

Market Report

November 2016

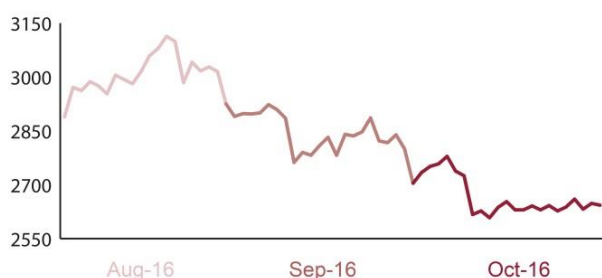
Cocoa Beans

New crop season is well under way now

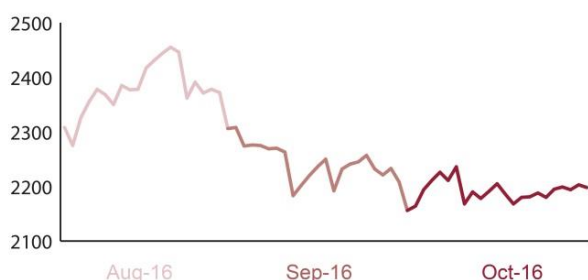
Except for the first trading week of October, where mainly technical selling caused a large one-day drop in prices, the cocoa futures market remained in a tight trading range of around GBP 60. The market has been mainly focusing on the expectations for West African new crops starting in October. Weekly Ivory coast port arrivals are closely monitored as a first indication of the timing and size of the nr 1 crop. Thus far October arrivals are below the previous season's. Current season arrivals started slower than last year, in line with expectations, but there are more elements that cause a delay in addition to a botanical delay.

There is less carry over from past season given the small mid-crop. Rains were good for crop development, but not for roads, needed to get the beans from the bush to the port efficiently. This is improving now. Also this year's farmer price increase requires a higher financing need in the bush, which can be a constraint in the supply chain. Finally the quality of the cocoa beans is expected to improve with time so people might not rush for lower quality beans early in the season, while paying the same price. Of course the December16/March17 futures spread remains a critical factor to monitor, still expressing a relatively tight old crop vs new crop transition.

New York close, 2nd month USD/Mt



London close, 2nd month GBP/Mt



Cocoa Butter

Attractive opportunity

The sentiment in the butter market is still very much dominated by tight supply in the fourth quarter of 2016. For the more deferred positions, the activity in the market appears to be influenced by the swings in the terminal cocoa prices. Outright prices are increasingly attractive and this could stimulate a recovery of chocolate demand in the course of 2017. Buyers see opportunities to extend cover.

Cocoa Powder

A steady pace

Financial reports from companies operating in the bakery categories have recently been published and they continue to tell a story of growth, especially in developed markets. This growth drives cocoa powder demand, which benefits in a context of stable prices and balanced availability. Powder buyers are extending cover further into 2017.

Cocoa Liquor

Securing supplies

It's peak season. Liquor demand is seasonally high and supply tight. This is expected to remain the case well into the new year. Fresh bean arrivals and a recovery of production in origin should improve availability into the spring of 2017. Buyers are active filling in the gaps in the spot and covering 2017 positions, especially first half. Liquor outright price in euros are more attractive than a couple of months ago thanks to currency and futures market movements.





Taco Terheijden
Group Director Sustainability
Cargill Cocoa & Chocolate

It's a promise: Taco Terheijden on growing the sustainable supply chain of the future

On 07 October, our Director of Cocoa Sustainability, Taco Terheijden, made a keynote speech at the London Chocolate Forum. He talked to a global audience about some of our achievements – and the complex challenges that still remain as we progress towards developing the sustainable cocoa supply chain of the future.

Being a global business comes with an implicit responsibility. Our promise is to take that responsibility and turn it into an opportunity. We have already improved many livelihoods and benefitted many communities. But the complex challenges that remain require a collective global effort to develop a sustainable supply chain of the future and a thriving cocoa industry for generations to come.

Complex challenges, inspiring opportunities

We see “sustainability” as the ability of future farmer generations to take care of their own needs. To uncover the key challenges and opportunities, let us explore five major macro-economic trends that impact the cocoa supply chain:

1. Increasing demand: Wherever we look, we see a growing population. Happily, global demand for cocoa increases two to three per cent every year. And with it, the trend for sustainably sourced cocoa, including UTZ certified cocoa, continues to boom. This presents both an opportunity and a challenge. With 90% of cocoa coming from hundreds of thousands of small holders across the globe, the complexity is enormous. Progress in the right direction requires a deep understanding of how things work on the ground

2. Industry transparency: Secondly, we see an increasing spotlight on industrial supply chains. Market participants demand information on sustainability impact, measurement and evaluation as they invest in the sector. The cocoa and chocolate industry as a whole needs to adapt its supply chains, logistics, labelling and methods of recording to collect and communicate all of that information in an honest and transparent way. We have already developed cloud-based GPS solutions to measure the size of the cocoa plots – including cocoa trees and their age – allowing far better forecasts and monitoring of our programs. But there is still much to do, also with advancing technology in this respect.

3. Dedicated supply chains: The more precise claims we make about origin and sourcing, the greater the impact on our supply chains. From broad undifferentiated commodities, we move towards large numbers of highly identifiable agricultural product chains. At Cargill, we recognise that being a vertically integrated supplier who can provide direct access to farmers, is a must for our customers who want to drive change.

4. Definition of cocoa sustainability: Our understanding of cocoa sustainability has broadened, evolved and continuously adapted, so that today it goes far beyond basic cocoa certification. Evolving certification standards continue to raise the bar, but broader sustainability impact can only be achieved through targeted programs within the Cargill Cocoa Promise that lead to better practices on the ground and increased farmer and community livelihoods.

5. Shift from voluntary to regulatory: Finally, we see the move beyond voluntary commitments by companies that wish to take responsibility to wholesale, legally binding regulatory compliance affecting the whole of industry. In the past, companies were celebrated for doing good things, whereas today the focus has shifted to an avoidance of doing the wrong things and being on a negative list for failing to comply with basic regulations. With a supply chain as complex as ours, it is vital we manage our risks.

Let's grow the future - together

We will know we have achieved success when farmers become self-supporting without the need for intervention. But, as we continue to put sustainability at the heart of our global cocoa and chocolate business, there will be new challenges ahead. We need to work with our customers, partners and other stakeholders to further grow and shape the future, looking relentlessly for new solutions that support change. If we live up to the industry need for greater transparency, use our capacity to listen to those on the ground, learn together and collaborate, be honest about our failures we believe we have a real chance to make it happen.

Visit the sustainability pages of our website to discover the progress we are making through [the Cargill Cocoa Promise](#) in origin countries.