



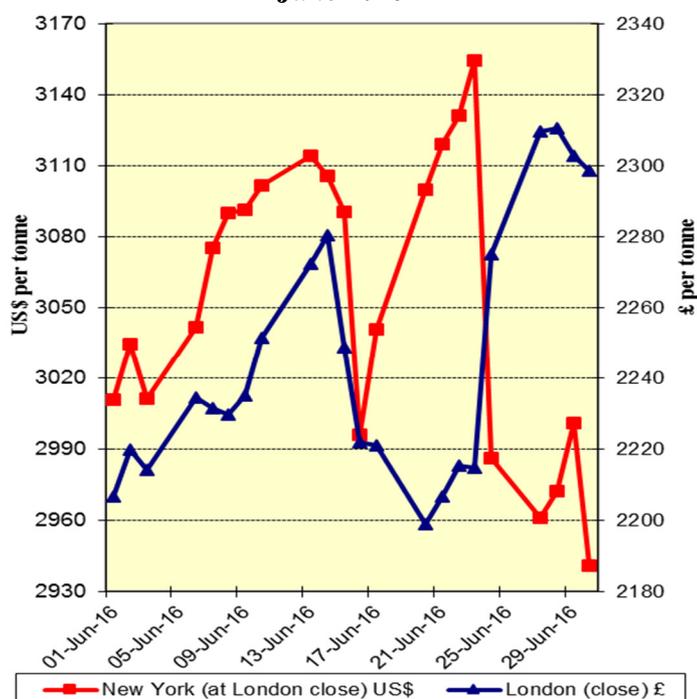
COCOA MARKET REVIEW

JUNE 2016

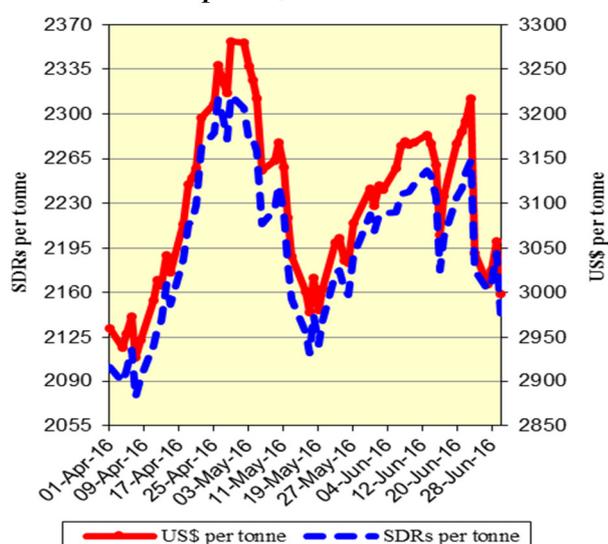
The current review reports on cocoa price movements on the international markets during June 2016. **Chart I** illustrates price movements on the London (ICE Futures Europe) and New York (ICE Futures US) markets for the month under review. **Chart II** shows the evolution of the ICCO daily price, quoted in US dollars and in SDRs, from April to June 2016. **Chart III** depicts the change in the ICCO daily price Index, the Dow Jones-UBS Commodity Index and the US Dollar Index in June, while **Chart IV** presents the prices of European cocoa products from the beginning of the current cocoa year to the present.

Chart I:

**Cocoa bean prices on the London (NYSE Liffe) and New York (ICE) futures markets
June 2016**



**Chart II:
ICCO daily prices
April – June 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.

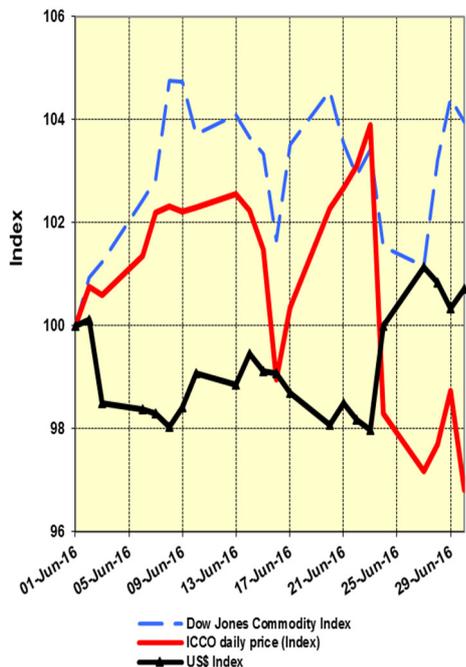
Price movements

In June, the ICCO daily price averaged US\$3,123 per tonne, up by US\$24 compared to the average price recorded in the previous month (US\$3,099), and ranged between US\$2,999 and US\$3,218 per tonne.

During the first half of the month of June, cocoa futures prices continued their upward movement initiated from the middle of May. Indeed, the prospect of a wider global deficit in the current 2015/2016 season linked to concerns related to ongoing crops, as reported by the ICCO in its quarterly statistical publication published at the end of May, provided further support to cocoa prices on both terminal markets.

However, the early part of the second half of June witnessed some profit taking activities which led cocoa prices to revert from their upward trend and follow a downward slope. While these activities were short-lived on the New York market, cocoa futures prices on the London market moved further in the opposite direction and attained their lowest level of the month, at £2,199 per tonne, following the strengthening of the Pound Sterling versus the US dollar amid expectations of a United Kingdom referendum vote to remain in the European Union. By contrast, the New York market witnessed cocoa prices reaching their highest level of the month, at US\$ 3,154 per tonne. Later in the month under review, the unexpected United Kingdom vote to exit the European Union caused the British Pound Sterling to sink to a 30-year low, losing 10% of its value against the US dollar; thus pushing cocoa futures prices to a six-month high in London as seen in **Chart I** while leading cocoa prices in New York to rather settle at their lowest levels of the month, at US\$2,941 per tonne.

Chart III: ICCO daily price Index, Dow Jones-UBS commodity index and U.S. Dollar Index June 2016



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 (cocoa being excluded) and agriculture.

As depicted in **Chart III**, from the start of the month through to the third week of June, the commodity complex generally outperformed cocoa futures prices. From that point to the end of the month, cocoa prices declined as the US\$ dollar strengthened. However, the prices of most other commodities rose. In general, throughout the month under review, the broad commodity complex remained quite volatile, partly due to currency fluctuations.

Supply and demand situation

On the supply side, data released by the *Conseil du Cacao-Café* showed that, as at 30 June 2016, cumulative cocoa bean arrivals at ports in Côte d’Ivoire had reached 1,394,982 tonnes since the start of the ongoing cocoa season, compared with 1,548,523 tonnes recorded for the same period of the previous season, representing a decrease of approximately 9% in port arrivals. Indeed, as previously noted, the mid-crop has begun very slowly, with a large proportion of rejections arising from bean quality.

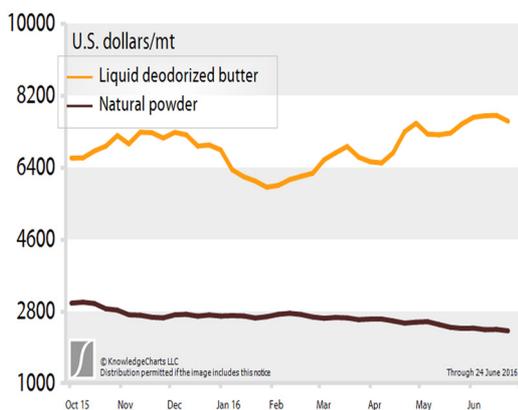
In Ghana, although there is still no data report on the status of the ongoing light crop, as with Côte d’Ivoire, the country’s cocoa production has recently benefitted from conducive weather conditions which are favourable for the crops. Market analysts therefore believe that numbers might pick up despite a quite disappointing light crop start in both countries, which are the world’s top cocoa producers.

In Brazil, data published by the *Commercial Association of Bahia* indicates a strong fall in output for the 2015/2016 season due to the severe drought in the main producing state of Bahia. After a 23% drop in the main crop, arrivals in the current *Temporão* season which began in May, are reportedly running at 60% below last year’s levels and are the lowest since 2003/2004.

Chart IV:

European cocoa products in US\$/tonne

European cocoa products (in US\$/tonne)
October 2015 - June 2016



On the demand side, as seen in **Chart IV**, while cocoa butter prices remained high, at levels above US\$6,000 per tonne during the month under review, on the other hand, ample stocks of cocoa powder have pressured product prices. Indeed, it has been reported that some grinders are reducing their operations to ease powder stocks. In addition, the European Cocoa Association has recently released data showing a 4.9% increase on a year-on-year basis in grindings, to 324,968 tonnes for the second quarter of 2016, the highest for the April-June period since 2011. This rise was expected due to reports of the partial transfer of activities from West Africa to Europe arising from quality issues related to the beans available at origin. Market reaction to this increase has been muted, as these reports coincided with news of the strengthening of the British Pound against the US dollar by approximately two per cent.

