



COCOA MARKET REVIEW

FEBRUARY 2017

The current review reports on cocoa price movements on the international markets during the month of February 2017. **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 December 2016 to February 2017. **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 2016/2017 cocoa year to the present.

Chart I:
Cocoa bean prices on the London (ICE Futures Europe) and New York (ICE Futures US) markets
February 2017

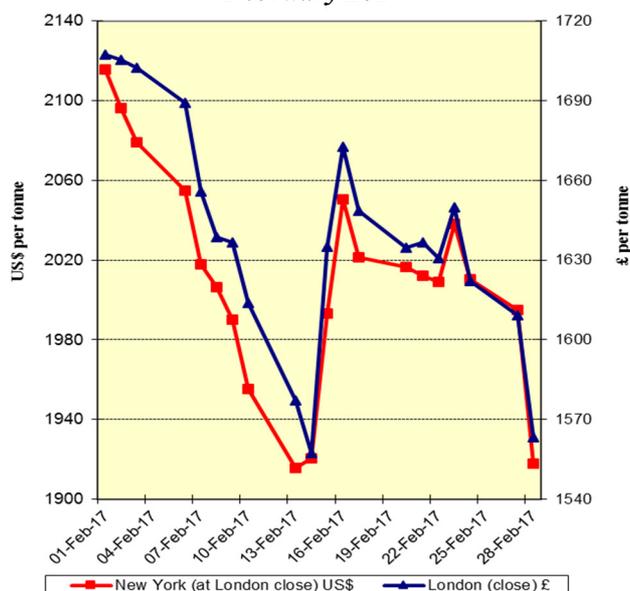
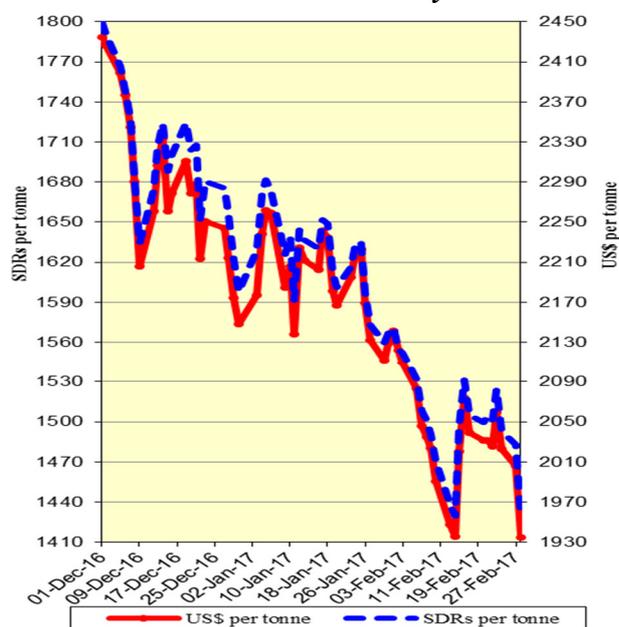


Chart II: ICCO daily prices
December 2016 – February 2017



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

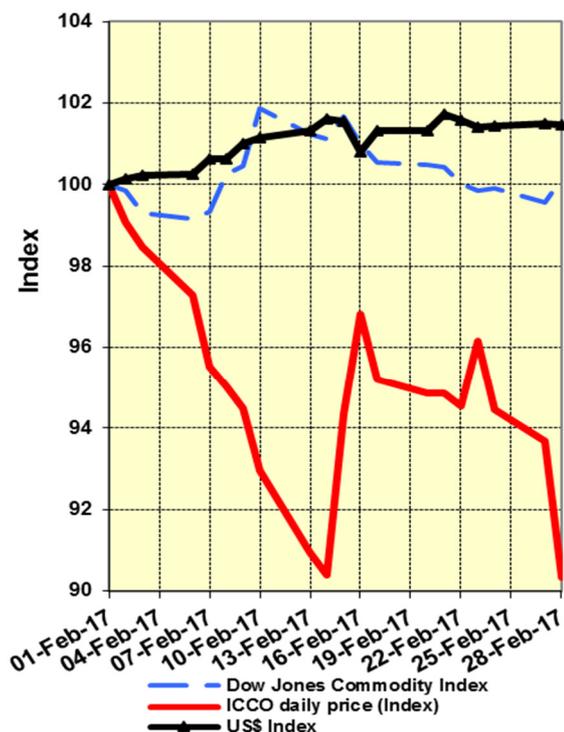
Price movements

In February, the ICCO daily price averaged US\$2,034 per tonne, down by US\$162 compared to the average of the previous month (US\$2,196), and ranged between US\$1,935 and US\$2,142 per tonne.

As shown in **Chart I**, at the beginning of February, cocoa futures prices continued their downward trend, initiated in July 2016. By the middle of the month, cocoa futures fell to a three-and-a-half year low in London, at £1,557 per tonne and to a more than nine year low, at US\$1,916 per tonne in New York. Concerns over excess supplies, resulting mainly from very favourable weather developments in West Africa continued to play a major bearish role in relation to both markets. Compared to the 39-year high attained less than a year previously, cocoa futures prices on the London market lost about 36% of their peak values reached in July 2016 (£2,449 per tonne). However, in the middle of the month, cocoa futures prices bounced back, with prices recovering by seven per cent in two sessions. Nevertheless, thereafter cocoa futures prices reverted to their downward trend throughout the end of the month. Towards the end of the month, persisting market worries related to the prevailing oversupply situation for the 2016/2017 season outweighed the announcement by the Ivorian Government that 350,000 tonnes of defaulted contracts had been re-auctioned, thus reassuring the market that measures had been taken to address concerns over the commercialization of cocoa in the country.

As shown in **Chart III**, under the influence of a relatively strong U.S. dollar, the broader commodity complex remained quite stable, whereas cocoa prices fell sharply; losing about 10% of their value at the start of the month; thus reflecting ongoing concerns related to excess supplies and weak demand for cocoa, against the backdrop of strong demand for other commodities.

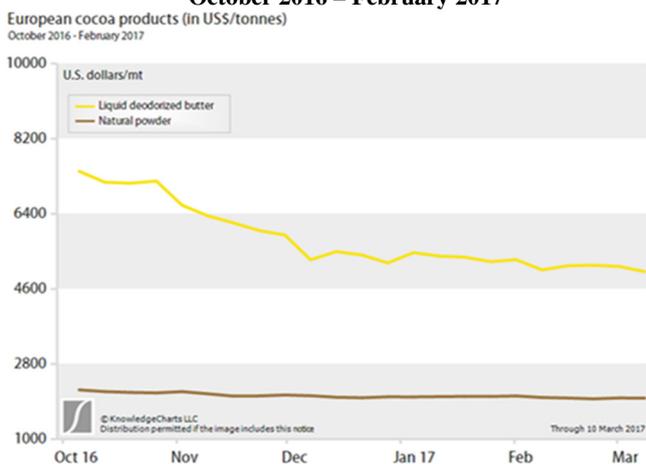
Chart III: ICCO daily price Index, Dow Jones commodity Index and U.S. Dollar Index February 2017



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.

Chart IV: European cocoa products in US\$/tonnes October 2016 – February 2017



Source: Commodities Risk Analysis LC



Supply & demand situation

The ICCO Secretariat expects cocoa output for Côte d’Ivoire to reach at least 1.900 million tonnes in 2016/2017 compared to 1.581 million tonnes recorded in the previous season. Although the main crop witnessed a slow start, at the time of writing, reports by one mainstream news agency for cumulative season cocoa arrivals to ports in Côte d’Ivoire indicate that cocoa arrivals from Côte d’Ivoire reached 1,351,000 tonnes by 12 March 2017 as compared to 1,258,000 tonnes in the same period for the previous year. However, it should be noted that wide discrepancies exist between sources on the level of cumulative arrivals, bringing scepticism in relation to the current market situation. The country has experienced favourable weather conditions, as the seasonal *harmattan* winds which were very mild during the first quarter of the current season have not been detrimental to crop development. However, the prospects of a large production for the current season coupled with low international prices have created some difficulties in the commercialization of the cocoa.

Total output for **Ghana** is anticipated to reach around 850,000 tonnes in 2016/2017. Declared purchases as at 23 February were reported at 657,000 tonnes; this compares against 661,000 tonnes recorded for the same period of the previous season (down by 0.5%). However, favourable weather conditions are expected to benefit the coming mid-crop.

On the demand side, **Chart IV** shows that, since the start of the 2016/2017 cocoa season, while prices of cocoa butter have been gradually declining, those for cocoa powder have remained steady, despite the contraction of the bean price. This partly reflects the weak demand for cocoa recorded in recent months, resulting to some extent in a downward pressure on cocoa prices.

Conclusion

The ICCO Secretariat’s first forecasts for the current 2016/2017 cocoa year, published in the latest issue of the *Quarterly Bulletin of Cocoa Statistics*, envisage that the cocoa market is bracing itself for a significant supply surplus, of around 264,000 tonnes. World cocoa bean production is expected to increase by almost 15% to 4.552 million tonnes. Grindings, on the other hand, are forecast to slightly increase by almost three per cent to 4.242 million tonnes. If realized, this would increase the total statistical stocks of cocoa beans as at the end of the 2016/2017 cocoa year from 1.401 million tonnes to 1.665 million tonnes, equivalent to 39.3% of projected annual grindings for the season.