

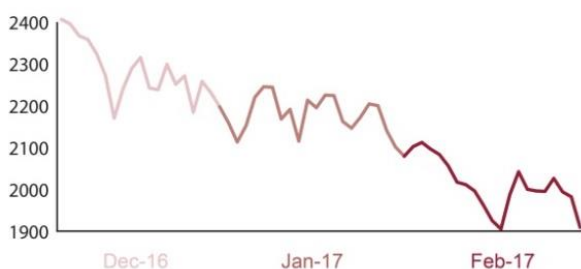
Market Report

March 2017

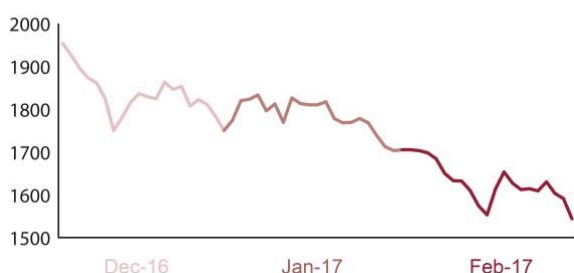
Cocoa Beans Shifting from main to mid-crop

Yet another month of lower terminal cocoa bean prices. In February cocoa lost nine and half percent of its value compared to the end of January. To add some numbers; Only the first trading day of February showed a closing settlement price still above GBP1700, with prices in the mid 1500's by the end of the month. Continued selling from origin appeared a large driver due to larger than anticipated crops. This combined with strong main crop arrivals, continued selling from systematic funds, favorable weather for mid-crop developments and valid terminal stocks growing kept the strong downtrend intact. All is helped by the sizable Industry cover that is close to a year of price cover and who is apparently only willing to extend on a scale down basis. Towards the end of the month ICCO released their first bulletin of current crop year showing global production expectations of over four and half million tons of cocoa. This results ICCO to show a surplus for the running season of 246 thousand metric tons, sizable but still below market consensus. For season 15/16 their deficit stands at 196 thousand metric tons. In the meantime no official port arrival numbers for Ivory Coast have been released yet, so there might still be an adjustment headline ahead of us. The next move might well be driven by comments coming from the large cocoa conference that is held in Miami and the mid-crop prices that should be announced towards the end of this month.

New York close, 2nd month USD/Mt



London close, 2nd month GBP/Mt



Cocoa Butter Busy buyers

Despite a volatile month from the terminal price perspective, the activity on the product market remained well sustained. The price levels are attractive across all cocoa product lines and customers have been taking advantage to extend their cover. Low prices should in time encourage prospects for demand improvement. From a supply perspective, grind recovery seems slow to pick up, following a tight bean pipeline transition and a product market shake up. Security of supply and locking prices remains therefore a driving strategy for butter buyers.

Cocoa Powder Good momentum

February was a month of consistent activity in the cocoa powder market. Attractive prices (particularly for the dollar based customers) and supportive demand remain the key pillars for powder buyers to consider extending cover.

Cocoa Liquor Attractive prices

February continued to be a busy month in the liquor market. Demand remains healthy in line with the season. Buyers continue to be very active taking advantage of attractive liquor prices driven by the futures market weakening. While flat prices keep decreasing, ratios are moving up in line with the lower futures prices. Cocoa liquor buyers are looking to further cover extension into the next calendar year on a scale down buying approach.





Lionel Soulard
Managing Director West Africa
Cargill Cocoa & Chocolate

Boosting Ghana's economic backbone and meeting customer demand for sustainable cocoa

Lionel Soulard, Managing Director West Africa, Cargill Cocoa & Chocolate, explains that developing sourcing capabilities in Ghana is an essential step to meet growing customer demand for sustainable, certified cocoa and constitutes a commitment to growing the business in the country. In so doing, we are providing farmers with access to the world cocoa market through an effective innovative manner.

Licence to directly source cocoa from farmers

In November 2016, Cargill Cocoa & Chocolate established a direct purchasing licence from the Ghanaian Cocoa Board (Cocobod). This enabled Cargill to establish its own licensed buying company (LBC), allowing us to directly source cocoa beans from farmers.

Cargill has been operating a cocoa processing plant in Ghana since 2008. The move to direct sourcing reflects our commitment to growing the business. The LBC enables a more direct approach to supporting more productive, profitable and sustainable farms, and means that we can implement high standards of safety, integrity and quality throughout the supply chain.

The new purchasing model, successfully deployed in other cocoa producing countries will be fully sustainable and traceable; all beans will be 100% certified. By moving to this LBC we are strengthening farmer organisations and enabling farmers to benefit from premium payments for certified, sustainable cocoa.

Better positioned to fully implement the Cargill Cocoa Promise

Through the [Cargill Cocoa Promise](#), farmers and their communities are benefitting from training on Good Agricultural Practises (GAP), community development, farm development and support in line with Cocobod's strategy. We are working with multiple, long-term partners from civil society, the public and private sector to drive the structural changes and accelerate the progress towards improvements in income and livelihoods. We are planning to emulate the strong monitoring and evaluation system which we have in place in other parts of the world, with a results framework to analyse the impacts of the programs.

Innovations to boost rural economy

Cargill has introduced new approaches to help farmers achieve greater efficiencies.

Cargill Kokoo Fie establishes a dedicated warehouse with each participating cocoa community. We collect and buy the cocoa from the Kokoo Fie in special trucks featuring integrated scales to weigh the beans. At the same time, we carry out quality assessments. All cocoa bags receive a barcode sticker, which enables the cocoa to be fully traceable via a system that we have deployed in other sourcing locations. It is a transparent process, which farmers appreciate. After three months, we have already bought 3kmt. Currently, we are sourcing cocoa in this way from four districts, comprising almost 9000 farmers. A fifth sourcing district is in the pipeline.

The second new innovation is E-money, which is unique in rural regions. This is a mobile banking application, which enables farmers to trade with Cargill electronically. Farmers receive payment through the app, improving their access to income and reducing time spent in visits to the bank. The system means our employees carry no cash, which contributes to improved safety and security.

Towards supply chain transparency

We are confident this business model will add value at every level, particularly for farmers who, as a result of working directly with us, will make a better living out of cocoa farming. The LBC provides a mechanism by which Cargill can continue to improve its traceability capabilities, which in turn helps customers achieve total supply chain transparency and deliver a thriving sector for generations to come.

