



COCOA MARKET REVIEW

DECEMBER 2016

The current cocoa market review reports on cocoa price movements on the international markets during the month of December 2016. **Chart I** illustrates price movements on the London (ICE Futures Europe) and New York (ICE Futures U.S.) markets in December. **Chart II** shows the evolution of the ICCO daily price, quoted in US dollars and in SDRs, from October to December 2016. **Chart III** depicts the change in the ICCO daily price Index, the Dow Jones Commodity Index and the US Dollar Index in 2016 and **Table 1** summarizes major price developments during the year.

Chart I: Cocoa bean prices on the ICE Futures Europe (LIFFE) and ICE Futures US markets December 2016

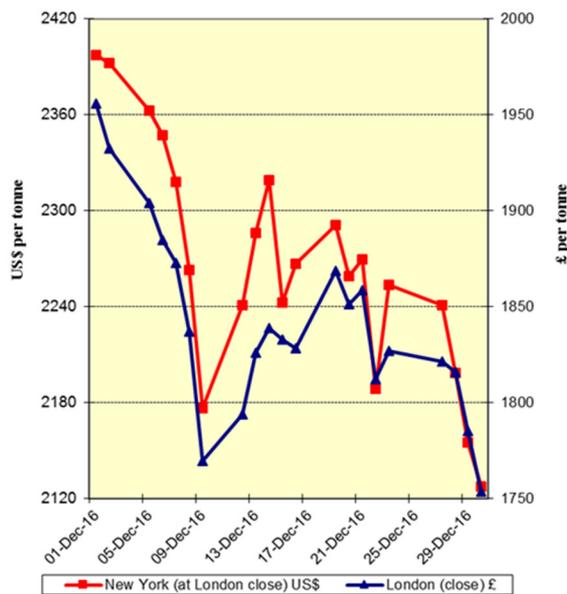


Chart II: ICCO daily prices October – December 2016



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.

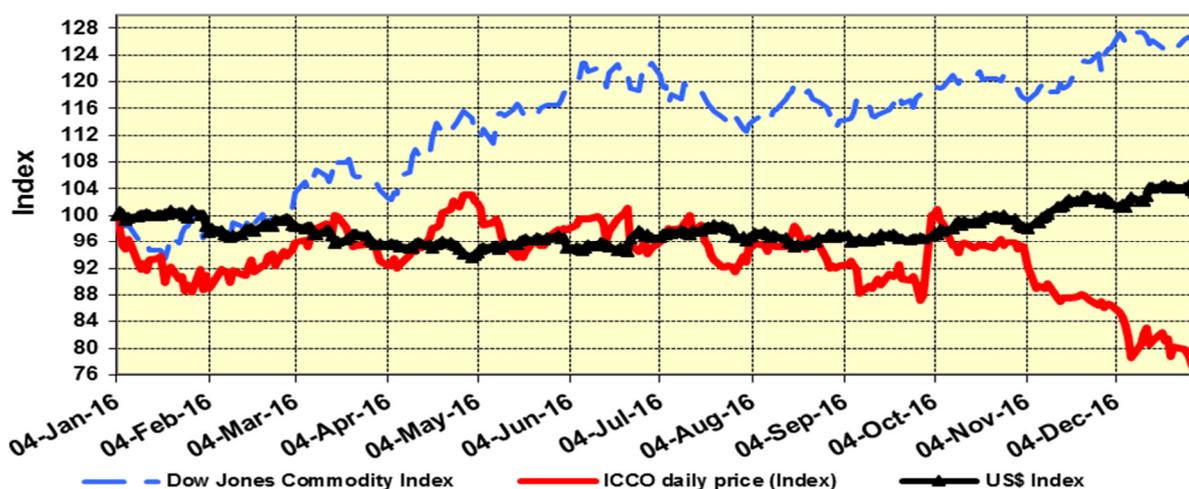
Price movements

In December, the ICCO daily price averaged US\$2,287 per tonne, down by US\$213 compared to the average price recorded in the previous month (US\$2,500) and ranged between US\$2,148 and US\$2,435.

During the month of December, as seen in **Chart I**, cocoa futures prices fell further with the outlook remaining extremely positive for both West African and Latin American output. Having reached record low levels in the previous month, cocoa prices continued to fall until the end of the second week of December, amid the same bearish conditions (general market expectations of a production surplus for the ongoing 2016/2017 cocoa season) that had generally prevailed throughout the month of November. This fall was temporarily halted in the course of December, with markets moving sideways following some commercial selling activities and currency movements that affected both markets. Thereafter, cocoa prices resumed their downward trend, with prices plummeting to an almost three year low, at £1,754 per tonne in London, and to a more than three-and-a-half year low, at US\$2,128 per tonne in New York. Compared to the peak values attained on 7 July 2016 on the London market and on 29 April 2016 on the New York market, prices contracted by 28% and 34% respectively. Continued strong weekly port arrivals also contributed in this enhanced price fall.

The broader commodity complex outperformed cocoa prices throughout the year just ended, under the influence of a relatively stable dollar. The difference in performance has widened, particularly since the beginning of the cocoa season, amid reports of a global cocoa production surplus. As seen in **Chart III**, by the end of the year, cocoa prices lost 24%, compared to the Dow Jones Commodity Index which gained twenty per cent. While cocoa was the commodity asset that recorded the best performance in 2015, it became the worst overall in 2016.

Chart III: ICCO daily price Index, Dow Jones Commodity Index and the 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 Index* tracks price movements across various commodities, including energy, precious metals, industrial metals, grains, livestock, softs and agriculture.

Supply & demand situation

As reported in the previous report, markets analysts are closely monitoring any signs of a potentially strong *Harmattan* in West Africa; nevertheless, forecasters are expecting it to continue to be mild; and with soil moisture levels high, the prospects for the mid-crop are very positive. In Côte d’Ivoire, figures published by the *Conseil du Cacao-Café* show that cumulative port arrivals since the start of the current season were estimated at almost four per cent down, at 862,479 tonnes by 31 December 2016, compared with 898,175 tonnes recorded for the same period of the previous season. In Ghana, Cocobod purchases reached 547,223 tonnes by 29 December from the start of the 2016/17, the same level as for the previous year.

On the demand side, data just published by the European Cocoa Association shows a decrease by almost one per cent of grindings to 339,379 tonnes in respect of cocoa processing in Western Europe for the fourth quarter of 2016, compared with the previous year. Grindings data published by the *US National Confectioners’ Association* (NCA), as well as the *Cocoa Association of Asia* for the same period are due to be released shortly.

Table 1: Prices for cocoa beans on futures markets, record levels and growth rates

Cocoa bean prices	Unit	2016 high (date)	Date previous high	Year-on-year change (%) ^{a/}
ICCO daily prices	SDRs/tonne	2,315 (29 Apr)	31 Dec 2015	-32%
ICCO daily prices	US\$/tonne	3,281 (29 Apr)	24 Dec 2015	-34%
ICCO daily prices	Euro/tonne	2,949 (04 Jan)	31 Dec 2015	-32%
London futures ^{b/}	£/tonne	2,449 (07 July)	11 Aug 1977	-22%
New York futures ^{b/}	US\$/tonne	3,217 (29 Apr)	23 Dec 2015	-34%

Notes:

a/ Percentage increase from 31 December 2015 to 30 December 2016

b/ Average of the quotations of the nearest three active futures trading months

Conclusions

As reported in **Table 1**, at the end of 2016, the London and New York markets recorded substantial decreases over the previous year, of 22% and 34% respectively. After cocoa future prices in London reached a 39-year high at the end of the first week of July, the cocoa prices decline was initiated in both markets following general market expectations of a production surplus for the ongoing 2016/2017 cocoa season; mainly resulting from the prospects of a strong recovery in West African and Latin American production.

