not allowable. Note that the legal definition of 'chocolate' varies according to jurisdiction.

Olein, as an unsaturated fat and by-product of fractionation for stearin, is suitable for emulsifying into vegetable oil spreads that

Some of the chemicals in shea butter

- Fatty acids = in shea these are mainly stearic, oleic, linoleic, palmitic and arachidic and their relative concentrations define the 'oil profile'
- Olein = low melting fraction (tri-acylglycerides high in oleic acid, e.g. O-St-O)
- Stearin = high melting fat fraction (high in stearic acid, e.g. St-O-St)
- FFA = 'Free Fatty Acids' that are indicative of degradation (separated through the hydrolytic action of enzymes – lipases)

1: Acronym refers to the Brazil, Russia, India and China economic grouping.

2: Official Journal of The European Communities (2000) Directive 2000/36/EC of the European Parliament and of the Council of 23 June 2000 relating to cocoa and chocolate products intended for human consumption.

3: Code of Federal Regulations, Title 21, Volume 3, Revised as of April 1, 2003, From the U.S. Government Printing Office via GPO Access, CITE: 21CFR184.1702, Title 21- Food And Drugs, Chapter I Food And Drug Administration, Department Of Health And Human Services, Part 184- Direct food substances affirmed as generally recognized as safe. Subpart B - Listing of Specific Substances Affirmed as GRAS, Sec. 184.1702 Shea nut oil.



have good functional properties—such as good spreading qualities—over extended temperature ranges.

Shea butter prices have followed cocoa butter prices downwards

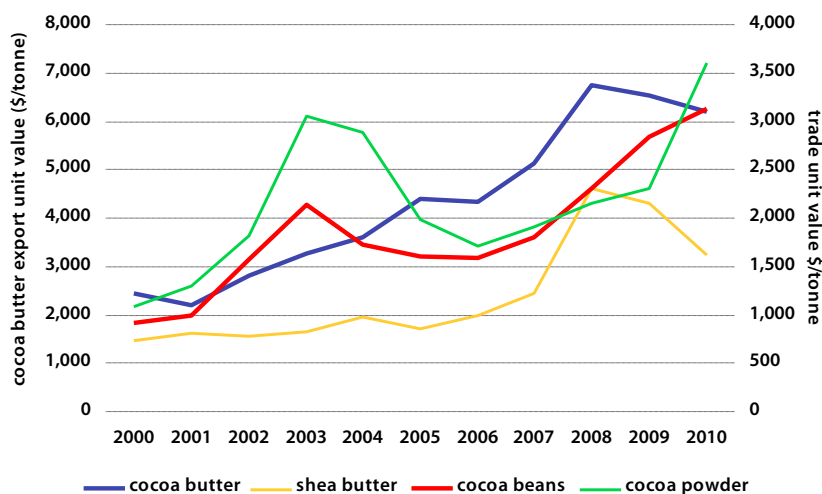


Shea in chocolate

Using shea butter as an ingredient in the production of improved chocolate confectionary adds versatility to the end product. Its use introduces qualities such as longer shelf life, improved heat stability—i.e. raised melting point of chocolate—making products more suitable for tropical regions - flavour, texture. Its melting properties allow for production of coatings with less tendency for 'bloom formation' (the ashy-grey appearance chocolate can adopt).

Shea butter prices follow that of cocoa butter

Cocoa beans are a traded commodity. Beans are ground into three products: liquor, powder and cocoa butter. The price of cocoa beans, butter and cocoa powder are linked to global demand for these products, market prices for shea butter, however, appear to only follow cocoa butter prices closely. (Simmons, 2011⁴) See graph above right.



Recent price changes and trends

Since peaks of US \$9,323 per ton in July 2008, the cocoa butter market dropped over 75% to the lows of December 2011, when prices as low as US \$2,222 per ton were recorded. West African cocoa production reached record highs in 2011 and the ongoing global recession resulted in reductions in cocoa demand growth. Meanwhile the accentuated demand for cocoa powder in Asian markets saw grinding ratios (powder: butter) drop to below 0.92 and a qlt of cocoa butter.

Thankfully, signs of global recovery and fears for lower cocoa production appear to be leading prices to recover.

European confectionary and other edible products where 'non-cocoa-butter fats' is the current generic ingredient labelling requirement.

New developments to leverage European food labelling rules

During the last quarter of 2011 the European Union passed legislation to simplify EU food labelling regulations. The new regime will harmonise information rules for all food labels, including inter alia the list of ingredients, key nutritional information on food packaging, the country of origin, sources of vegetable oils. These provisions will take effect within the next three years⁵. This legislation increases opportunity to raise visibility of West African shea ingredients for

U.S. Dietary Guidelines Advisory Committee

The U.S. Dietary Guidelines Advisory Committee recently stated that stearic acid is not a "bad" fat and has different metabolic effects than other specific fatty acids e.g. trans-fats and other saturated fat acids (SFA). The 2010 DGAC reviewed recent evidence on the effects of particular fatty acids on blood cholesterol and lipoprotein levels and concluded that stearic acid is not known to be a cholesterol-raising fat. Therefore dark chocolate and shea butter need not be considered as problematic as foods high in other SFA⁶ or trans-fats.

This positioning of stearic acid as a non cholesterol-raising fat together with the opportunity for higher visibility of shea content, provide good opportunities to leverage market promotion.

The way forward

The decrease in world market prices for cocoa butter and therefore shea underlines the highly speculative and uncertain nature of the shea market. Opportunities to increase market demand for both cocoa butter and shea-CBEs/CBIs may lie in promoting improved solid cocoa products formulated for new markets, especially in tropical climates.

African type pure pressed butter (\$/tonne)



Source: Public Ledger, December 2011

4: Presentation by Robert Simmons of LMC International at Shea 2011: Sustainable Solutions, Accra, April 2011.

5: Council enables consumers to make healthier dietary choices www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/lsa/124811.pdf

6: Dietary Guidelines Advisory Committee (DGAC). 2010. Report of the Dietary Guidelines Advisory Committee on the Dietary Guidelines for Americans, 2010, to the Secretary of Agriculture and the Secretary of Health and Human Services. U.S. Department of Agriculture, Agricultural Research Service, Washington, D.C. (accessed at www.cnpp.usda.gov/dgas2010-dgacreport.htm)

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Having a deregulated producer base is also critical for success. The specialty fats sector is highly competitive. Buyers are sensitive to price increases and always on the lookout for substitute fats. That means, improvements to the shea supply chain for must be driven by margins resulting from improved supply chain efficiency (access to finance and transport improvements) and better butter yields, and will not be achievable by increasing the market price for shea. As a

traceable and high quality sustainable shea industry becomes more established and proven, there is a growing opportunity for GSA to develop a brand or seal. This could even be licensed for use on products or in Corporate Social Responsibility reports, and provide a revenue stream to support the work of the alliance.

For more information about this article contact plovett@watradehub.com



Promoting Shea around the World

In accordance with its mandate, the Global Shea Alliance is positioning its brand and promoting shea products on the international market. Over the past quarter, the Alliance's Secretariat with support from the USAID West Africa Trade Hub has been involved in several international events and discussions with major international brands.

The GSA sponsored and participated in two international events organized by Organic Monitor, a specialist research, consulting and training company that focuses on the global organic and related product industries.



The first event, the Sustainable Cosmetics Summit www.sustainablecosmeticssummit.com, which focused on the leading issues the beauty industry faces—sustainability, natural, organic, fair trade and ecological products—took place on November 28–30, 2011 in Paris, France. This European trade show brought together over 150 senior representatives from the European cosmetics industry with presentations from GSA partners L'Oréal and AAK, and included discussions on marketing innovations and the growing use of food ingredients in cosmetic products. GSA was a silver sponsor of the event and engaged in dialogues with representatives from many major cosmetic firms, addressing highly technical queries

on shea quality and certification and responding to enthusiastic requests for GSA membership and attendance at Shea 2012.

While attending the Paris summit, GSA Secretariat personnel were also able to visit the Food Ingredients (Fi) Europe & Natural Ingredients (Ni) 2011 (held in Paris, 29 November to 1 December). Over the three days, the show featured 1,200 exhibitors from 65 countries. More than 23,600 food professionals from 127 countries visited the show, making it the most attended Fi Europe exhibition to date. The team shared GSA news with exhibiting partners and explored market options for shea in the European ingredients market.

Fi Europe 2011 also saw leading vegetable oil manufacturer AAK announce its new 2010/2011 sustainability report—a transparent presentation of the group's objectives, initiatives and activities relating to corporate social responsibility (CSR). Following earlier requests, the GSA logo and news of AAK's involvement as a founding member of the Alliance were clearly described, as was their commitment to source shea sustainably. In addition, IOI Lodders Croklaan launched a campaign showing that their Shea nuts supply chain from West Africa is transparent and sustainable. As a first in the industry, they teamed up with Rainforest Alliance, to describe the sustainability of their shea nuts supply chain in a new publication, "Shea Matters".

On January 17-18, 2012, the GSA participated in the Sustainable Foods Summit (www.sustainablefoodssummit.com) in San Francisco, USA. This summit explored new horizons for eco-labels and sustainability in the food industry by discussing key industry issues in a high-level forum. Featured topics included De-Commodification Case Studies, Sustainable Sourcing, Plant-Based Proteins, Agricultural Innovations and Food Security.

Preparations are underway to market shea products at two international cosmetics and ingredients trade shows this year. About 15 West African shea producers will be

Dates for the



February

15–18 Biofach-Europe, Nuremberg, Germany

March

8–11 Natural Products Expo, West Anaheim, CA

April

17–19 in-cosmetics, Barcelona, Spain
23–27 Shea 2012: Shared Value – Benin Marina Hotel, Cotonou, Benin
29–May 2 103rd AOCs Annual Meeting & Expo Long Beach, CA
30–May 2 PMCA's 66th Annual Production Conference Lancaster, PA

May

15-16 NYSCC Suppliers' Day, Edison, New Jersey
17-19 Sustainable Cosmetics Summit Intercontinental New York Barclay, New York

Please contact the Global Shea Alliance for further details: info@globalshea.com



GSA member doing business at in-cosmetics 2011

part-sponsored to exhibit their products in the Global Shea Alliance booths at In-Cosmetics (www.in-cosmetics.com) April 17-19, 2012 in Barcelona, Spain and New York Society of Cosmetic Chemists Suppliers' Day (www.nyscc.org), May 15-16, 2012 in New Jersey, USA. Companies that satisfy export-ready criteria have been preselected to exhibit at these two trade shows and are receiving focused technical assistance to help them prepare. GSA will also be a silver sponsor of the New York edition of the Sustainable Cosmetics Summit which takes place May 17-19.

Shea cosmetic producers wanting to participate in events where the Global Shea Alliance is establishing its international brand, please contact kdjonou@watradehub.com



Shea 2012—Register today! www.globalshea.com/shea-2012-registration