

THE GLOBAL RESOURCE, FROM MANUFACTURING TO RETAILING

CANDY

INDUSTRY

November 2010

ALSO IN THIS ISSUE:

- **Ingredient Technology**
Cocoa Butter Replacers
- **Special Report**
Godiva Wine Pairings

Italy's Modern Artisans

ICAM's Agostoni brothers Alberto (left) and Plinio inside the company's new \$67-million facility in Orsenigo, Italy, with their brother Antonio, who's getting a closer look at the plant's new roasting unit.



Italy's Modern Artisans



The Agostoni family and management team (l. to r.) in front of the Orsenigo plant's tank farm : GianCarlo Vanini, board member; Carolina Vanini Agostoni, co-founder and board member; Adelio Crippa, managing director & cfo; Antonio Agostoni, director of product development and research; Urbano Vanini, board member; Plinio Agostoni, director of manufacturing; Angelo Agostoni, ceo and head of sourcing; Marisa Agostoni, director of marketing & communications; Alberto Agostoni, director of engineering.

Agostoni
Italian Chocolate Since 1946



Call him a “numbers” man. Adelio Crippa doesn’t shy away from the label. Rather, he embraces it. In fact, there’s not much the general manager and chief financial officer of ICAM shies away from.

And that’s probably the reason that the Agostoni family brought Crippa in to oversee their growing organic chocolate

53%, respectively of those totals.

And although ICAM — like most companies during the Great Recession — suffered a dip in sales in 2009, all forecasts point to a robust 2010 and an even better 2011. One of the reasons for that projection stems from a decision made five years ago by the Agostonis.

As Crippa recalls, he didn’t mince

members. Growth, however, required an aggressive plan, one that would put into place people, systems and infrastructures to meet the challenges from multinational corporations and more demanding consumers and customers.

Having nurtured a fledgling family business since 1946, one that’s evolved into the largest supplier of organic cocoa

A leader in organic and certified chocolates, the *Agostoni* family commits to the future by investing in a state-of-the-art €50-million facility in Orsenigo, Italy.

By Bernard Pacyniak

operations in 1999. Recognizing that the family’s expertise in sourcing and producing premium chocolates wasn’t a guarantee for success during the coming century of extreme competition and ongoing industry consolidation, co-founder Carolina Vanini Agostoni, along with her brothers Urbano and GianCarlo Vanini as well as her children, Angelo, Plinio, Alberto, Marisa and Antonio, looked beyond the family to direct the business.

Upon joining ICAM, Crippa, together with the Agostonis, have overseen dramatic changes within the company. At the end of the year 2000, the company posted €40 million in sales. Of that, €5 million (12.5%) represented exports, the remaining €35 million domestic sales.

Today, thanks to strong double-digit sales growth abroad, primarily in the organic sector, export sales account for more than half (60%) of the company’s projected 2010 sales of €100 million euros (\$135 million).

In 2009, the company processed nearly 12,000 metric tons of cocoa beans and produced 15,000 metric tons of chocolate. Organic represented 45% and

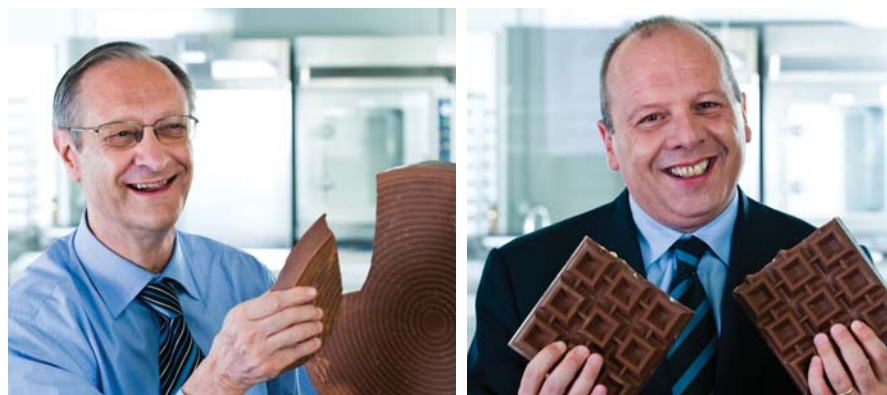
words in presenting the options available to the family stakeholders. In reviewing the numbers and the realities facing the company, Crippa asked the Agostonis what they wanted to do with the company, “Do you want to grow it or do you simply want ‘La dolce morte?’” In other words, “a sweet death.”

As he explained, it would have been very easy for everyone to simply let things continue as they were, guaranteeing a comfortable existence for all family

and chocolate products in the world, the Agostoni family’s passion for chocolate makes it their life’s work.

It’s likely Crippa suspected that the family stakeholders would pass on the “sweet death” option, preferring instead to develop a long-term strategic plan, one designed to address a multitude of issues facing a midsized family operation.

In creating such a plan, the Agostonis zeroed in on four critical concerns: operations, succession, systems and market growth.



Angelo Agostoni (left), ceo and head of sourcing, breaks off a chunk from a pressed cake of cocoa liquor while Adelio Crippa, managing director and cfo, holds a moulded piece of chocolate.



(From l. to r.) The new facility in Orsenigo features the largest cocoa bean processing complex, which includes a three-story roasting, mixing and grinding complex.

First, they agreed to build a world-class, state-of-the-art greenfield processing facility that would, as Angelo Agostoni, president of ICAM and the eldest second-generation family member describes, “be prepared for the future for the next 20, 30 years.”

Two years ago, the company began designing the plant, breaking ground in 2009. In April 2010, the company began producing dark chocolate at the Orsenigo facility, a €50-million (\$67 million) investment that touts one of the industry’s largest cocoa bean processing systems under one roof.

Several innovations, such as a segregated cocoa bean warehouse that pumps beans to a sterilization unit prior to processing, a trigeneration energy system, a highly sophisticated computerized monitoring system, have established Orsenigo as a technological marvel.

And while Orsenigo represents an operational component of the strategy, the other three elements — while less tangible — comprise key tactical efforts to meet the family’s goal of becoming a €200-million (\$270 million) company within five years.

Take succession, for example, often one of the hardest issues for family-run companies to tackle. As Angelo points out, since the family controls all the company shares, it’s vital that the next generation be prepared to carry on the Agostoni philosophy of sourcing and producing only the best premium chocolate.

Tagging a self-imposed 10-year deadline on completing the transition, the Agostonis have already established two third-generation family members in critical management positions: Sara Agostoni (Angelo’s daughter) heads up all purchasing, excluding cocoa beans while

Giovanni Agostoni (Plinio’s son) oversees commercial operations in Italy.

But as Angelo emphasizes, both of them started their professional careers elsewhere before joining ICAM. In this manner, best practices from other industries and companies can be integrated into ICAM.

At the same time, once a member of the third generation decides to join the family business, it’s a learning process focused on understanding the underlying philosophy that drives the company.

“We want to ensure that the third generation shares the same ideas, the same kind of thinking about the business that we do,” Angelo says. “Simultaneously, we understand that the marketplace demands new skills, that in our company we will need to fill new roles.”

That understanding leads directly to the third point on the Agostoni’s action



The first two of eight conches will supply finished chocolate to four moulding lines for a variety of products. The first of three cocoa presses will handle cocoa powder and cocoa butter production needs.



At a Glance

ICAM

Headquarters: Lecco, Italy

Plants: Lecco- 27,000 sq. meters (290,626 sq. ft.); Orsenigo - 50,000 sq. meters (538,195 sq. ft.)

Sales: €100 million (\$140 million)

Employees: 350

Products: Semi-finished chocolate products, cocoa butter, cocoa powder, bars, pralines

Sales Breakout: Private label – 54%; professional – 28%; branded – 16%

Brands: ICAM, Agostoni Chocolate

Management Team: Angelo Agostoni, chairman and president; Adelio Crippa, managing director and cfo; Alessandro DeMarchi, director of industrial clients and strategic purchases; Marisa Agostoni, marketing and communications director; Sergio Cerutti, director of domestic sales; Carla Baroni, director of exports; Plinio Agostoni, director of production and logistics; Alberto Agostoni, director of engineering & maintenance; Antonio Agostoni, director of research and development.



Antonio Agostoni checks on the production of chocolate chips on the newest moulding line installed in the facility, which features a 1.5-meter depositor and a cooling tunnel.

list, one which involves the incorporation of new management systems, systems that represent best practices and world-class protocols. Here already, the company has invested millions of dollars in software systems designed to integrate factory processes to maintain the highest traceability, quality and safety standards possible.

The fourth and final directive targets market growth, a move that's led to establishing ICAM subsidiaries in key areas such as the United Kingdom, Russia and the United States. The company has already opened offices in the UK and the United States and is in the process of doing so in Russia.

All four of these strategies, of course, revolve around one guiding principal behind the Agostonis' *raison d'etre*: equal partnering with cocoa bean farmers to achieve the highest level of farm-to-bar quality processing.

Long before Fair Trade certification became a popular buzz word for ethical marketing, Angelo was establishing direct contacts with farmers in Central and South America. Frustrated in his efforts to introduce direct buying of cocoa beans with West African farmers in the 1970s, Angelo shifted his focus to Central and South America.

There, he initiated technical and financial support programs, programs that introduced tree care and propagation techniques, proper fermentation and drying processes and even in-origin lab testing in Panama, Honduras and Guatemala during the 1980s.

In 1990, ICAM became the first commercial partner for the National Confederation of Dominican Cacao Producers (CONACADO), which led to the conversion of some farms to organic certified cocoa beans in 1995.

As Angelo points out, when CONACADO was first formed in 1985, farmers in the Dominican Republic were not even ferment-

Orsenigo Plant Facts

Size: 50,000 sq. meters (538, 195 sq. ft.)

Annual Output*: 50,000 tons cocoa beans; 40,000 tons chocolate

Processing Equipment*: 2 refining lines; 8 conches; 4 mixers; 5 packaging lines;

Storage tanks*: 66 10-ton tanks for liquid chocolate; 2 25-ton tanks for butter; 6 25-ton tanks for tanker loads (external)

* at full capacity



Constant checks on quality are conducted throughout the bean-to-bar process. First, beans are again evaluated prior to being cleared for processing. Afterwards, samples of cocoa liquor are taken from the tanks to conduct a 17-point flavor profile analysis.

ing their cocoa beans. Their slow conversion led to improved quality and flavors.

In 2004/2005, the company was instrumental in helping recover the lost heritage of cocoa growing in the Apurimac Valley of Peru, an area typically known as VRAE (Valle de los Rios Apurimac y Ene).

Previous to 2004, a non-governmental organization opened a project to farmers in the area to rehab cocoa plantations, but there was no long-term NGO plan for continuing development. Picking up where the NGO left off, in 2005 Angelo began buying a small amount of cocoa as a test. Pleased with the cocoa's quality, in 2005, Angelo committed financial support to help the community build out infrastructure (fermenting and drying stations). Angelo also guaranteed a favorable price to protect the emerging farming community from market risk.

This joint partnership quickly delivered a payback: In 2006, Angelo received nearly 80 metric tons of cocoa; a year later VRAE delivered 900 metric tons.

"The way we work with our partners

in origins can make a big difference for the small farmer's economic situation, due to improved quality and yields," Angelo explains.

But it's not just about yield. Quality, as in the case of aroma and organoleptic characteristics, stem from a variety of factors, beginning with soil, bean variety, tree cultivation and crop management to fermentation, drying and proper storage and distribution. Truly, the food of the gods is in the detail.

It's an education process that Angelo continues to this day, one that extends to in-origin raw bean testing, tests which are replicated again at the company's lab in Orsenigo.

Part of the reason for the Agostoni's commitment to a new facility involves sustaining the quality carefully nurtured in the field through final processing in the plant.

"We saw that more and more chocolate manufacturers were looking for distinctive products, products that deliver more quality and have complete traceability," Angelo says.

"To us, it was clear we needed to have more control

of the supply chain, from farm to bar," he continues. "In addition, these manufacturers are also looking to develop new products within a short time frame. Today, the market is very demanding; everyone's looking for niche products. And that's something we're good at. Be it a special recipe or one featuring a special inclusion, we can develop those in a short time."

To maintain that competitive capability, however, it was clear that a new facility was absolutely necessary. ICAM's growth had taxed the company's Via Pescatori factory built in 1953 to capacity.

Planning for the plant of the future began with a search for real estate and the subsequent purchase of several hectares in Orsenigo, about 50 kilometers from Lecco. In short order planning for a bean-to-bar complex, one which envisioned a 50,000-sq-meter (538, 195 sq. ft.) plant, a separate bean warehouse and a totally automated final products warehouse, began.

Although operations commenced this April, installation of all processing equipment (see side bar) will not be realized until 2012, when outputs should reach 50,000 tons of cocoa beans and 40,000 tons of chocolate annually. Nevertheless, the plant is already turning out double the volume than the existing Lecco facility.

"We're currently producing 12,000 tons of cocoa beans and 15,000-16,000 tons of chocolate in Lecco," Angelo says. "And while it's still a 'work in progress,' the Orsenigo facility is projected to turn out 24,000 tons of cocoa beans and 30,000 to 25,000 tons of chocolate this year."

But Orsenigo is more than just output. It's about exacting control of the process.



Antonio Agostoni, head of research and development at the company, extols the facility's tremendous flexibility and traceability, which, not surprisingly, begins at the cocoa bean stage.

For example, once beans arrive in Genoa, Italy, via container (360 bags fill one container and create one lot), they are then trucked to Orsenigo for inspection and storage. As Antonio explains, organic beans are immediately segregated into separate holding stacks apart from conventional beans to eliminate any chance of cross-contamination.

There, beans are removed from every bag and then taken to the testing lab in the facility. Bar codes are assigned to each bag to aid in the tracking of beans. A 9-kilogram mixed sample of beans from that particular lot goes to the lab for a review of 12 specific qualities and a 100-count bean cut test.

Once approved, the beans are then cleared for cleaning. After cleaning, the beans are gently transported pneumatically via pipes from the warehouse, which is separate from the main facility, and directed to a sterilization unit that's part of the plant. Here they undergo steaming, infra red treatment and then steam again, to ensure bacteria removal in the first stage of cocoa bean processing.

A sophisticated winnowing process separates the shells from nibs greatly minimizing waste, producing the first of many cost savings for the company. Beans are roasted on a batch basis before heading toward a three-stage milling process and cocoa liquor production.

Once again, quality assurance steps in, completing a two-stage testing process.

Beans that were originally sent to the lab for initial testing are roasted, ground and processed into cocoa liquor, which is evaluated using a 17-point flavor profile. At the factory, once liquor is produced, a second sample is drawn from the holding tank. Here, again, a five-member sensory panel conducts the same 17-point flavor profile.

Upon approval, the liquor is then released and directed toward further processing, be it chocolate and/or cocoa

powder/ butter production.

It's important to note that within the plant, there are "kilometers and kilometers" of piping, all of which allow for easy cleaning as well as dedicated use, be it for organic and conventional chocolates, milk, dark or white.

At the moment, the company has a new 1.5-meter wide dark chocolate drop moulding line in operation, with state-of-the-art depositor and cooling lines. Plans call for three additional moulding lines, currently in operation in Lecco, to be moved to Orsenigo where they'll be upgraded with new depositors as well as have their cooling tunnels extended.

The company's trigeneration system of producing electrical energy — hot/cold water and steam — will save 30% on electrical costs.



At present, the plant features a single cocoa butter press, but two more will be installed shortly. Two six-ton conches complement the plant's pre-refining and refining units. Micron size can vary from 10 mm to 28 mm, depending up requirements, Antonio says.

One of the plant's most impressive technological achievements, however, is the completely automated cocoa bean processing system.

It is, as ICAM's technology and quality director points out, the largest in the world that's he's aware of. Nevertheless, none of this technology matters if the love and passion for making good chocolate isn't there, asserts Antonio.

"Anyone can buy state-of-the-art technology or premium ingredients, but that doesn't make great chocolate," he says. "In cocoa processing, you have to know how to master the nearly infinite number of scientific variables to guarantee an artisanal result."

Moreover, as many experienced chocolatiers know, replicating a recipe in a different location isn't as straightforward as most people would think, despite having all the ingredients and equipment the same.

"But here, with this equipment, we have the possibility of understanding all the nuances," Antonio says. "Thus, it's easier to roast the beans and obtain the exact flavor and taste that you're looking for. When I dream at night about a particular chocolate whose beans come from a special farm in Peru, I know I can make it into the finest chocolate the next morning."

That capability is what's spurring ICAM's push toward key markets on the global landscape. For example, the company recently secured the private label business for COOP UK and Scandanavia.

It's also set up shop in the United States with a new subsidiary dubbed Agostoni Chocolate NA. The company has teamed up with Global Organics Ltd. to distribute semi-finished products to manufacturers and chocolatiers and has a direct sales team based in Los Angeles to work with private-label accounts. That same team also manages the specialty food distributor network, which caters to smaller operators, such as chefs and chocolatiers. Down the road, the company will consider introducing its own retail brand in the United States.

Right now, however, Crippa notes that there are less and less companies willing to guarantee organic and certified products from farm to bar. That's where ICAM, because of its direct relationship with farmers, can excel.

As he points out, "Our success is based on the human factor." Excessive size precludes such a relationship.

It's that human touch, from interacting with the farmer and his cocoa crop to dreaming about the processing techniques to preserve that origin's flavors and characteristics, which keeps ICAM's artisan roots integrated in the present and now the future as well. ☺

Agostoni
Italian Chocolate Since 1946

agostonichocolate.com

213.261.0057