



ALLOWANCES

EFFECTIVE FROM THE DECEMBER 2021 DELIVERY MONTH

The London Cocoa futures contracts provide the flexibility to trade and deliver in 10 tonne units whilst also allowing delivery in larger units, either 100 tonnes in bags or 1,000 tonnes in bulk.

The quality parameters allow cocoa of any origin to be potentially deliverable with grading allowances including premiums for good quality cocoa and discounts for poorer quality cocoa.

London Cocoa futures allowances will be set according to the tables listed here. The total allowance shall apply to the Exchange Delivery Settlement Price of the delivery month.

ORIGINS ALLOWANCE

ORIGIN GROUP 1

All African origins: no discount

ORIGIN GROUP 2

All other origins: -£50 discount

IN LIEU OF GRADING ALLOWANCE

Allowance in Lieu of Grading is calculated from the number of months since the second grading, or any subsequent grading, excluding any unexpired part of the month in which it was graded.

NUMBER OF MONTHS	ALLOWANCE
0-6 Months	No Allowance
7-42 Months	-£4 per tonne per calendar month
≥ 43 Months	-£8 per tonne per calendar month

ALL DELIVERY UNITS GRADING ALLOWANCES

ALLOWANCE FOR BEAN COUNT

NO. OF BEANS PER 100 GRAMMES	PERCENTAGE ALLOWANCE
≤90	1.250
91	1.125
92	1.000
93	0.875
94	0.750
95	0.625
96	0.500
97	0.375
98	0.250
99	0.125
100	0.000
101	-0.200
102	-0.400
103	-0.600
104	-0.800
105	-1.000
106	-1.200
107	-1.400
108	-1.600
109	-1.800
110	-2.000
111	-2.250
112	-2.500
113	-2.750
114	-3.000
115	-3.250
116	-3.500
117	-3.750
118	-4.000
119	-4.250
120	-4.500

ALLOWANCE FOR STANDARD DEVIATION OF THE BEAN COUNT¹

STANDARD DEVIATION	PERCENTAGE ALLOWANCE
0-25	0.00
26	-0.33
27	-0.67
28	-1.00
29	-1.33
30	-1.67
31	-2.00
32	-2.33
33	-2.67
34	-3.00
35	-3.33
36	-3.67
37	-4.00
38	-4.33
39	-4.67
40	-5.00

¹ Please see Appendix 1

ALLOWANCE FOR BEANS CLUSTERS

GRAMMES PER 2KG	PERCENTAGE ALLOWANCE
0 - 50	0.00
51 - 70	-0.50
71 - 90	-1.00
91 - 110	-1.50
111 - 130	-2.00
131 - 150	-2.50

ALLOWANCE FOR SLATY BEANS

PERCENTAGE SLATE (%)	PERCENTAGE ALLOWANCE
0	0.0
1	0.0
2	0.0
3	0.0
4	0.0
5	0.0
6	-0.25
7	-0.50
8	-0.75
9	-1.00
10	-1.25
11	-1.50
12	-1.75
13	-2.00
14	-2.25
15	-2.50
16	-2.75
17	-3.00
18	-3.25
19	-3.50
20	-3.75

ALLOWANCE FOR DEFECTIVE BEANS

PERCENTAGE DEFECTIVE (%)	PERCENTAGE ALLOWANCE
0	0.80
1	0.80
2	0.80
3	0.80
4	0.40
5	0.00
6	-0.40
7	-0.80
8	-1.20
9	-1.60
10	-2.00
11	-2.45
12	-2.90
13	-3.35
14	-3.70
15	-4.15

ALLOWANCE FOR RESIDUE AND FOREIGN MATTER

GRAMMES PER 2KG	PERCENTAGE ALLOWANCE
0-45	0.00
46 - 55	-0.50
56 - 65	-1.00
66 - 75	-1.50
76 - 85	-2.00
86 - 95	-2.50
96 - 105	-3.00

BULK DELIVERY UNITS ALLOWANCES

MOISTURE ALLOWANCE

MAXIMUM MOISTURE (%)	ALLOWANCE
Less than 8.0	No Discount
8.0	-0.20%
8.1	-0.40%
8.2	-0.60%
8.3 or above	Ineligible for grading

ALLOWANCE FOR FREE FATTY ACIDS (FFA) CONTENT

MAXIMUM FFA (%)	ALLOWANCE
Up to 2.00	Par
>2.00 and ≤2.25	-0.50%
>2.25 and ≤2.5	-1.00%
>2.5 and ≤2.75	-2.00%
>2.75 and ≤3.0	-3.00%
>3.00 and ≤3.25	-4.50%
>3.25 and ≤3.5	-6.00%
Above 3.5	Non-Tenderable

WEIGHT ALLOWANCES APPLICABLE TO ALL DELIVERY UNITS

TIME PASSED SINCE ORIGINAL WEIGHT DATE	FULLY ACCRUED % ALLOWANCE (PER TONNES NET WEIGHT)
0-183 days	Accrues daily up to 0.5%
184-548 days	Accrues daily up an additional 0.5% (for an aggregate total of 1%)
549-913 days	Accrues daily up to an additional 0.25% (for a maximum aggregate of 1.25%)

Appendix 1 - STANDARD DEVIATION OF THE BEAN COUNT TEST

The standard deviation of the bean count test (homogeneity) is designed to assess the uniformity of bean size within a delivery unit. The formula used is based on a standard deviation calculation whereby the average number of beans per 100g for the whole delivery unit is measured and then compared against the overall variability of bean sizes within the delivery unit. Excessive variability will result in the award of allowances or, above the maximum permitted value, in the delivery unit being graded as not tenderable.

Formula for the standard deviation of the bean count test:

$$\sqrt{(P(Z - A)^2 + Q(Z - B)^2 + R(Z - C)^2 + S(Z - D)^2)}$$

Where:

- A = Bean count/100g in 13mm round-holed sieve
- B = Bean count/100g in 11.5mm round-holed sieve
- C = Bean count/100g in 10.5mm round-holed sieve
- D = Bean count/100g in base
- P = % bean-weight to total weight in 13mm round-holed sieve
- Q = % bean-weight to total weight in 11.5mm round-holed sieve
- R = % bean-weight to total weight in 10.5mm round-holed sieve
- S = % bean-weight to total weight in base
- Z = Total bean count/100g

The following are needed to calculate the standard deviation of the bean count:

- Number of beans per sieve and base; and
- Weight of beans per sieve and base

From this data the following may be derived:

BEAN COUNT/100G PER SIEVE OR BASE

$$(A, B, C, \text{ or } D \text{ above}) = \frac{\text{Number of beans in sieve} \times 100}{\text{Weight of beans in sieve}}$$

PERCENTAGE WEIGHT PER SIEVE

$$(P, Q, R \text{ or } S \text{ above}) = \frac{\text{Weight of beans in sieve} \times 100}{\text{Weight of beans in sieve}}$$

TOTAL BEAN COUNT PER 100G

$$(Z \text{ above}) = \frac{\text{Total number of beans in each sieve and base} \times 100}{\text{Total weight of beans in each sieve and base}}$$

PLEASE SEE BELOW FOR WORKED EXAMPLE:

SAMPLE	13MM SIEVE		11.5 MM SIEVE		10.5 MM SIEVE		BASE		TOTAL		
	Beans	(P) / (A)	Beans	(Q) / (B)	Beans	(R) / (C)	Beans	(S) / (D)	Beans	(Z)	
	Wt.(g) / No.	%Wt. / BC	Wt.(g) / No.	%Wt. / BC	Wt.(g) / No.	%Wt. / BC	Wt.(g) / No.	%Wt. / BC	Wt.(g) / No.	BC	St. dev.
No. 1	120 / 96	40 / 80	140 / 140	47 / 100	30 / 36	10 / 120	10 / 15	3 / 150	300 / 287	96	16
No. 2	20 / 19	7 / 95	120 / 138	40 / 115	140 / 220	47 / 157	20 / 40	7 / 200	300 / 417	139	28

= Original data

= Derived values

= Standard Deviation of the Bean Count

FURTHER INFORMATION

Soft Commodity Operations

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<https://www.ice.com/products/37089076/London-Cocoa-Futures>

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