UPDATE 2-Barry Callebaut cautious on chocolate market outlook

4:03am EST

* FY net proft 259 mln Sfr, beats 237 mln Sfr in poll
* Confirms mid-term target of 6-8 pct volume growth
* Proposes dividend of 15.50 Sfr per share
* Overall market growth to sloe to 1-2 pct in 2012

(Adds further details, background)

By Silke Koltrowitz

ZURICH, Nov 10 (Reuters) - Barry Callebaut (BARN.S: Quote, Profile, Research, Stock Buzz), the world's largest maker of chocolate and cocoa products, sounded a cautious note on market growth for next year and said it expected raw material prices to remain high and volatile.

The group is sticking to its goal of 6-8 percent sales volume growth over the mid term after full-year net profit beat expectations but it did not extend the timeframe this goal is valid for as some analysts had expected.

Barry Callebaut is expecting growth in the chocolate confectionery and gourmet markets to slow to 1-2 percent next year and Chief Financial Office Victor Balli said the economic situation in Europe was worrying.

"But chocolate is relatively robust so it's not going to drop heavily. Will the market return to growth? It's a bit too early to say that for Western Europe," Balli told Reuters.

U.S. chocolate maker Hershey Co (HSY.N: Quote, Profile, Research, Stock Buzz) said at the end of October sales and earnings growth would slow next year, as costs for ingredients remain high. [ID:nN1E79Q055]

At 0815 GMT Barry Callebaut shares were down 0.7 percent, while the Stoxx 600 Europe food and beverage sector index was down 0.6 percent.

Raw material prices are also expected to remain rather high and volatile, Barry Callebaut said.

"The underlying fundamentals are worrying because the total crop of cocoa did not grow in the last four years but demand rose. There's an underlying structural pressure on volume which means that the price should go up," Chief Executive Juergen Steinemann said in the interview.

Balli also said he did not expect sugar or dairy products to fall.

SOLID RESULTS

The group, which makes chocolate for big food groups such as Nestle (NESN.VX: Quote, Profile, Research, Stock Buzz) and Kraft (KFT.N: Quote, Profile, Research, Stock Buzz), posted a 9 percent rise in full-year net profit to 259 million Swiss francs, ahead of forecasts given in a Reuters poll of analysts and helped by a higher operating result and a lower income tax expense. [ID:nL6E7M71ZB]

Sales volumes for its fiscal year, which runs from September to August, were up 7.2 percent at 1.3 million tonnes, in line with analysts' forecasts.

"Very solid set of results with better than expected profit driven by the gourmet business," Kepler Capital Markets analyst Jon Cox said.

Barry Callebaut is benefiting from an outsourcing trend for chocolate production and is looking to increase its footprint in the high-margin gourmet business and in fast-growing Asia to boost growth.

"The past year has been very successful for outsourcing deals and we have a full pipeline for further projects. The trend is unbroken," Steinemann said.

Barry Callebaut, which recently sold its low-margin consumer product business Stollwerck to Belgian group Baronie, said it was intending to pay out a dividend of 15.50 francs per share, up 10.7 percent compared with last year.