

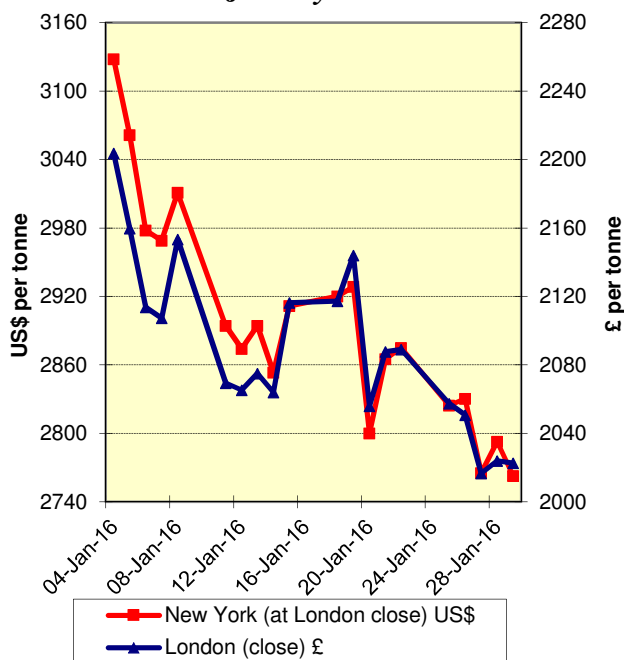


## COCOA MARKET REVIEW

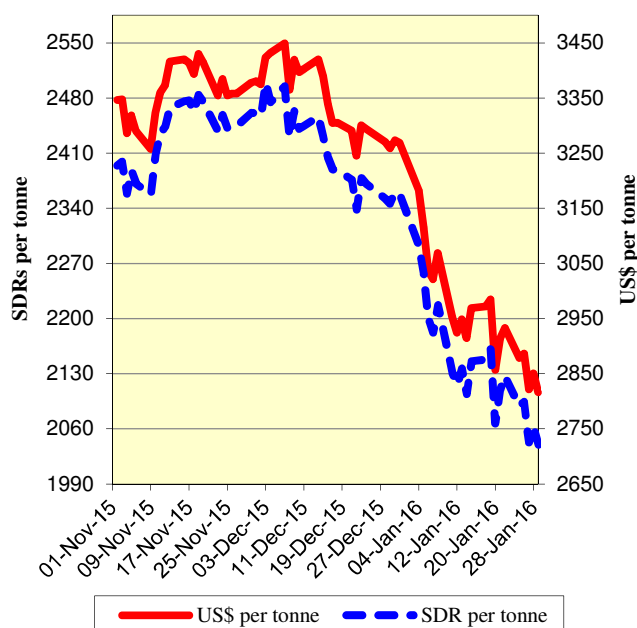
### JANUARY 2016

The current cocoa market review reports on cocoa price movements on the international markets during the month of January 2016. **Chart I** illustrates price movements on the London (ICE Futures Europe) and New York (ICE Futures U.S.) markets for the month under review. **Chart II** shows the evolution of the ICCO daily price, quoted in US dollars and in SDRs, from November 2015 to January 2016. **Chart III** depicts the change in the ICCO daily price Index, the Dow Jones Commodity Index and the US Dollar Index in January while **Chart IV** presents the prices of European cocoa products from the beginning of the 2015/2016 cocoa year to the present.

**Chart I:**  
Cocoa bean prices on the ICE Futures Europe (LIFFE)  
and ICE Futures U.S. markets  
January 2016



**Chart II: ICCO daily prices**  
November 2015 – January 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

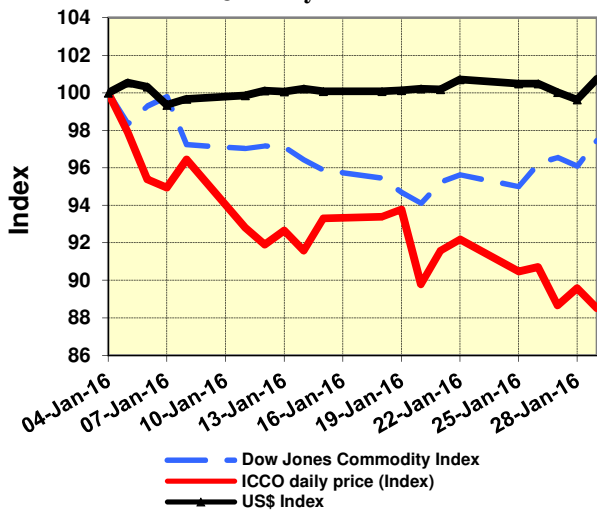
In January, the ICCO daily price averaged US\$2,952 per tonne, down by US\$394 compared to the previous month's recorded average (US\$3,346), and ranged between US\$2,816 and US\$3,182 per tonne.

At the start of 2016, cocoa futures finally succumbed to the general commodity rout that had occurred in the previous year. Indeed, after reaching four-and-a-half year highs in early December 2015, cocoa prices fell sharply during the first two weeks of the month under review, amid intense speculative selling activities which resulted, in part, from concerns related to the slowing Chinese economy and a weak world economic growth, potentially reinforcing weak consumer demand for cocoa and chocolate products. As a result, cocoa futures prices decreased from their peak values achieved at the beginning of December, by 11% and 16% respectively on the ICE Futures Europe and ICE Futures U.S. markets; thus attaining £2,064 per tonne in London and US\$ 2,853 per tonne in New York in the middle of January.

However, from the middle of the month onwards, cocoa futures prices changed course and witnessed a short-lived rise, as better-than-expected European grindings data for the fourth quarter of 2015 were released. Nevertheless, a mixture of weaker-than-expected North American grindings data combined with the publication by the *Conseil du Café-Cacao* of cumulative arrivals for the October-December period (at 859,821 tonnes, a figure around 61,000 tonnes higher than previous estimates published by news agencies), outweighed the stronger-than-expected Asian grindings data released afterwards. Thus cocoa prices retreated from their upward trend from the third week towards the end of the month. Unofficial reports indicated relatively strong

purchase levels in Ghana, adding a bearish tone in both markets. As a result, cocoa futures prices reached an eight-month low, at £2,016 per tonne in London and a nine-month low, at US\$ 2,763 per tonne in New York at the end of the month, resulting in a total contraction by eight per cent and 12% respectively, for the month.

**Chart III: ICCO daily price Index, Dow Jones commodity Index and U.S. Dollar Index January 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 Index tracks price movements across various commodities, including energy, precious metals, industrial metals, grains, livestock, softs and agriculture.

As shown in **Chart III**, while the U.S. dollar remained stable, cocoa futures declined at a higher pace than the general commodity complex throughout the month under review.

**Supply & demand situation**

On the supply side, as reported by news agencies, cumulative season cocoa arrivals to ports in Côte d’Ivoire decreased by three per cent to 1,063,000 tonnes by the end of January compared with the same period for the previous year.

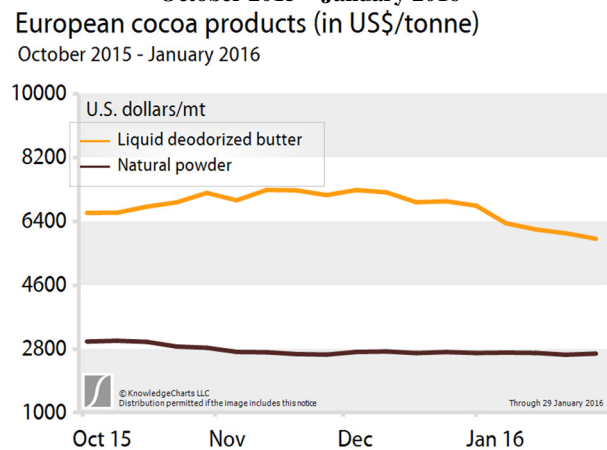
In Ghana, despite ongoing concerns from farmers related to the lack of rains and a severe seasonal dry *Harmattan*, news agencies reported cumulative purchases by the *Cocobod* of 590,000 tonnes on 14 January, suggesting that the country has recovered from the previous season’s poor crop.

Nevertheless, strong concerns related to the West African mid crops remained among markets participants due to a severe *Harmattan*. While the market is quite unanimous about the negative effects of the *Harmattan* on the survival rates of developing pods, uncertainties remain in regard to the extent of the potential damage.

On the demand side, the data published by the *European Cocoa Association* show an increase by six per cent of grindings to 342,442 tonnes of cocoa processing in Western Europe for the first quarter of the season, compared with the previous year. On the other side of the Atlantic, grindings data released by the *National Confectioners’ Association* indicate a decrease of 3.25% to 118,896 tonnes in North America. Surprisingly however, a report from the *Cocoa Association of Asia* show that grindings rose by 14% to 161,227 tonnes.

**Chart IV** indicates that prices of cocoa butter have been gradually decreasing since mid-November, partly as a result of the declining prices of raw beans, but also as a consequence of fierce competition between processing companies, due to existing over-capacity.

**Chart IV: European cocoa products in US\$/tonnes October 2015 – January 2016**



Source: Commodities Risk Analysis LC

At the end of February, the ICCO Secretariat will release its first crop and demand forecasts for the current year in its *Quarterly Bulletin of Cocoa Statistics*. Copies can be ordered from the website ([www.icco.org/statistics/quarterly-bulletin-cocoa-statistics.html](http://www.icco.org/statistics/quarterly-bulletin-cocoa-statistics.html)) or from the ICCO Secretariat.



**International Cocoa Organization**  
 Westgate House, Westgate Road, Ealing, London W5 1YY - United Kingdom  
 Tel.: +44 (0)20 8 991 6000 – Fax: +44 (0)20 8 997 4372 – <http://www.icco.org>