

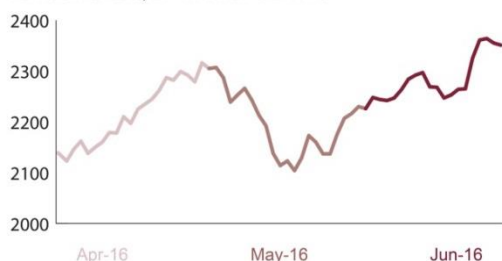
## Cocoa Beans

### Brexit, currencies, oh yes and fundamentals

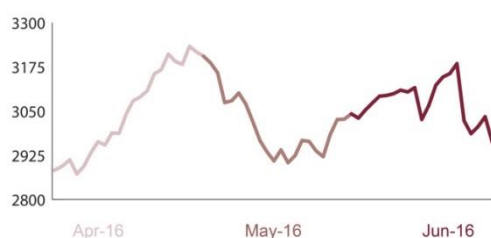
Last month was all about the UK voting for staying in or leaving the EU. Right before the voting, the financial markets seemed to indicate a very strong belief in a remain vote with the cable and equities near the highest levels we have seen this calendar year. But the outcome of the referendum was different. Pound Sterling lost over ten percent overnight compared to the US dollar and also significantly lost against the Euro, while at the same time equities ended more than six percent down. What was the impact on cocoa? The currency impact caused London to be well supported, leading to prices in GBP last seen in Q1-2011. If we look at the London charts in Euro's we are trading at lower levels compared to before the Brexit referendum.

On a more fundamental note; we are in the middle of the silly season, where weather is vital for the development and survival rate of next year's cocoa main crop. The outlook for the upcoming months is very promising given our latest rainfall and pod set data, but it is too early to make too strong conclusions yet. Arrivals for the mid-crop are expected to tail off sharply in the weeks to come, further increasing the difference with last season, whereby the botanical difference is amplified by retention of small beans upcountry, for release only later into the new crop. The cocoa futures market has done a lot to price this through flat price, in Euros and even more in GBP, and a sharply inverted structure.

London close, 2<sup>nd</sup> month GBP/Mt



New York close, 2<sup>nd</sup> month USD/Mt



## Cocoa Butter

### Expecting a hot summer

June was dominated by Brexit fears that came true. The pound Sterling depreciated considerably with a terminal market rise as a consequence. For the butter buyer the impact has been limited in euro terms. The focus of the butter buyer remains covering 2016 needs. Prior to the summer holidays there has been a lot of activity. It can become a hot summer with availability of butter still tight. The fourth quarter 2015 fresh in mind could be a warning not to get caught short as prices in such environment can rise violently.

## Cocoa Powder

### Stepping-up with Powder Cover

During the month of June, many news wires highlighted concerns about the availability and quality of cocoa beans for the remainder of the current crop year. Adding Brexit to the equation has created more volatility in the cocoa markets. Cocoa Powder prices have remained stable, supported by a modest demand growth, at levels where many buyers felt comfortable to further increase cover into 2017.

The context is favorable to consider covering any remaining needs for 2016 and further into 2017.

## Cocoa Liquor

### Preparing for the peak season

Marked by high uncertainty and volatility in the cocoa & currency markets, June was a rather active month. Buyers stepped back into the market, some ahead of the Brexit vote, some after to take cover for the 2nd half of the year and into 2017. Seasonal demand is expected to pick up while uncertainty and volatility look set to stay with us throughout the summer. Bean quality remains a concern for liquor availability and pricing.



**Taco Terheijden**  
Group Director Sustainability  
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# Strengthening farmers' position in the cocoa value chain

Smallholder cocoa farmers occupy a weaker position in the cocoa value chain and thus require the sectors constant attention. This was one of the conclusions from the recent World Cocoa Conference. Cargill Cocoa & Chocolate presented their vision on how to professionalize farmers, empowering them to build a thriving cocoa sector for the future.

At the third edition of the World Cocoa Conference in Bávaro, Dominican Republic, 1,300 participants from across the cocoa value chain gathered to discuss the most important issues facing the sector. As always, the theme at the forefront was sustainability in the cocoa value chain and how to help cocoa farmers. It was acknowledged that initiatives by multiple stakeholders are having a positive impact. But, there was also common agreement that there is more to be done.

## The buoyant business of farming

As one of the world's biggest suppliers of cocoa, Cargill believes it is critically important that we strengthen the position of farmers and the farmer organizations. The cocoa which comes from the coops forms the cornerstone of Cargill's required volume. But, there are risks to the global production of cocoa, including ageing farmers and plantations. If we want the next generation to enter the industry, it has to be a viable business where farmers can make a living income for themselves and their families.

## A total development approach

One of Cargill Cocoa & Chocolate's contributions to the conference was a presentation that looked at the farmer's relative strength in the context of the entire cocoa value chain, from farmer to consumer. It revealed four key critical factors that affect the relative strength of each player in the value chain: access to information or education, the impact of market forces, relationships through the value chain and the ability to create added value. The typical farmer does not score high in any of these four factors.

To improve the farmer's successfulness, we focus on improving farmer livelihoods and professionalizing farmer organizations.

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The holistic Cargill approach is set out in [the Cargill Cocoa Promise](#).

## Strength through professional farmer organizations

To date, a huge amount of work has been put into farmer training and farm development, helping farmers create higher yields from the same amount of land. More effort is now needed to strengthen the farmer's position in the value chain. One way to achieve this is for farmers to join farmer organizations such as cooperatives, instead of operating alone. The cooperative management can negotiate prices on his behalf, with the benefit of scale, and he gets improved access to capital and inputs. The coop can also offer farmers services that will enable him to improve his yields and ultimately make more income from cocoa. The farmer can also join discussions with many other farmers on topics such as how to improve quality, how to share equipment and how to manage extreme weather.

How much value the cooperative can bring depends on how well it is run. In 2013, Cargill launched the [Cargill Coop Academy](#) to ensure that cooperative managers have the necessary business skills to run successful cocoa cooperatives. The Academy provides 28 days of intensive training, followed by a year of on-the-ground coaching. In 2016, we [extended the program to Cameroon](#), aiming to reach almost 900 executives over four years.

One of our latest initiatives is a project 'Doni Doni' (which means step by step in a local Ivorian language) through which farmers are benefiting from the [affordable finance](#) they need to improve farming logistics. Through continued development of cooperatives through access to finance, we aim to keep positively impact the position of the farmer in the value chain. This is the key to a robust cocoa supply, now and in the future.

We recently published our new Cargill Cocoa Promise report, so to learn more please visit [www.cargill.com/cocoa-sustainability](http://www.cargill.com/cocoa-sustainability).