



COCOA MARKET REVIEW

DECEMBER 2019

This review of the cocoa market situation focuses on the prices of the nearby futures contracts listed on ICE Futures Europe (London) and ICE Futures U.S. (New York) during the month of December 2019. It aims to highlight key insights on expected market developments and the effect of the exchange rates on the US-denominated prices.

Chart I shows the development of the nearby futures prices on the London and New York markets at the London closing time. Both prices are expressed in US dollars. **Chart II** depicts the change in the US-denominated ICCO daily price index and the US dollar index in December. By comparing these two developments, one can determine the impact of the US dollar exchange rate on the development of the US dollar-denominated ICCO daily price index. **Chart III** presents monthly average cocoa butter and powder prices in Europe and the United States since the start of 2019.

Chart I: Prices of the nearby futures contract on the London (ICE Futures Europe) and New York (ICE Futures U.S.) markets in US\$ per tonne
December 2019

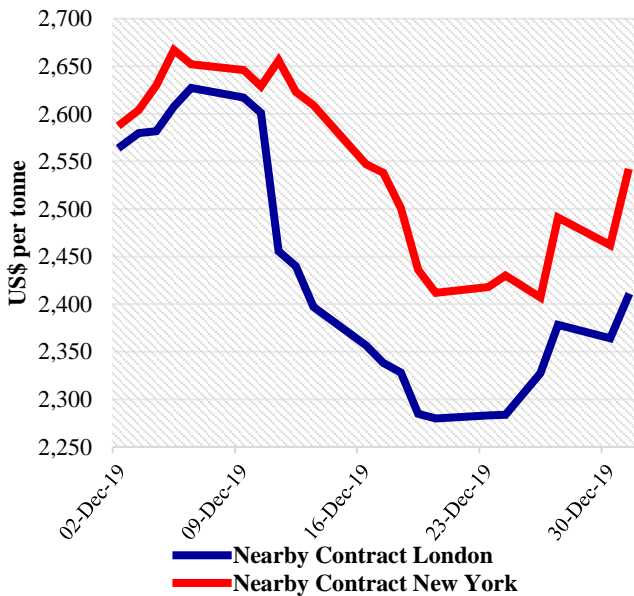
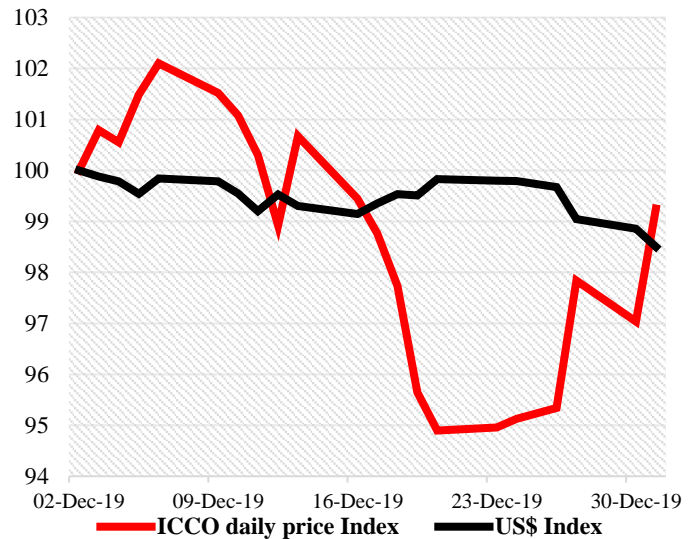


Chart II: ICCO US-denominated daily price index and U.S. dollar index
December 2019



Note: The US dollar index is a measure of the value of the United States dollar relative to a basket of six major foreign currencies.

Price movements

The front-month cocoa futures contract prices weakened on both London and New York markets during the month of December 2019 (**Chart I**). In comparison to their levels reached during the first trading session of the month, prices fell at the end of December by 6% from US\$2,566 to US\$2,407 per tonne and by 2% from US\$2,590 to US\$2,538 per tonne in London and New York respectively. This downwards trend was attributed to the favourable growing conditions that prevailed in West Africa's cocoa belt and ample supplies of cocoa beans recorded in Côte d'Ivoire and Ghana at the time.

Although prices mainly declined, their developments exhibited three distinct phases. During the first trading week of the month (02-06 December), the fear of a tight supply fueled both a bullish market stance and a backwardation in the futures markets. Then, during the period 09-20 December, prices rapidly declined as arrivals at Ivorian ports surpassed the levels recorded last year by 1.5%. Futures prices declined by 13% from US\$2,617 to US\$2,283 per tonne in London, and by 9% from US\$2,646 to US\$2,412 per tonne in New York.

Finally, during the period 23-31 December 2019, prices reverted from their plunge as a result of the Harmattan winds recorded in Côte d'Ivoire and Ghana. Futures prices climbed by 5% on both markets moving from US\$2,283 to US\$2,407 per tonne in London and from US\$2,412 to US\$2,538 per tonne in New York.

At the end of 2019, the annual average price of the front-month contract in London had increased by 9% compared to the previous calendar year as seen in **Table 1**. During the same period in New York, the average of the nearby contract prices strengthened by 4% year-on-year. The annual average US-denominated ICCO daily price was US\$2,341 per tonne, up by 2% compared to level reached the previous year. The average of the Euro-denominated price expanded by 8%, attaining US\$2,092 per tonne over the same period.

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

Cocoa beans prices	2019 Average	2019 high (date)	Date Previous high (value)	Year-on-year change (%) a/
ICCO daily price (US\$/tonne)	2,341	2,625 (14 Nov)	18 May 2018 (2,639)	+2
ICCO daily price (Euro/tonne)	2,092	2,383 (14 Nov)	03 Nov 2016 (2,410)	+8
London cocoa futures (£/tonne) b/	1,797	2,056 (14 Nov)	24 Nov 2016 (2,057)	+9
New York cocoa futures (US\$/tonne) b/	2,386	2,766 (15 Nov)	14 May 2018 (2,775)	+4

Notes: a/ Percentage increase of the average prices during the calendar years 2019 and 2018

b/ Front-month cocoa futures contract prices at the time of London and New York close, respectively.

As shown in **Chart II**, the development in the US foreign exchange had a marginal impact on cocoa prices.

Chart III: Monthly averages of cocoa butter and powder prices in Europe and the United States January – December 2019

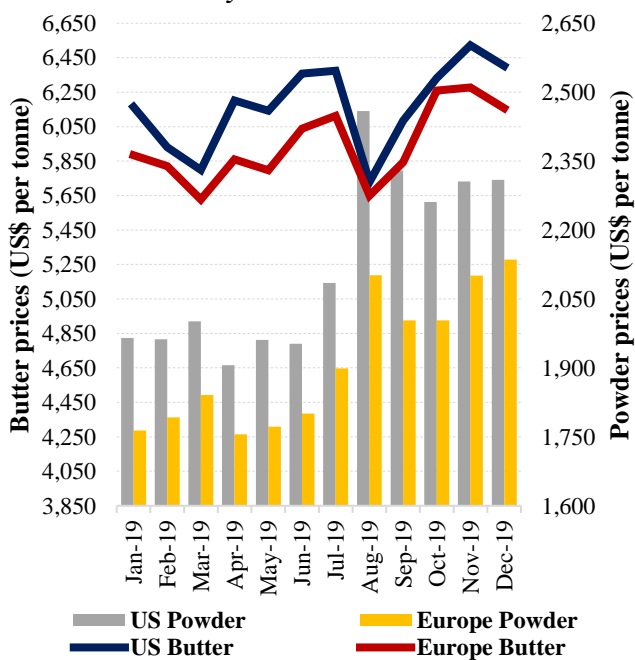


Chart III shows that, during 2019, prices for cocoa butter and powder in Europe and the United States generally followed an upward trend on both of the world's largest cocoa consuming markets. Indeed, prices for cocoa butter improved by 4% from US\$6,164 to US\$6,403 per tonne in the United States, whilst in Europe they rose by 5%, moving from US\$5,885 to US\$6,157 per tonne.

Concerning cocoa powder, as compared to the levels reached at the start of 2019, prices increased by 18% from US\$1,965 to US\$2,310 per tonne in the United States. During the same time frame in Europe, powder prices rose by 21% from US\$1,764 to US\$2,136 per tonne.

In addition, compared to their average values recorded in January 2019, the front-month cocoa futures contract prices progressed by 13% and 11% in London and New York respectively at the end of December 2019. They spiked considerably from US\$2,153 to US\$2,434 in London, while in New York they soared from US\$2,303 to US\$2,549 per tonne.

Source: Commodity Risk Analysis (CRA)

Cocoa supply and demand situation

At the end of the first quarter of the 2019/20 crop year, higher arrivals were established in **Côte d'Ivoire** while in **Ghana** they were stagnating compared to the volumes reached a year ago. Indeed, as at 19 January 2020, cumulative arrivals of cocoa beans at Ivorian ports were reported at 1.296 million tonnes, up by 1.2% from 1.281 million tonnes attained during the same period during the 2018/19 season. In Ghana, arrivals of graded and sealed cocoa were seen at 456,000 tonnes by 19 December 2019.



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