



COCOA MARKET REVIEW

February 2024

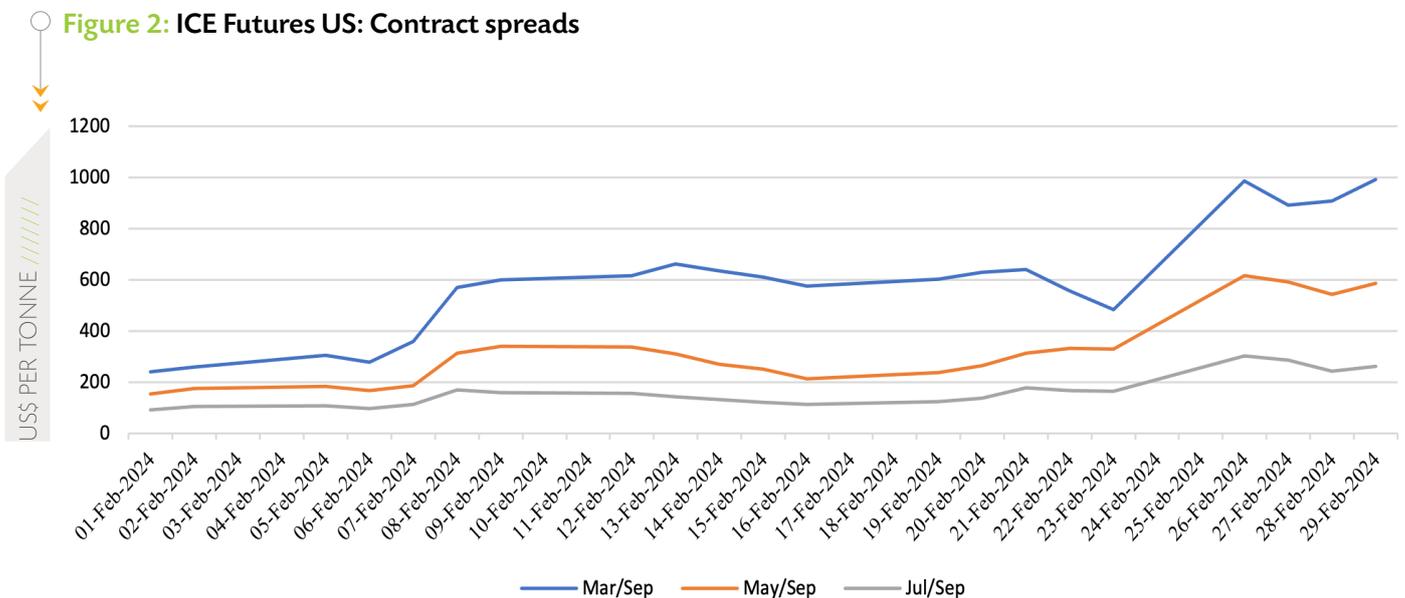
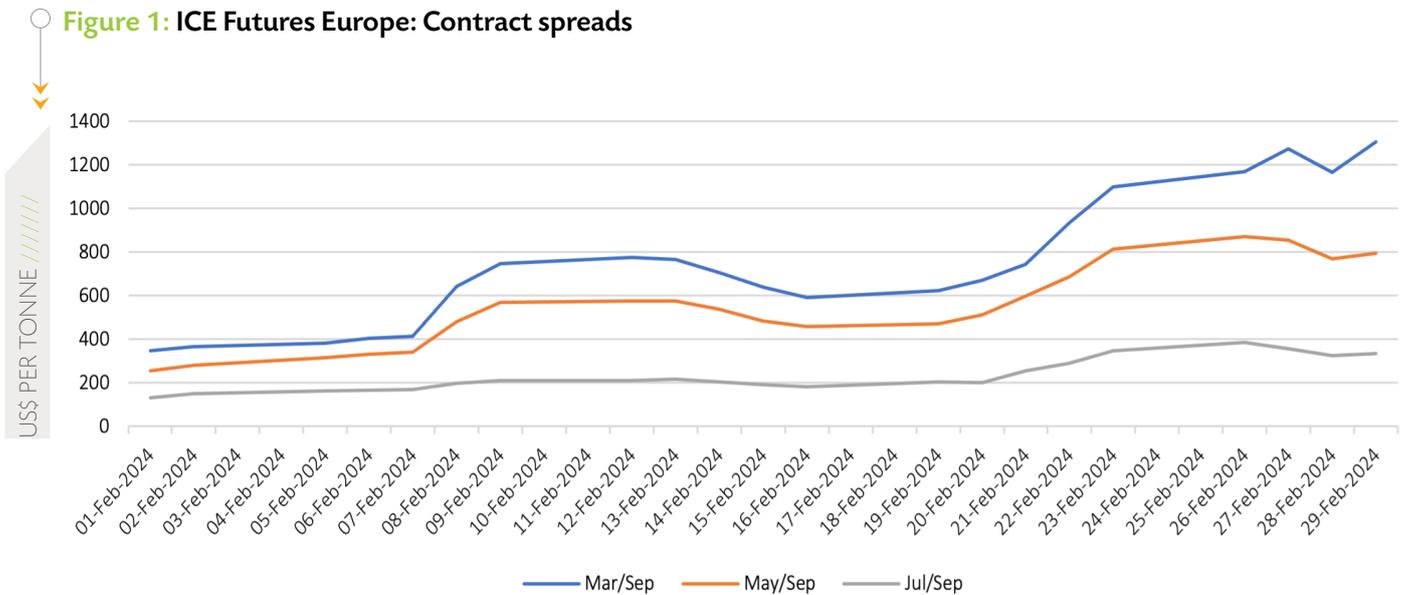
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High cocoa prices continue to make headlines. The recent supply shortfall from Côte d'Ivoire and Ghana is really taking a toll on both markets across the Atlantic. Since the start of the season, arrivals at Ivorian and Ghanaian ports are down respectively 28% and 35% from the same period last season.

However, it is worth pointing out the caveats surrounding February's price rally: the spread for the imminent expiration of the March contract vis-à-vis the September contract. In a situation of supply tightness, backwardation develops, and the premium of the nearby contract over deferred contracts widens. In February, the average premium of the MAR-24 contract against SEPT-24 was 14%, whereas that of MAY-24 against SEPT-24 was 11%. Should market fundamentals not change, the premium for the nearby contract over the SEP-24 contract will disappear soon after the expiration of MAR 24.

Figure 1 and **Figure 2** focus on the spread paid for the MAR-24, MAY-24 and JUL-24 contracts over the SEPT-24 contract, respectively on ICE Futures Europe and ICE Futures US. By 29 February, the premium for the nearby MAR-24 contract at US\$1,306 per tonne in London was significantly higher by 23% over the price of the SEPT-24 contract, which was at US\$5,725 per tonne. In New York, the MAR-24 contract was up by 18% over the SEPT-24 contract, which was at US\$5,474 per tonne.



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WHAT IS CAUSING THE DIFFERENT PRICE DYNAMICS OF GHANIAN AND IVORIAN ORIGINS ACROSS THE ATLANTIC?

Figure 3 and **Figure 4** show the discounts applied to the country differential paid for Ghanaian beans and for other origins respectively in Europe and US. While the discounts applied for other origins are stable in the European market, they are widening in the US market with the exception of the Ivorian origin. That is, the US market is experiencing a shortage of both Ghanaian and Ivorian origins. Some market practitioners are of the view that this is the result of progressive stockpiling of these origins in Europe at the expense of the US market prior to the entry into force of the EU Deforestation Regulation.

Figure 3: Discounts applied to the Ghanaian country differential for the other origins in Europe

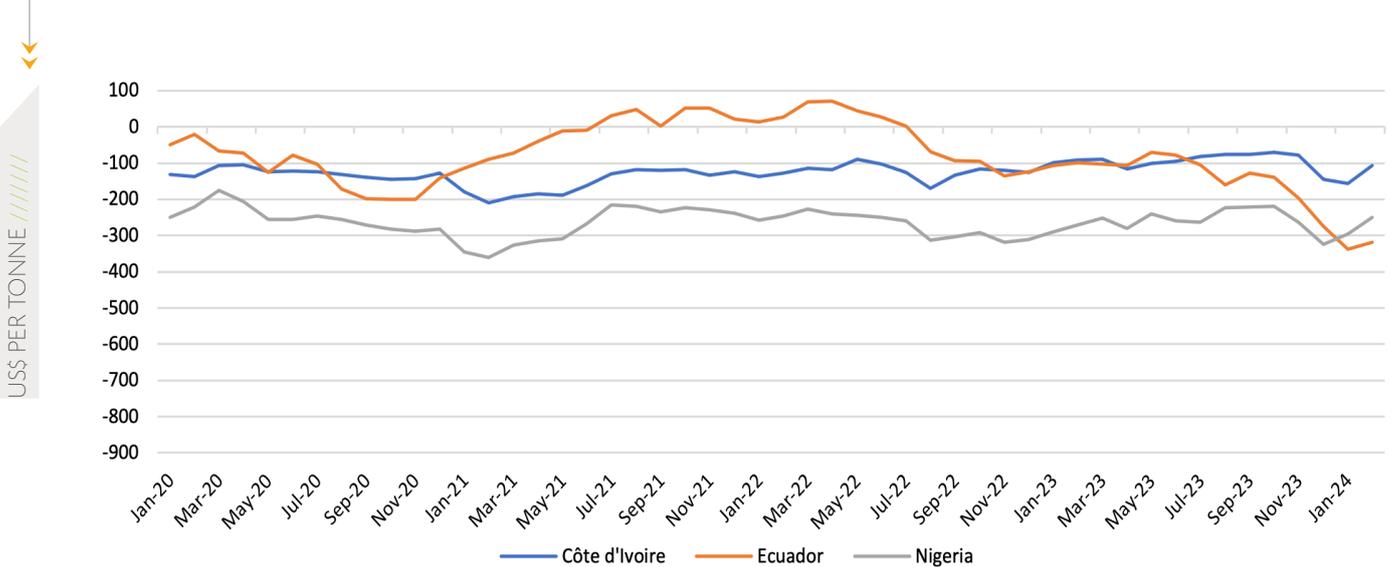
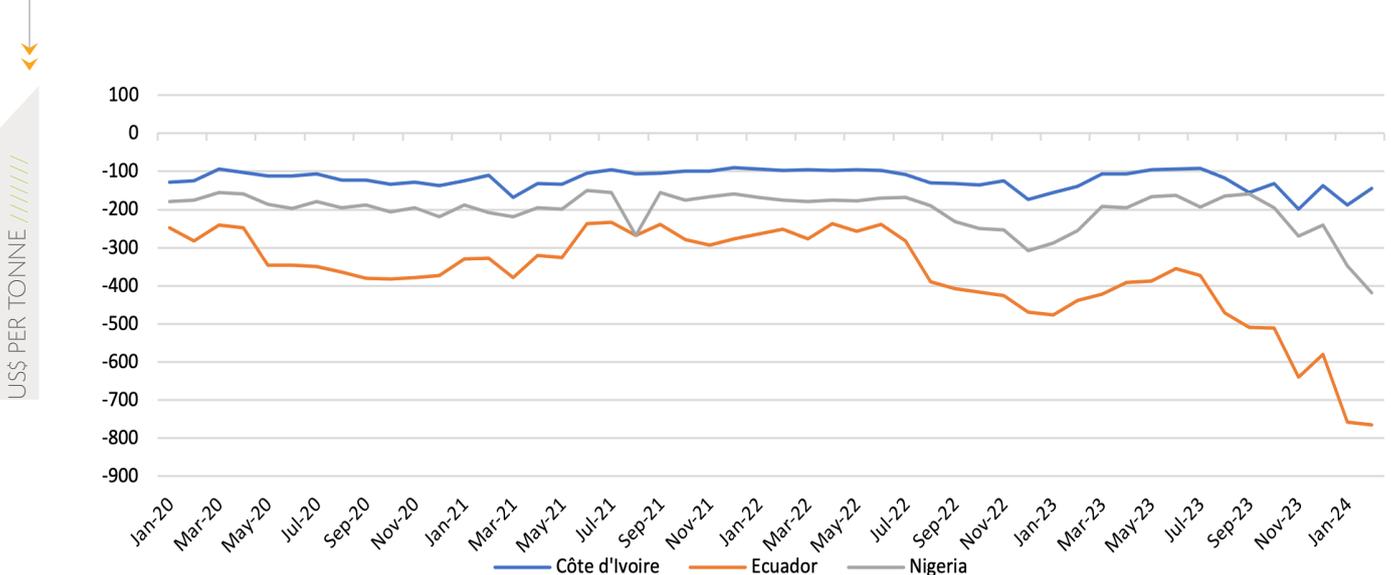


Figure 4: Discounts applied to the Ghanaian country differential for the other origins in US



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FUTURES PRICE DEVELOPMENT

In February 2024, prices of the front-month contract were substantially high. At an average price of US\$6,146 per tonne, compared to prices at the beginning of the month, the front-month contract prices at the end of the month were up by 39% in London from US\$5,059 per tonne to US\$7,031 per tonne. In New York, at an average of US\$5,889 per tonne, the front-month contract price at the end of the month was up by 30%, from US\$4,964 per tonne at the start of the month to US\$6,466 per tonne on the last trading day (**Figure 5**). Compared to prices seen a year ago, the average of February 2024 is above that of February 2023 by 147% and 120% in London and New York, respectively. The corresponding February 2023 average price was US\$2,484 in London and US\$2,677 tonnes in New York.

Figure 6 shows the low levels and relatively flat trend of cocoa prices during February 2023.

Figure 5: Prices of the MAR-2024 and MAY-2024 futures contracts on the London (ICE Futures Europe) and New York (ICE Futures U.S.) markets

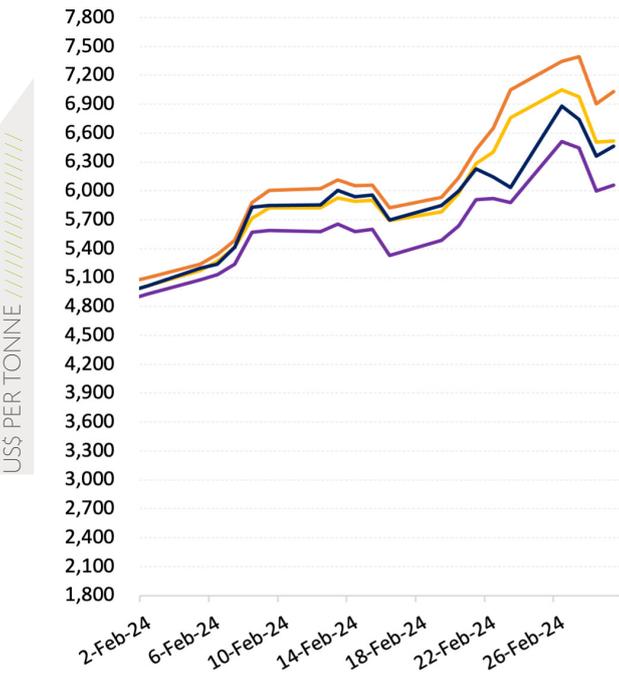


Figure 6: Prices of the MAR-2023 and MAY-2023 futures contracts on the London (ICE Futures Europe) and New York (ICE Futures U.S.) markets

