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Global Markets Division

Commodity Portfolio

Long Cocoa

Upside/Downside Potential: 10% / 3.76%

Investment Horizon: 6 Months

Vienna, 13th December 2023

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Team Overview

Global Markets



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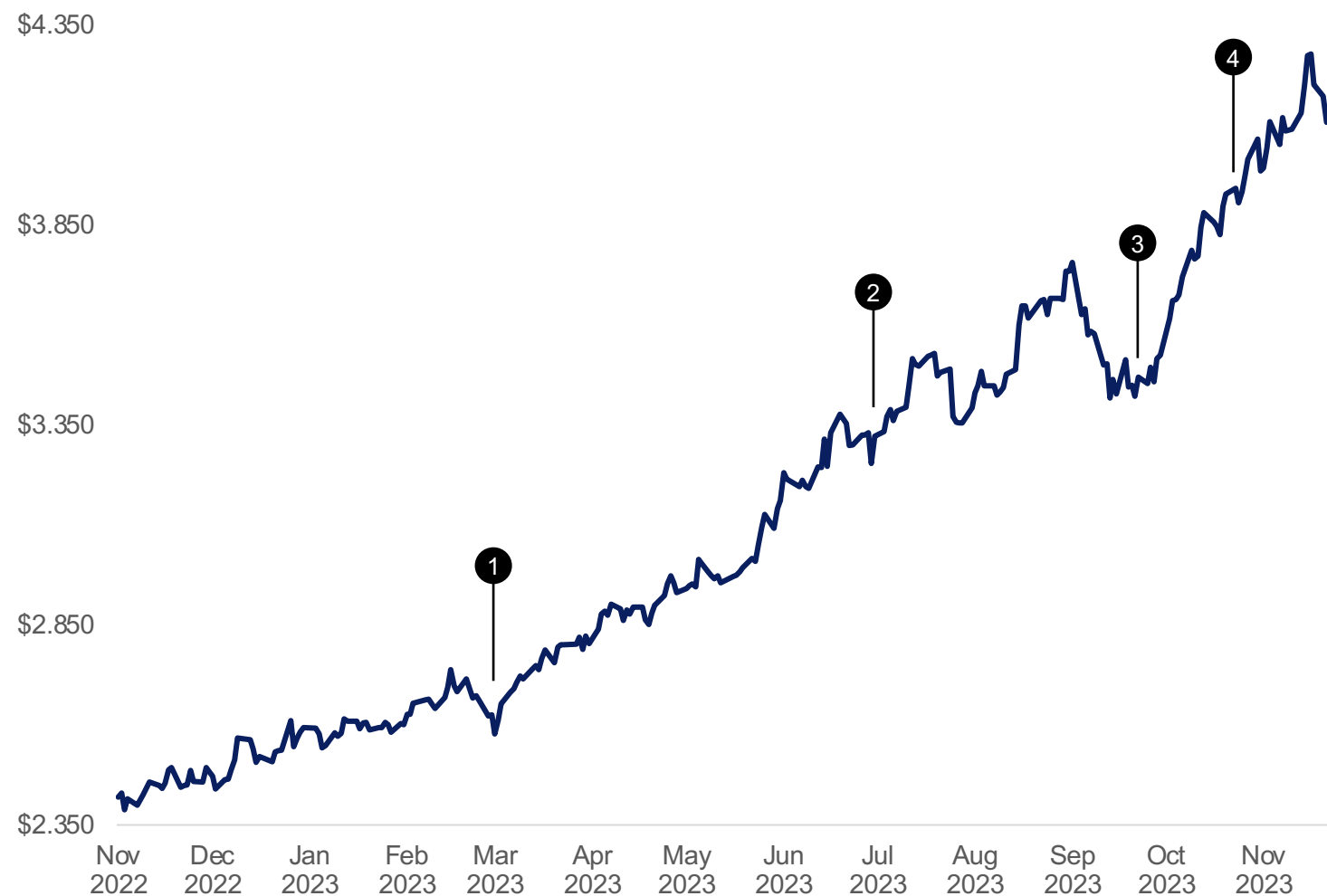
- Import &
Export



BSc. (WU) – 3rd
Sem.

Development of Cocoa Future

Events influencing the cocoa price.



Key Events

- 1 March 2023: Expectation of erratic weather conditions
- 2 July 2023: Biggest Cocoa Trade in a Decade
- 3 October 2023: lower volume of beans available
- 4 Rally October 2023 onwards: concern about El Nino

The global cocoa market, is projected to grow to \$18,843.34 million by 2028, with a CAGR of 4.88%.

Market drivers

Weather

El Nino

Supply

Supply surplus or excess demand

Market Sentiment




Speculation

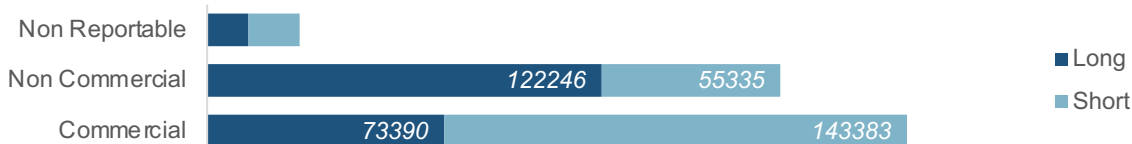
Market drivers – an overview

What currently impacts the market.

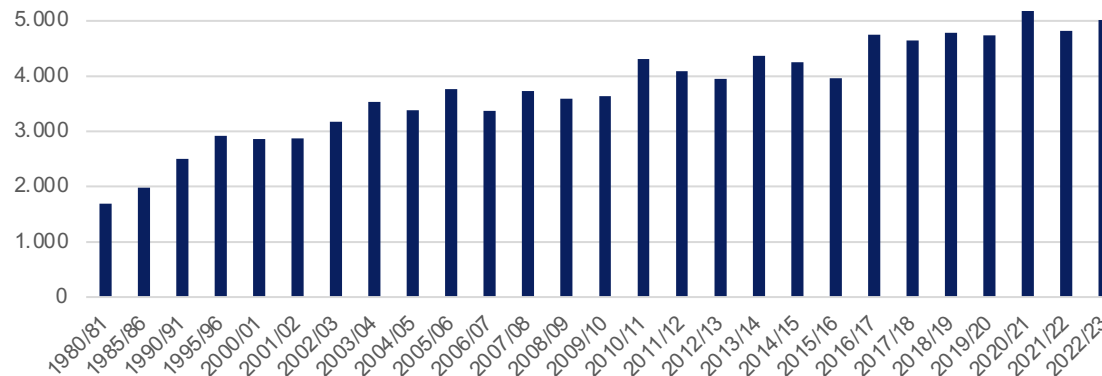
Key drivers

Supply and **demand** have mayor influence on price moves. We distinguish between **three** different **scenarios**:

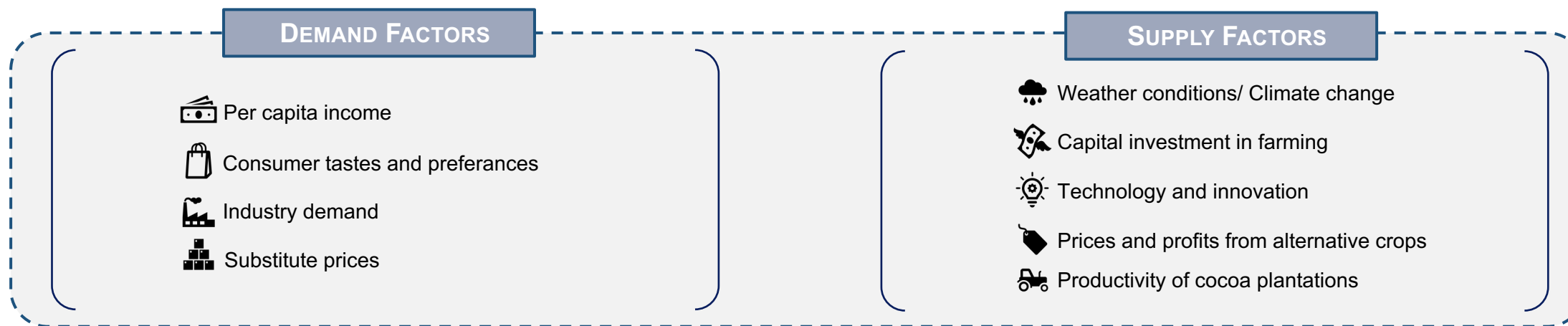
-  Supply surplus
-  Excess demand
-  (Over) Speculation – herd behaviour



Cocoa production in thousand metric tons



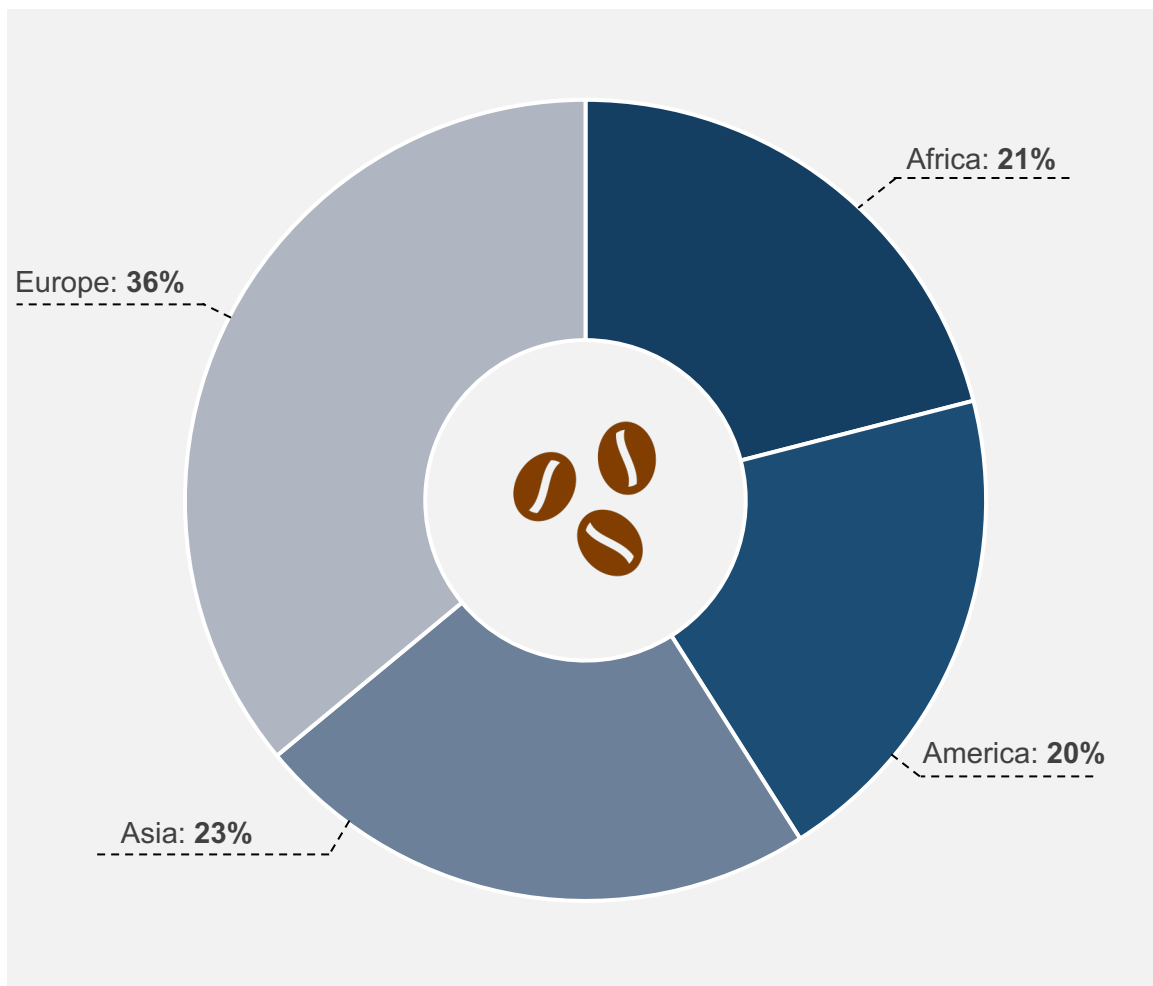
Factors for Supply and Demand



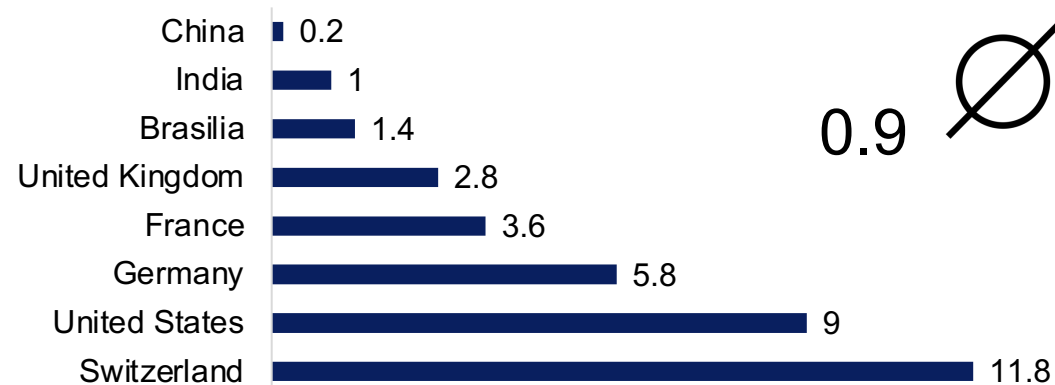
What is Cocoa

Where and how Cocoa beans are used.

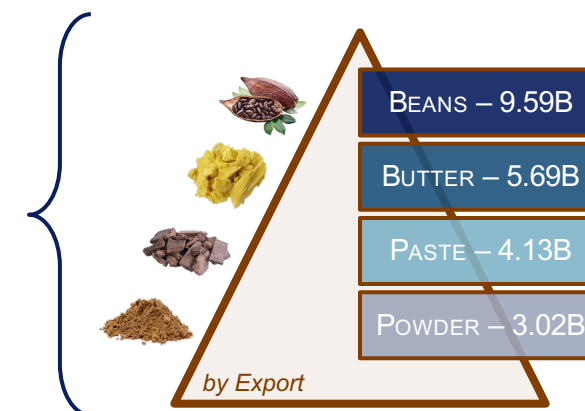
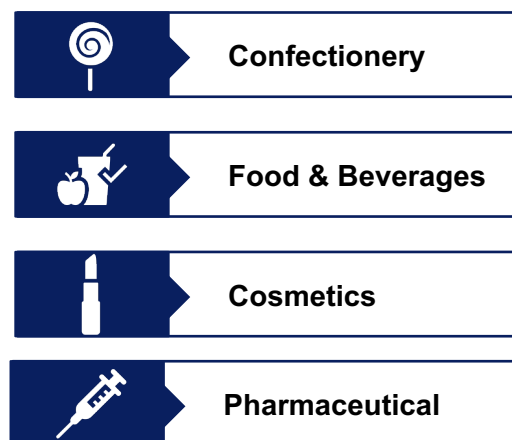
Grinding of Cocoa beans per continent



Cocoa Consumption kg/capita



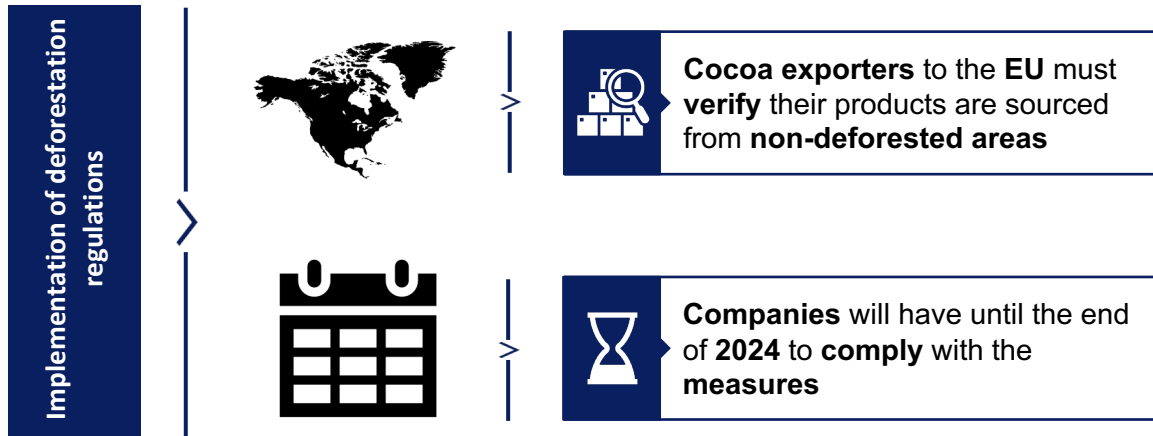
Application of Cocoa



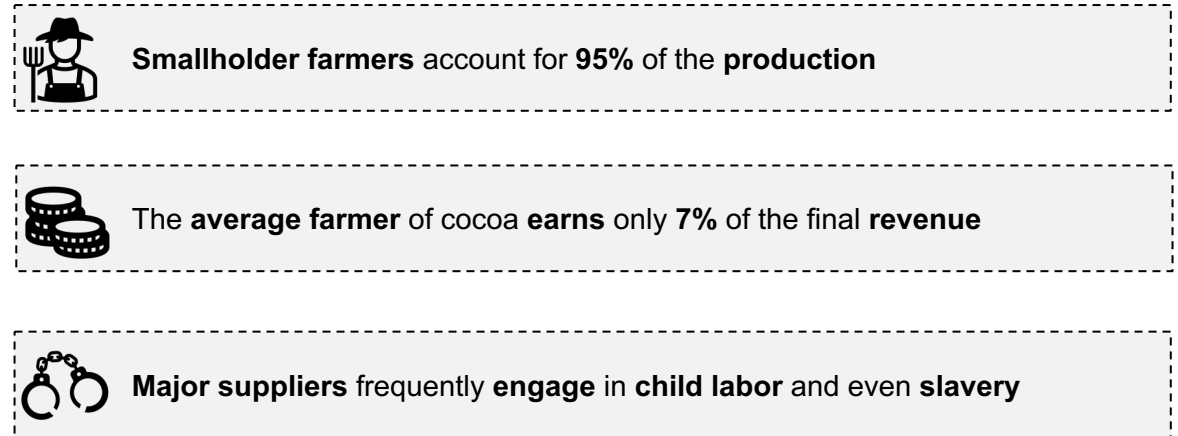
ESG Challenges in the Cocoa Industry

Deforestation, Climate Change and Supply Chain.

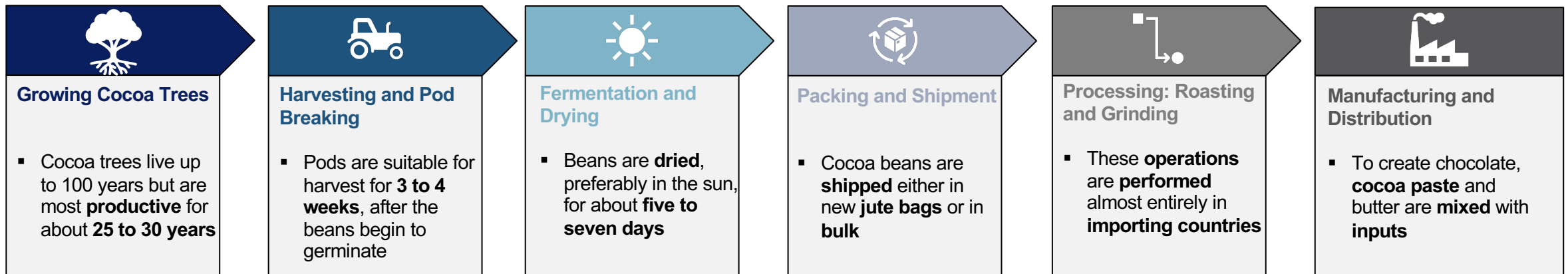
EU Deforestation rules



Ethical Challenges in the Cocoa Production



Supply Chain



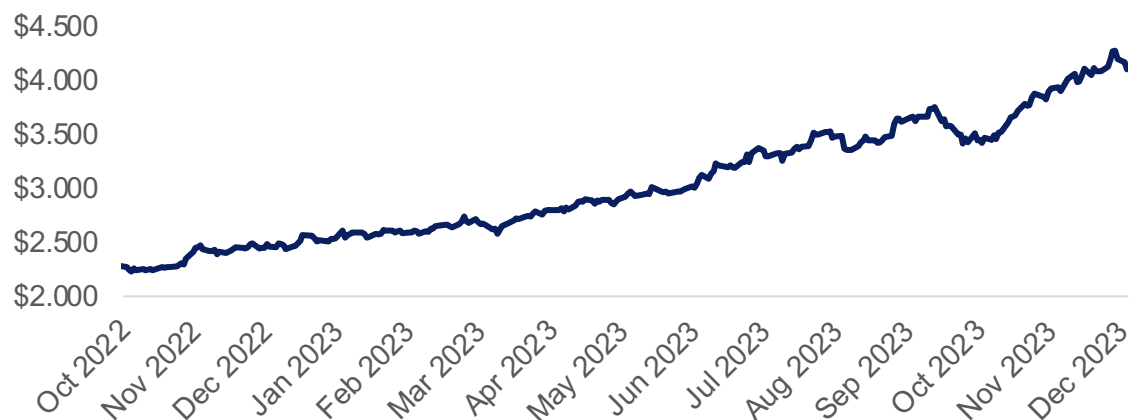
Commodity Comparison

Stock to use ratios at historical lows.

Arabica Coffee Futures



Cocoa Future – CCH4



Macroeconomic Environment / Outlook / Risk



Dry weather in **Brazil** risks damaging coffee crops and is **bullish** for **coffee prices**



Global coffee exports are **shrinking** as the International Coffee Organization (**ICO**) reported in September



The current stock to use ratio sits at **18%** which represents an **all time low**

Macroeconomic Environment / Outlook / Risk



Global cocoa prices have **rallied** this year as **crop setbacks** in top growers Ivory Coast and Ghana **tightened supplies**



European **chocolate demand** proved **more resilient** than other regions and **stockpiles** started to **fall**

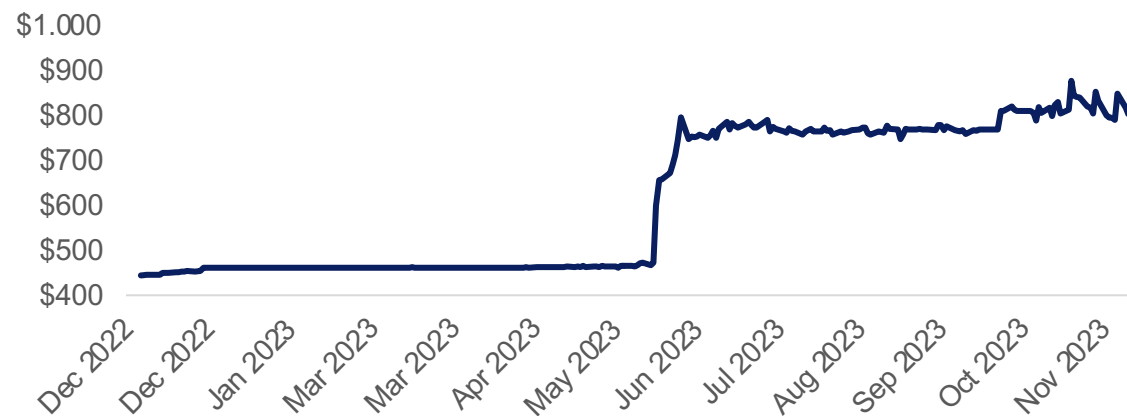


EU deforestation rules may have a knock-on effect of **raising costs**

Foreign Exchange

Currency depreciation as possible support.

USD/NGN (Nigeria Naira)



USD/CFA (West African Franc)



USD/GHC (Ghanaian Cedi)

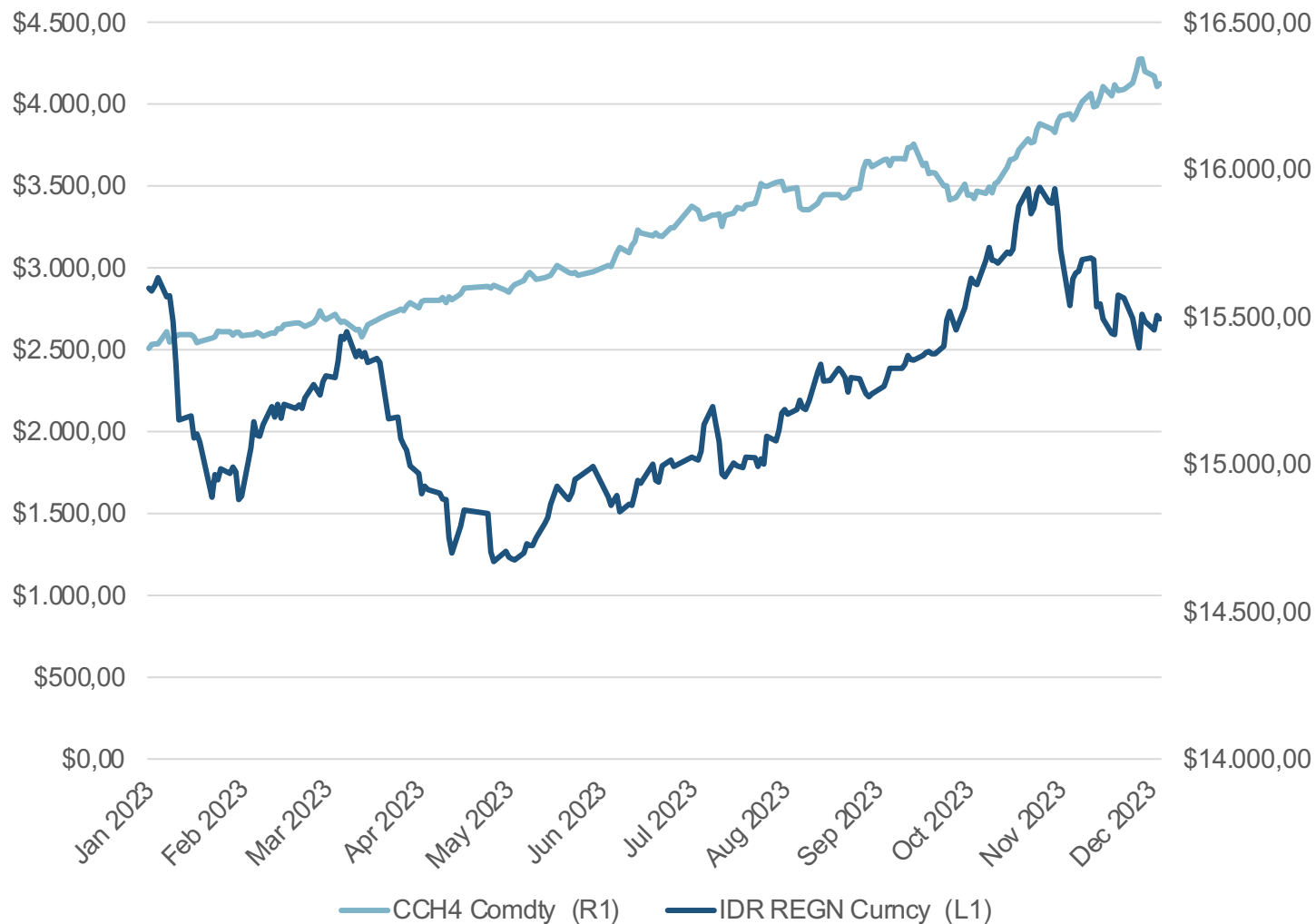


USD/IDR (Indonesian Rupiah)






National significance

Rupiah closely correlated to Cocoa prices.



Cocoa's importance

-  Essential for **rural farmers**
-  Main **agricultural good** after palm oil
-  Exposed to **global supply chain**

Explanation

- Cocoa supply is mostly affected by the interplay of export profitability and farmers' **incentives**. The combined factors of higher international cocoa prices and a **depreciating IDR** enhances the profitability of Indonesian cocoa exports, benefitting both exporters and farmers while influencing **market dynamics** in the process.

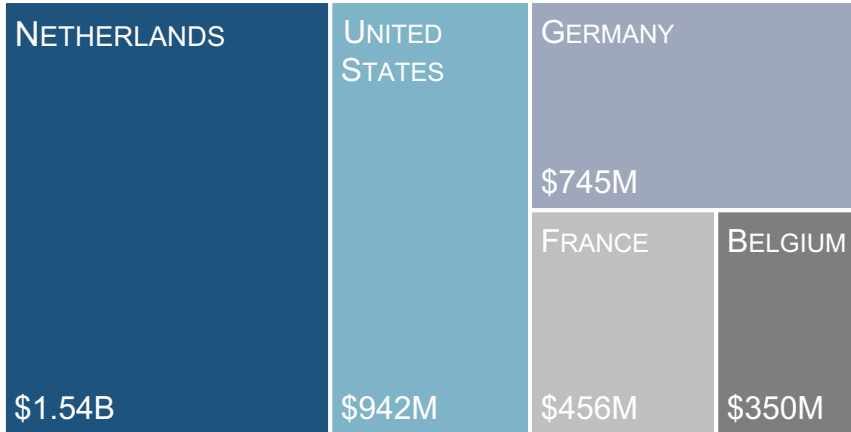
Import & Export

Mapping Cocoa's Global Journey.

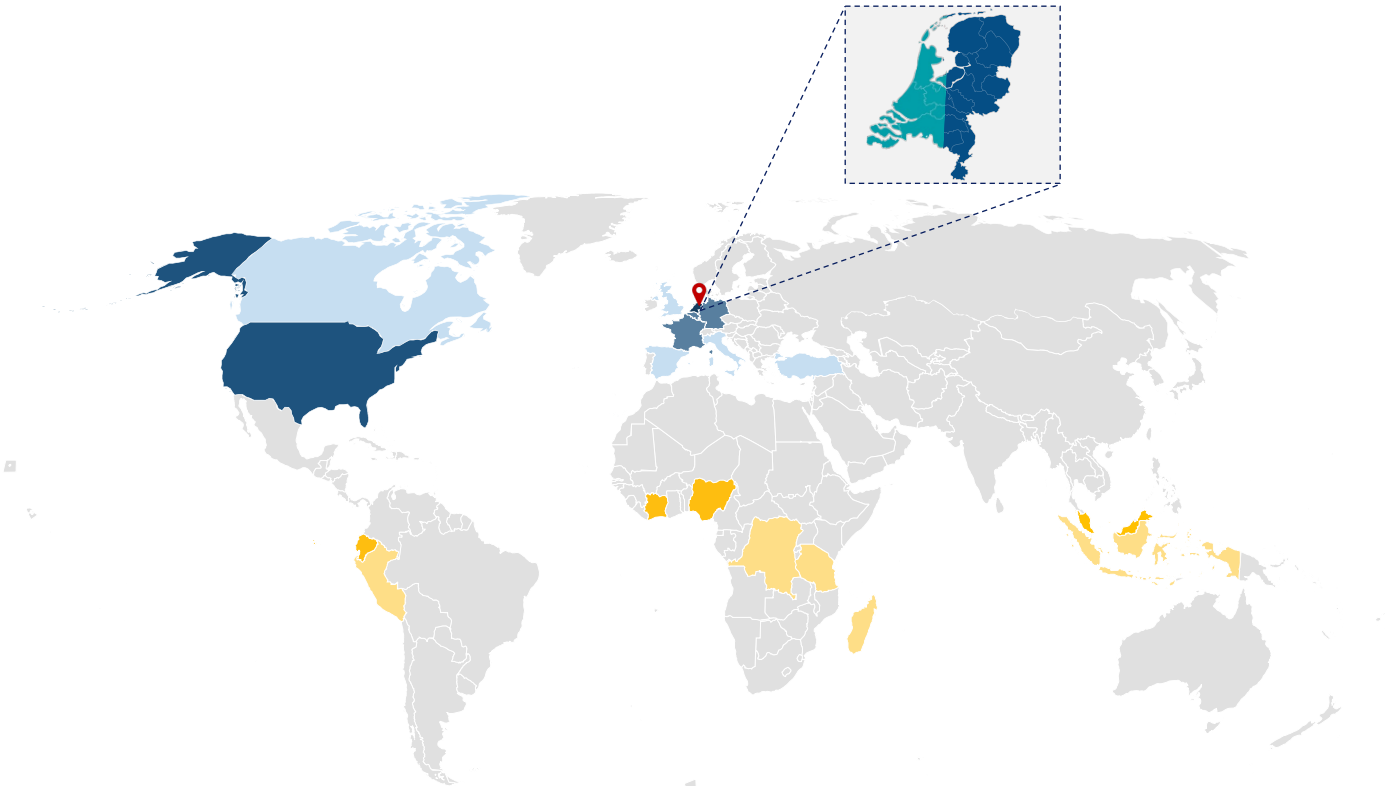
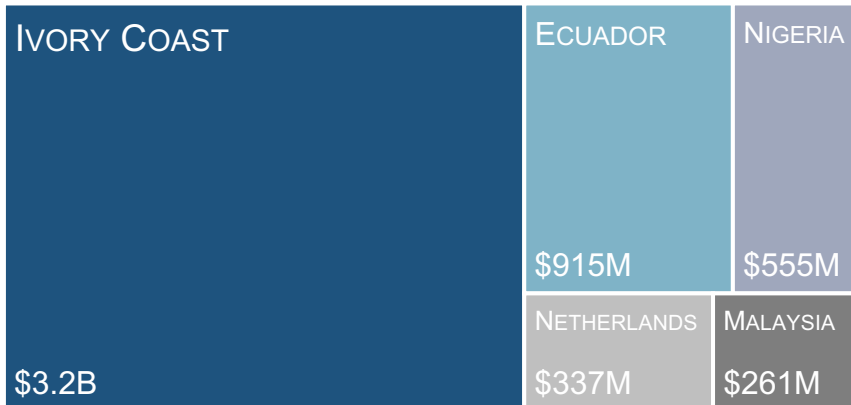
In Detail

Global Overview

IMPORT



EXPORT



Cocoa Futures

Contracts Overview.

ICE and Regulation

US/New York

Volume: **11,367**

Price (USD): **4265.00**



EU/London

Volume: **3,889**

Price (GBP): **3559.00**

Intercontinental Exchange® (ICE)



Ticker symbol **CC**

Deliverable origins from **Africa, Asia, and South America.**



ICE Futures Europe are subject to the U.K. Financial Conduct Authority, while **ICE Futures U.S.** are regulated by the CFTC.

EU Regulation



European Market Infrastructure Regulation (EMIR): Increase transparency in the market, mitigate credit risk, reduce operational risk.

Contract Specifics

Contract	U.S. Exchange	London Exchange	Volume (US/EU)
Mar 24	4265	3559	11367 / 3889
May 24	4193	3429	4675 / 2510
Jul 24	4120	3291	2895 / 1290
Sep 24	4036	3190	1629 / 2367
Dec 24	3906	3048	979 / 724

Price Quotation

•\$1.00/Metric Ton £1.00/Metric Ton

Contract Size

•10 Metric Tons

Contract Series

•March, May, July, September, December

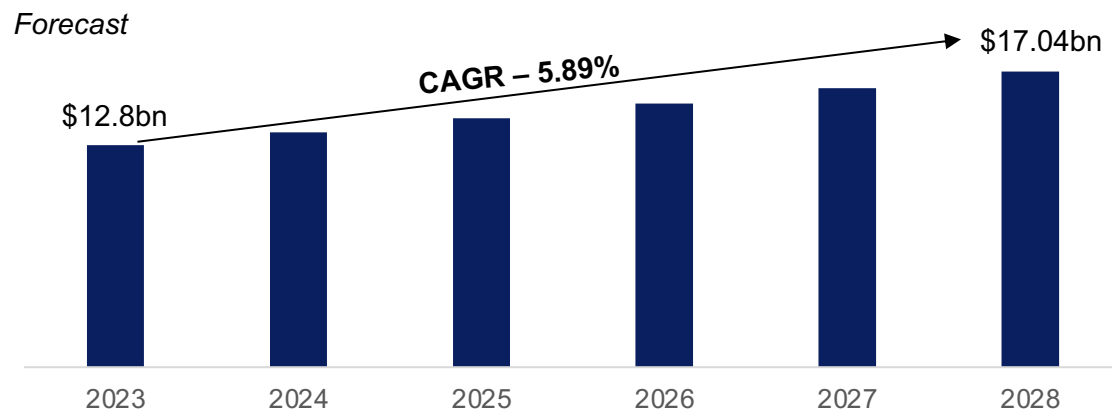
Tick Value

•\$1.00/£1.00 Metric ton, equivalent to \$10.00/£10.00 per contract

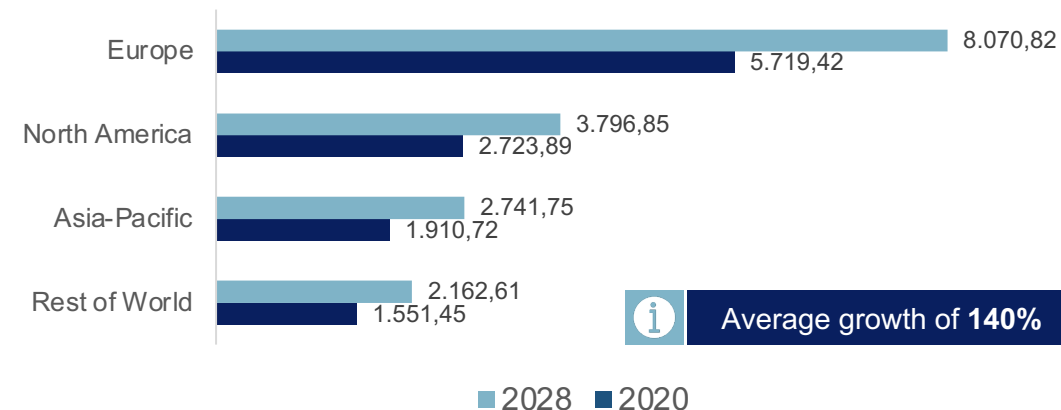
Outlook and Summary

The next orange juice story?

Revenue in the Cocoa Market



Cocoa market revenue worldwide by region



Summary



EU Regulations requiring cocoa to be sourced from **non-deforested** areas are expected to **drive up** prices

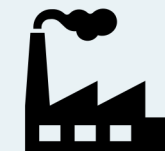


Market Manipulation: Ghana's COCOBOD routinely obtains **international loans** to finance **cocoa** purchases



Industry Demand: The industry's growing **need** for cocoa is **driving up** demand

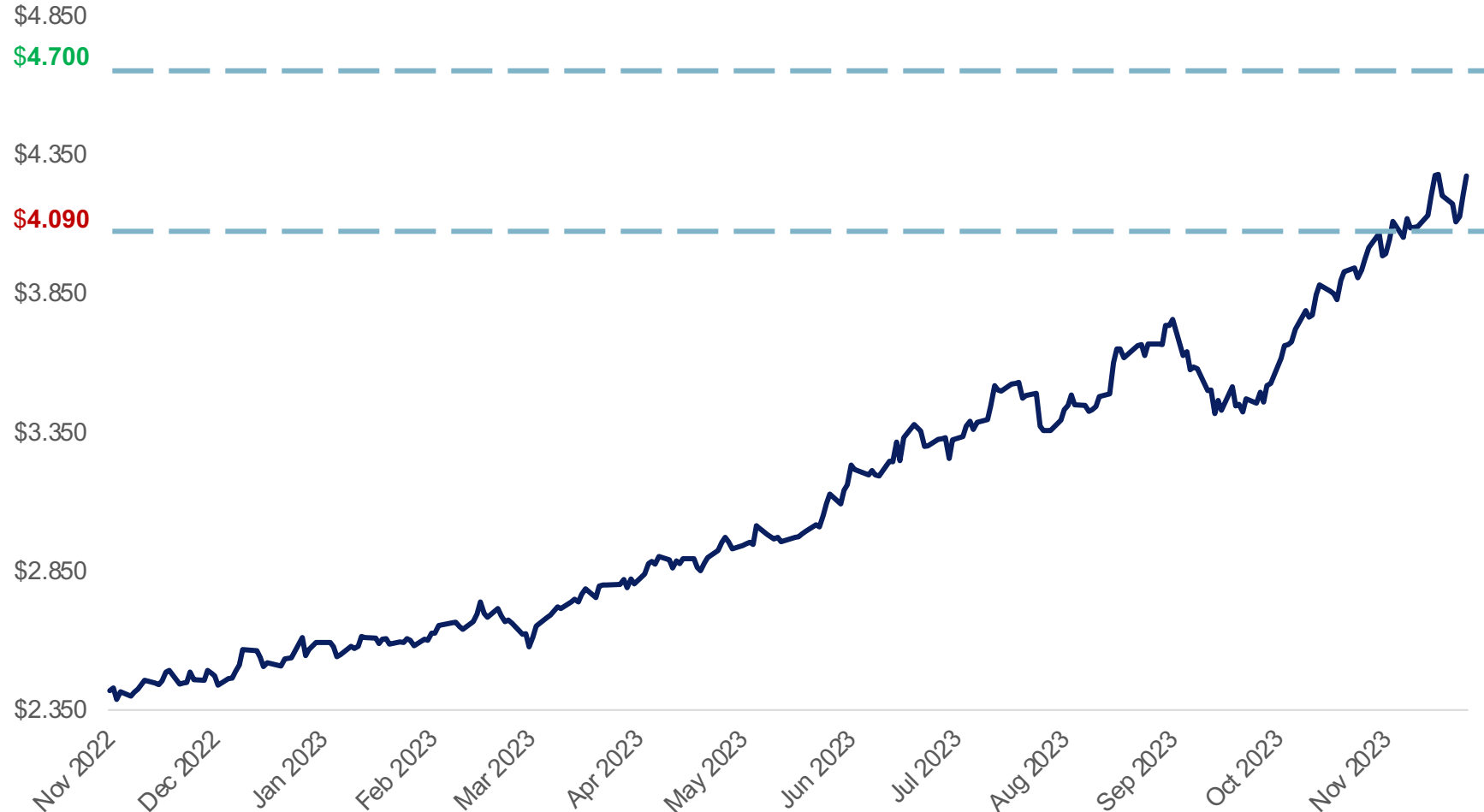
Consumer Preferences: Enhanced consumer tastes are **leading** to an **increased desire** for cocoa **products**



The Trade

Cocoa to the moon.

Visualization



Details to our Trade

Stop

- Stop: Close below \$4090



Profit / Loss

- 1.000 Contracts
- Profit: \$4.5 Million
- Loss: \$1.6 Million



(Considering a 100mn Portfolio)

Key Stats

- Total upside 10%
- Total downside 3.76%
- Ratio 2.81



Appendix

Sources

Source Name	Link	Date of Retrieval	Used for
Swiss Platform for Sustainable Cocoa	https://www.kakaoplattform.ch/about-cocoa/cocoa-facts-and-figures	09.12.2023	Statistics
World Cocoa Foundation	https://www.worldcocoafoundation.org/about-wcf/the-cocoa-supply-chain-from-farmer-to-consumer/	09.12.2023	Supply Chain
Statista	https://www.statista.com/outlook/cmo/hot-drinks/cocoa/worldwide	10.12.2023	Projection
Statista	https://www.statista.com/statistics/1285957/global-cocoa-market-value-by-region/	10.12.2023	Projection
Statista	https://www.statista.com/statistics/1112363/global-leading-importers-of-cocoa-beans/	6.12.2023	Import Data
World Integrated Trade Solutions	https://wits.worldbank.org/trade/comtrade/en/country/ALL/year/2022/tradeflow/Exports/partner/WLD/product/180100	6.12.2023	Export Data
Intercontinental Exchange	https://www.ice.com/products/7/Cocoa-Futures	6.12.2023	Futures

Sources

Source Name	Link	Date of Retrieval	Used for
Indonesian Coco Bean in International Trade	https://media.neliti.com/media/publications/329592-indonesia-cocoa-bean-in-international-tr-80a6d4d9.pdf	10.12.2023	Country specific research
Statista	https://www.statista.com/statistics/1285957/global-cocoa-market-value-by-region/	10.12.2023	Outlook and Summary
OECD	https://oec.world/en/profile/hs/cocoa-beans#exporters-importers	10.12.2023	
European Securities and Market Authority (ESMA)	https://www.esma.europa.eu/esmas-activities/markets-and-infrastructure/trading#:~:text=MiFID%20II%2FMiFIR%20introduce%20new,functioning%20of%20commodity%20derivatives%20markets	10.12.2023	Futures
Statista	https://www.statista.com/statistics/262620/global-cocoa-production/	10.12.2023	Market drivers
Bloomberg Finance L.P.	-	11/23 -12/23	Continuous work

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