

Market Report

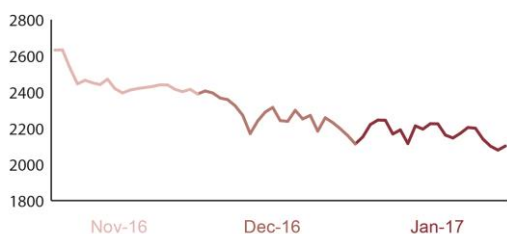
February 2017

Cocoa Beans Ivory Coast in the spotlights

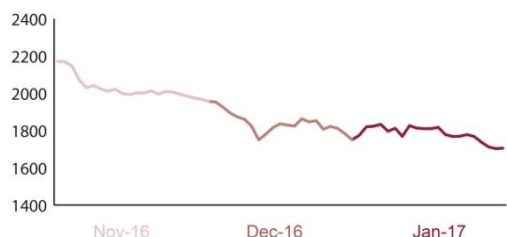
In January cocoa prices again continued lower though at a slower pace than previous months. We started the month at £1750 and ended at £1705 basis the second traded future. Only just right after January ending we witnessed the second continuation future settle below £1700 for the first time in three years.

The social unrest in Ivory Coast that was still fresh news only last month appears to have been resolved quickly by the Ivorian government and luckily seems to have moved to the background. So the focus is back to fundamentals again, where origin has been more active selling during the month to catch up on volumes, bringing Industry to a comfortable cover close to one year. Cocoa port arrivals appear disappointing compared to the botanical crop, but there are several technical reasons to explain. Financing in the supply chain and not all export right holders actually bringing in the cocoa they were expected to, to name a few. On the arrivals we might see an adjustment by the news agencies on the short term, as thus far numbers were published that are identical to previous year's, while the Cocoa Marketing Board head of Ivory Coast just announced arrivals up seven percent compared to last year. That would imply roughly 70-80 thousand metric tons. There was a lot of speculation of canceled contracts and volumes to re-sell, but none seemed confirmed. Regardless of the volumes the same Board Head announced that there are sufficient funds to cover the cost of any re-sales. On a final note and to cover the other side of the equation; Q4 grind data was published with Asia stronger than anticipated, but overall not exciting.

New York close, 2nd month USD/Mt



London close, 2nd month GBP/Mt



Cocoa Butter Untangling the supply chain

In January, the continued price decline on the terminal market attracted a wave of outright price buying interest. While the availability of cocoa beans continues to improve every day, there is still uncertainty hanging over the market. Beyond the Ivory Coast exporters' defaults situation, the market is also untangling the insolvency of a major market participant. It looks likely that it will take some time until all financial aspects will be fully resolved and enable an orderly cocoa market supply chain. In this context, the importance of having a solid counterparty remains critical.

Cocoa Powder Positive growth momentum

Demand for cocoa powder accelerated in the recent months, especially driven by the improved macro environment. On the one hand, the currency exchange rates of many emerging markets strengthened, providing attractive pricing opportunities for the buyers to re-establish some of the lost cover. On the other hand, the consumer momentum in most emerging countries has turned around and picked a positive trend, which supports an increase in the consumption of discretionary items, little luxuries like a cocoa treat. In this context, powder prices remain supported.

Cocoa Liquor Gearing up for Easter

The year started with strong demand, as factories continue to produce for the Easter season. Availability remains tight in the spot. On the price side, lower bean futures prices keep purchasers in buying mood. The focus is shifting towards covering for the second half of 2017 and into 2018. Outright prices are attractive while liquor ratios are supported as a function of the weaker terminal market.



Niklas Andersson

Group Marketing & Communications Director
Cargill Cocoa & Chocolate

Key trends in cocoa and chocolate

The growth in private label products, demand for healthier and sustainable products, increased regulatory pressures and rising raw material costs are just some of the pressures manufacturers face – and which make innovation to stay ahead of competitors ever more important.

But such innovation has to mirror consumers' desires so it is important to know what is coming next. We have recently released a Trends report highlighting key sector trends to help you do exactly that, so you can develop winning innovations and stay ahead of consumer tastes.

The report highlights trends across four key themes: Healthy; Sustainable and Clean; Premium; and Indulgent.

Healthy

With concerns around obesity, sugar reduction remains key. Sugar-related claims, and particularly no added sugar, are increasingly popular especially in confectionery, cereals and beverages. Gluten-free products are being joined by lactose-free products in dairy, bakery and confectionery, with lactose free launches in chocolate confectionery multiplying six-fold in only five years.



The trend for protein-enriched foods is booming and moving mainstream – and there is also a move towards non-hydrogenated and low SAFA fats.

Sustainable and Clean

Certified chocolate products are becoming more popular, and demand for organic products continues to rise, particularly in Germany, France and the UK. Clean and clear labelling is also more important than ever, addressing consumers' desire for more transparency and simple, less processed foods. There is a continuing move towards non-GMO soy and sunflower lecithin, and increasing concerns around palm oil.



Premium

Demand for premium products is at an all-time high, with provenance and origin being prominently promoted across a range of categories. Besides specifying the origin of cocoa or chocolate, the country of manufacture is being increasingly highlighted.



Inspiration from artisanal industries is also observed. Processes behind the product are becoming more prominent on packaging – with details included such as 'stone ground' or 'slow churned' and even the conching time of chocolate.

Indulgent

The last of the four trends is Indulgent. Today's consumer is looking for an ever-more indulgent experience. Established flavours remain popular, but the search for new, often hybrid, flavours is growing, with vegetable and chocolate combinations becoming popular.



Texture is also evolving towards more indulgence. On pack texture claims are becoming more prominent, and new combinations are appearing, such as crispy inclusions in a soft filling.

Consumers today are better informed than ever before and meeting their desires presents real challenges – which is why access to end-to-end expertise is essential. By combining our knowledge across multiple food-related industries, matched with a deep cocoa and chocolate expertise, we can help you translate the latest trends into innovative products.

To download a copy of our Trends report go to:
<https://www.cargill.com/food-beverage/innovation/global-trends>