



COCOA MARKET REVIEW

MAY 2017

The current review of the cocoa market situation reports on price movements on the international markets during the month of May 2017. **Chart I** illustrates price development of futures contracts with expiry in July on the London (ICE Futures Europe) and New York (ICE Futures US). **Chart II** shows the evolution of the ICCO daily price, quoted in US dollars and in SDRs, from March to May 2017. **Chart III** depicts the change in the ICCO daily price index, the Dow Jones Commodity Index and the US dollar Index during the month under review, while **Chart IV** presents the prices of European cocoa products since the beginning of the year.

Chart I:
Prices of Cocoa futures contracts with expiry in July on the London (ICE Futures Europe) and New York (ICE Futures U.S.) futures markets

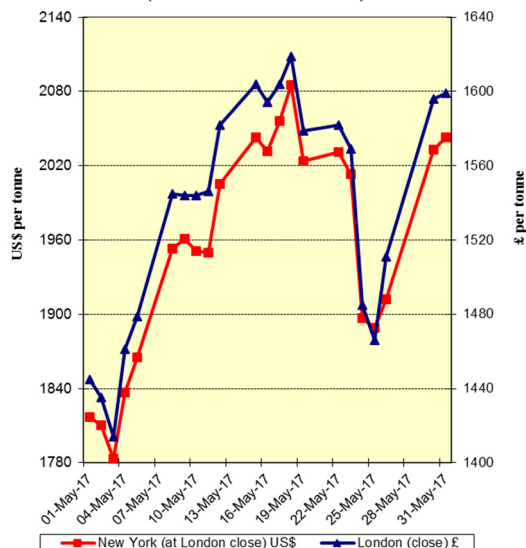
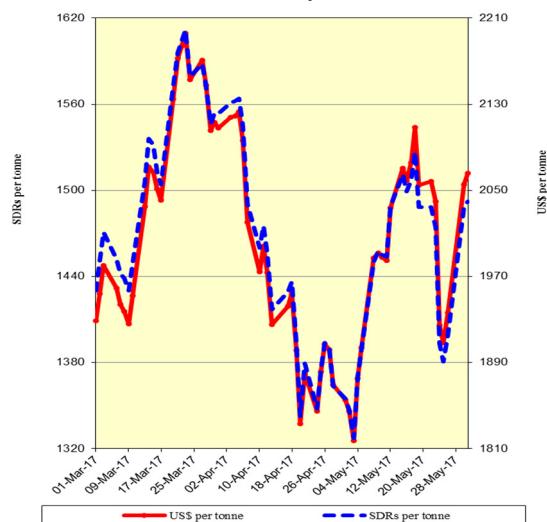


Chart II:
ICCO daily prices
March – May 2017



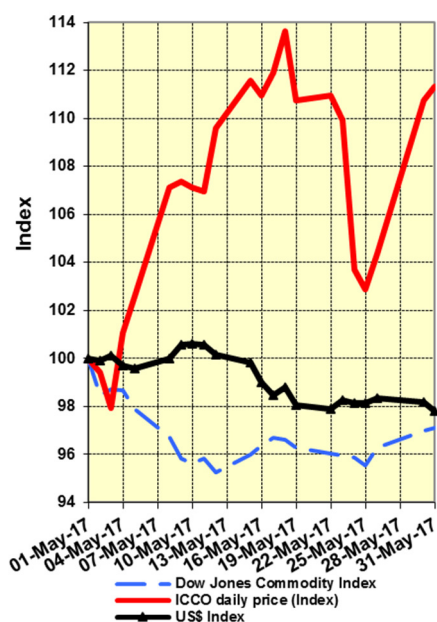
Note: The ICCO daily price for cocoa beans is the average of the quotations of the nearest three active futures trading months on the ICE Futures Europe and ICE Futures U.S. at the time of London close, converted into US\$ and SDRs using the appropriate exchange rates.

Price movements

In May, the ICCO daily price averaged US\$1,983 per tonne, down by US\$22 compared to the average price recorded in the previous month (US\$1,961) and ranged between US\$1,817 and US\$2,108 per tonne.

As seen in **Chart I**, cocoa prices in both futures markets moved downwards at the beginning of the month. Cocoa futures fell to their lowest level for the month under review, at £1,415 per tonne in London and at US\$ 1,797 per tonne in New York. They changed direction in the later part of the first week as both markets witnessed renewed unrest in Côte d'Ivoire, as a result of the Ivorian military mutiny. Thereafter, this unrest reached a tipping point in the late part of the second week of the month and further contributed to the sustained upward trend in prices. Compared to the above mentioned lows recorded at the start of the month, by the end of the third week, prices rose by almost 14% and 17% , on the London and New York markets, respectively, to a more than one-month high at £1,620 per tonne in London and at US\$ 2,097 per tonne in New York. However, as the peaceful resolution of the aforementioned mutiny, coupled with the ongoing prospect of a record supply surplus for the current season provided bearish sentiments within the cocoa markets, the following five trading sessions witnessed a reversal in cocoa

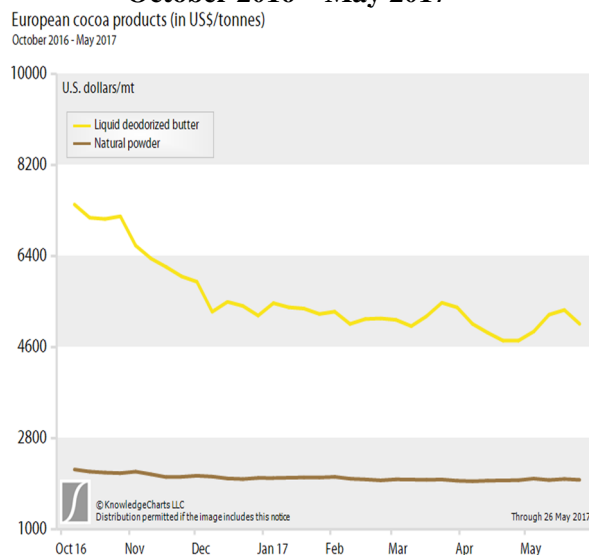
Chart III: ICCO daily price Index, Dow Jones commodity index and U.S. Dollar Index May 2017



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 – May 2017



Futures prices trend. Moving towards the end of the month, amid reports from the exporters association that Ivorian grindings were 10% higher on a year-on-year basis for the period October/April 2017, cocoa futures prices changed course and followed an upward trend

As seen in **Chart III**, for most of the month under review, cocoa futures prices outperformed the broad commodity complex, under the influence of a falling US dollar. Indeed, the US dollar lost some grounds in May after a slew of negative US macro-economic data. However, the relative strength observed in cocoa futures prices was mainly due to concerns resulting from the aforementioned Ivorian military mutiny.

Supply and demand situation

According to the ICCO’s latest issue of the *Quarterly Bulletin of Cocoa Statistics*, based on information available at the beginning of May, world cocoa production for the current season is expected to increase by 18% to 4.692 million tonnes, as compared with the previous season’s estimate of 3.972 million tonnes. With demand anticipated to grow by 3% to 4.263 million tonnes, the current season is therefore expected to experience a record supply surplus of 382,000 tonnes.

As reported by *Reuters*, port arrivals in Côte d’Ivoire since the start of the cocoa season were estimated at 1,631,000 tonnes by 4 June 2017, as compared to 1,352,000 tonnes for the same period of the previous season. Overall, arrivals have remained strong during the month under review, reinforcing analyst’s view that the crop is on course for a new record.

In Ghana, cocoa purchases were reported to have reached 807,221 tonnes by 6 May, an increase of 18% compared to the same period of the previous cocoa season. Nevertheless, analysts are of the view that smuggling is significantly boosting those purchase figures.

In relation to demand, industry reports indicate that while cocoa powder prices have remained steady on one hand, cocoa butter prices on the other hand declined during the month under review, as illustrated in **Chart IV**.

