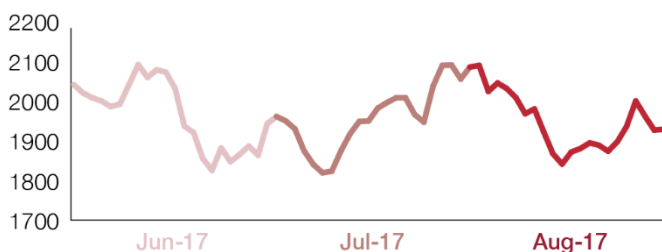


Cocoa Beans

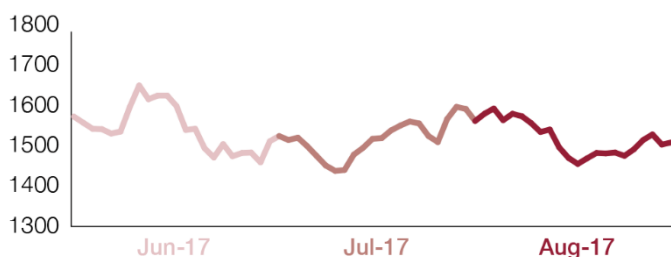
Prices remain range-bound

August saw overall prices remain range-bound between 1450-1600 levels on London and 1850-2100 on New York. The first half of the month fell in a clear downtrend channel on the back of increasing net spec shorts positions. However, combined cable and Euro/ GBP moves enabled a defined support level of more active industry participation on multi-year Euro equivalent lows. Although the systems maintain a sizeable short, a short covering rally seems only a matter of time. But the lack of fundamental input, a market cap with fresh origin selling in the next month, and a 17/18 balance sheet showing another surplus might inhibit the window of opportunity for such a rally.

New York close, 2nd month USD/Mt



London close, 2nd month GBP/Mt



Cocoa Butter

Peak season approaching

Cocoa butter ratios remained very firm through the month of August and even strengthened further for nearby positions.

Indeed, as we enter the peak season, it increasingly stands out that butter stock replenishment was insufficient, fueling the tightness on Q4 2017 and spreading into Q1 2018. The length of the ongoing tightness delays the prospects of butter 'availability surplus' while market decline on other hand sparks additional interest for outright price coverage.

With the return of activity post-holiday period, cocoa butter market seems headed for a continuous support around current ratio levels.

Cocoa Powder

The spot is hot

The second part of August has brought a fair amount of enquiries on the cocoa powder side. In an environment of healthy demand and attractive prices, powder buyers took the opportunity to purchase additional spot needs and extend further their cover. On the availability side, we see tightness developing on the spot especially for premium and more complex cocoa powder types.

Activity is expected to increase further as market conditions are favorable to secure cocoa powder needs further into 2018.

Cocoa Liquor

Savvy buyers

The ramp up of production for the chocolate peak season is in full swing. Savvy buyers covered their demand needs for the peak season well in advance this year. At this time, the availability of additional spot volumes is tight. On top of that, flat-prices are at attractive levels historically speaking, which attracts interest for cover extension. We expect ratio's to remain well supported for both 2017 as well as 2018 positions.



Ella Frankel
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Crop year sees notable grind realization upside

The last quarter of 2016 already showed an uptick in grind activity and a stronger increase was seen in Q1 2017. The latest release of grind figures for Q2 2017 showed a continuation of this pace.

To put this trend into historical context, global grind is recovering from a steep decline witnessed in 14/15 and through a period of flat growth in 15/16. For the full year 16/17 Cargill projects global grind to increase in the region of 3% to 4%, reaching the highest level in history.

Healthy grind volumes

The healthy grind volumes are supported by a number of factors. Firstly, with large crops and a solid bean surplus in 16/17, the availability of cocoa beans has gradually improved in most regions. Secondly, product stocks are coming from very low levels and as such the current recovery of grind is driven by a pipeline replenishment cycle. Thirdly, the global economic situation has improved, fueling greater demand. We are starting to see the first indicators of strengthening consumption in the US and expect that demand growth will further accelerate globally. One driver of demand in developed markets is due to a shift to more premium and healthy cocoa products, like dark chocolates with high cocoa content.

The year ahead

For the coming year, we expect the lower bean and outright cocoa butter and liquor prices to filter through to the retail consumer level. This will drive additional increases in chocolate consumption. Alongside which, good economic performance in emerging economies will sustain strong cocoa powder consumption. Combined, these factors will support a continued grind increase, to satisfy both the demand recovery and the current cycle of stock replenishment.

The majority of the observed grind increase has emanated from origin countries, namely in Africa and Asia. The grind levels in these regions had suffered significantly last year due to the shortage of mid crops. As the grind levels recover globally, the availability of product is also gradually improving, albeit

unevenly between regions and products. Considering the length and complex nature of the cocoa supply chain, the stock replenishment cycle requires many months.

Given the supply chain complexity and the volatile market conditions in cocoa, a diversified asset footprint and adequate risk management capabilities are important to be able to offer a reliable service to customers.

Cargill has a dedicated Research Department and local teams in the main producing regions providing unique insights into the situation in the origin countries. Stay in touch with your Cargill representative for the latest updates on weather, crops and any other topics. We will do our best to enable you to manage your risks and thrive in an uncertain market environment.

