

Dairy

Nuts

Inclusions

Chocolate

WORLD COCOA

JUNE 2019

TERMINAL MARKET

- The biggest news of the month is the discussion around a minimum cocoa price to farmers being taken up with various cocoa bodies in June. A minimum price of US Dollar 2,600 is mentioned, but at this time it is unclear what exactly this means to end-users and how and when any new changes would be executed. We should have more answers by our next monthly report. The arrivals in Ivory Coast continue to stay strong, but rainfall has been lackluster and may reduce mid-crop arrivals in the July-August period. There is also strong growth in bean being seen in the peripheral origins such as Ecuador, Peru and Dominican Republic and the expectations of more diverse beans supply over a five year horizon continues to increase. For 2020 however we are still going to depend on a good West African harvest and as of now initial indications are nebulous towards a continuation of the growth trend seen last year.
- On demand we have a similar picture. After a few years of successive growth in grinds, the bull market has led to increased cocoa terminal and differential levels. We have also seen other input prices such as transportation and labor increase significantly. Eventually, these high prices will curtail demand. While current indications still indicate growth for next year, one should expect a slowdown from the strong growths seen in the past 2 years.
- Weather continues to remain the focus as we move into the 2019-20 main crop flowering season. The rain watch is on as we go into June and July and any significant reductions in Ivory Coast and Ghana can spell disaster for the next crop; as of now, things look ok at best.
- For now, we should expect a slightly higher trading range, typical of the silly season in cocoa with any momentum up or down being created by the rain gauge in West Africa. Butter ratios do not seem to be much weaker in the seasonal low demand period, perhaps indicating that we see a correction higher as we move into the peak chocolate season. Bean differentials have been skyrocketing in Europe on good volume and continues to be the one to watch as the discussions in Ivory Coast progress over the next month. Caution is warranted on the liquor front. Powder prices have been muted over past month, but as we know the past is no indication for future price movement and we maintain a "better long and on solid ground, than short and floundering around".

PRODUCTION

CONSUMPTION

STOCKS

WEATHER

SPECULATOR
ACTIVITY

* refers to world
cocoa supply and
demand



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