



COCOA MARKET REVIEW

APRIL 2016

The current review of the cocoa market situation reports on price movements on the international markets during the month of April 2016. **Chart I** illustrates price movements on the London (ICE Futures Europe) and New York (ICE Futures US) markets in April. **Chart II** shows the evolution of the ICCO daily price, quoted in US dollars and in SDRs, from February to April 2016. **Chart III** depicts the change in the ICCO daily price Index, the Dow Jones-UBS Commodity Index and the US Dollar Index during the month under review.

Chart I:
Cocoa bean prices on the London
(ICE Futures Europe)
and New York (ICE Futures US) markets
April 2016

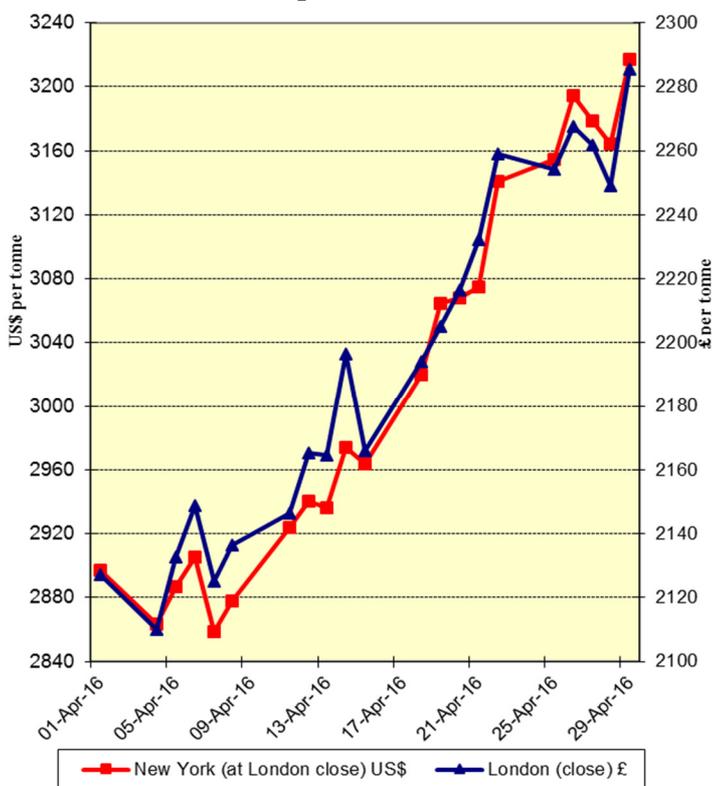
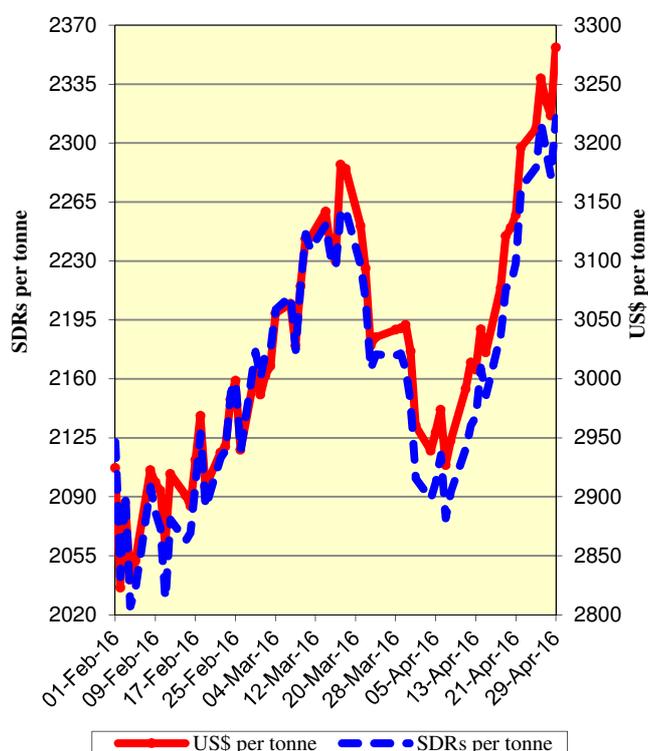


Chart II:
ICCO daily prices
February – April 2016



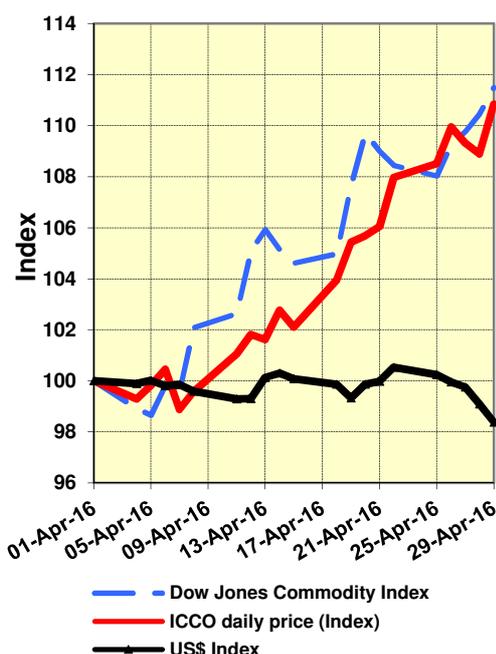
Note: The ICCO daily price for cocoa beans is the average of the quotations of the nearest three active futures trading months on the ICE Futures Europe and ICE Futures U.S. at the time of London close, converted into US\$ and SDRs using the appropriate exchange rates.

Price movements

In April, the ICCO daily price averaged US\$3,078 per tonne, up by US\$4 compared to the average price recorded in the previous month (US\$3,074) and ranged between US\$2,927 and US\$3281 per tonne.

At the beginning of April, cocoa futures prices continued the downward trend experienced at the end of the previous month, amid continued reports of improving rainfalls in both Côte d'Ivoire and Ghana. Thus, by the end of the first week, cocoa prices fell to their lowest level of the month in both London and New York, at £2,110 and US\$2,858 per tonne respectively. Thereafter, as seen in **Chart I**, cocoa prices changed course and gradually rallied from the early part of the second week through to the end of the month. Indeed, despite the release in the middle of the month of disappointing European grindings data by the European Cocoa Association (ECA) and for North America by the National Confectioners' Association (NCA) for the first quarter of 2016, the concerns that persisted in relation to the effects of the prolonged drought during the main crop led to speculation of a widening deficit for the ongoing 2015/2016 cocoa year, lending support to cocoa futures prices. Towards the end of the month, data from the Cocoa Association of Asia (CAA) showing an increase in beans processing activity in Asia, coupled with

Chart III: ICCO daily price Index, Dow Jones-UBS commodity index And U.S. Dollar Index



Notes:

The *US Dollar Index* is a measure of the value of the United States dollar relative to a basket of six major foreign currencies. The *Dow Jones Commodity-UBS Index* tracks price movements across various commodities, including energy, precious metals, industrial metals, grains, livestock, softs and agriculture.

For the first quarter of 2016, whereas European grindings fell unexpectedly, by 0.2% from the corresponding quarter to 337,029 tonnes, North American grindings showed a decrease of 2.24% year-on-year, to 118,790 tonnes, in line with expectations from market participants. Nevertheless, the overall grindings picture worldwide for the second quarter of the current cocoa season reflected a modest increase, with Asian grindings data showing a 2.9% year-on-year increase to 148,911 tonnes.

Conclusions

Due to the particularly dry and hot weather conditions experienced during the main crop of the ongoing cocoa season in the West African region, the mid crops in the major producing countries, namely in Côte d’Ivoire and Ghana, have been expected to tail off early. However, more recently, the weather conditions have turned favourable, with plentiful rains across most growing areas within the West African region. At the end of May 2016, the ICCO Secretariat will release its revised crop and grindings forecasts for the current cocoa year in its *Quarterly Bulletin of Cocoa Statistics*.

Copies of the *Quarterly Bulletin of Cocoa Statistics* can be ordered from the ICCO website (www.icco.org) or from the ICCO Secretariat.

renewed weakness in the US dollar, further contributed in supporting cocoa prices on both London and New York futures markets. As a result, cocoa prices reached a four-month high at the end of the month, at £2,285 per tonne in London and at US\$3,217 per tonne in New York.

As reflected in **Chart III**, for the majority of the month under review, the general commodity complex rose under the influence of the ongoing improvement in investor sentiment, as compared with the general sell-off sentiment which took place at the beginning of the calendar year, while the strength in the US dollar remained somehow stable.

Supply and demand situation

According to data published by news agencies, cocoa arrivals from the start of the 2015/2016 crop season up to 8 May reached 1,269,000 tonnes in Côte d’Ivoire, compared with 1,373,000 tonnes for the same period of the previous season. This 8% fall in port arrivals was mainly attributed to the slow pace of mid-crop arrivals and the poor quality of the beans due to the effects of drought.

In Ghana, the situation remains unclear as a result of a continued lack of official data released by the *Cocobod*. Nevertheless, there is a common belief among market participants that the mid-crop is expected to be relatively poor given the prolonged drought.

