

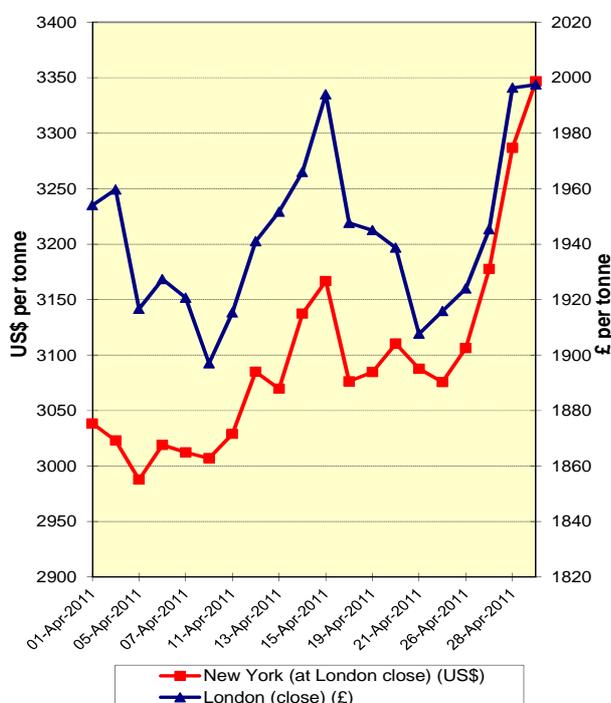


## COCOA MARKET REVIEW

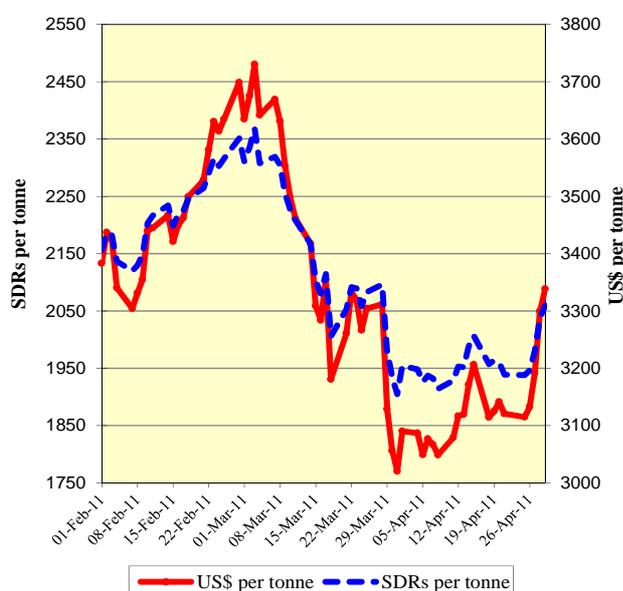
### APRIL 2011

The current report contains a review of cocoa price movements on the international futures markets during the month of April 2011. **Chart I** illustrates price movements on the London (NYSE Liffe Futures and Options) and New York (ICE Futures U.S.) markets in April. **Chart II** shows the evolution of the ICCO daily prices, quoted in US dollars and in SDRs per tonne for the period from February to April 2011. **Chart III** links cocoa bean price movements to the *Dow Jones* commodity index as well as to the US dollar index. **Chart IV** depicts recent changes in warehouse stocks of cocoa beans and the price differential between the two cocoa futures markets.

**Chart I: Cocoa bean prices on the London (LIFFE) and New York (ICE) futures markets - April 2011**



**Chart II: ICCO daily prices February – April 2011**

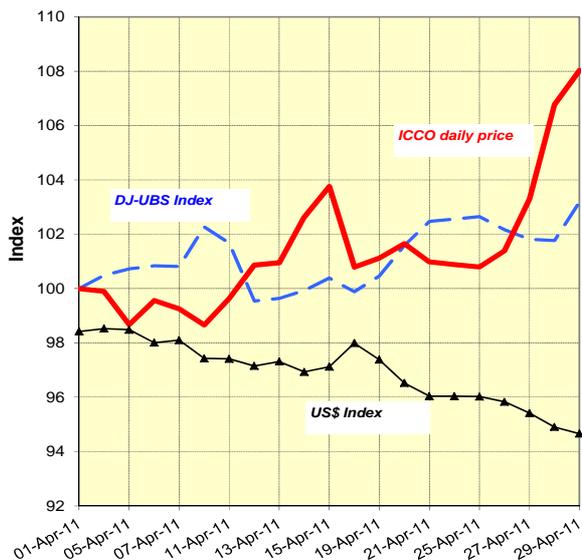


**Note:** The ICCO daily price for cocoa beans is the average of the quotations of the nearest three active futures trading months on NYSE Liffe and ICE Futures U.S. at the time of London close, converted into US\$ and SDRs using the appropriate exchange rates.

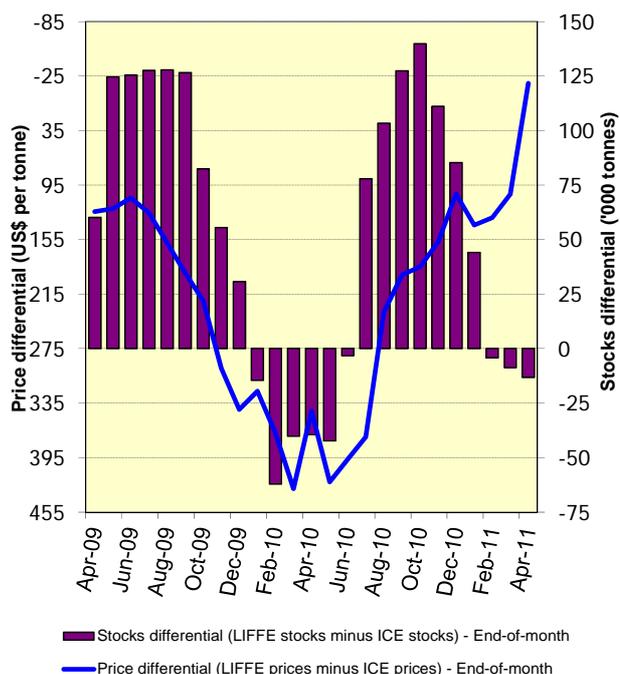
In April, the ICCO daily cocoa prices averaged US\$3,134, down by US\$259 compared to the average price recorded in the previous month (US\$3,393) and ranged between US\$3,048 and US\$3,339.

Cocoa prices on both the LIFFE and ICE futures markets traded at a lower level at the start of the month as the political crisis in Côte d'Ivoire abated and the EU eased the sanctions that had been imposed on the country. That raised the prospects of the resumption of the outflow of approximately half a million tonnes of cocoa beans held in Côte d'Ivoire after the necessary re-organization of logistics and finances have been carried out (i.e. tax and customs procedures, quality checks of cocoa stocks, re-opening of banks etc.) However, the displacement of the population in some key cocoa-growing regions in the West and Centre-West and in Abidjan was expected to remain an impediment to the full and rapid recovery of the cocoa sector in the country. As shown in **Chart III**, from the second week through to the middle of the month, whilst prices for most commodities declined, as a result of concerns that the high energy and raw materials costs could hinder global demand, cocoa futures showed an increase. Indeed, during this period, improved grindings data from North America and Europe for the first quarter of 2011, and other technical factors such as the roll over of the first spot-month from May to July supported cocoa futures and prices increased to £1,994 per tonne in London and to US\$3,167 per tonne in New York by the middle of the month. This translated into an increase of 2% and 4%

**Chart III: ICCO daily price index, Dow Jones-UBS commodity index and the US Dollar index**



**Chart IV: Arbitrage spread between NYSE Liffe and ICE Futures and licensed warehouse stocks**



in London and New York respectively, compared to the prices attained at the beginning of the month. Thereafter, macro-related news which included reports from China's banking system, the debt concerns of some European countries such as Portugal and Greece and the increase in the value of the US dollar affected most commodities including cocoa. In both cocoa futures markets, prices drifted downwards.

In the last few days of April, cocoa futures recovered from the losses experienced during the month. With large traded volumes and a weak US dollar, cocoa futures rallied to their highest level for the month at £1,998 per tonne in London and US\$3,347 per tonne in New York. Cocoa futures in New York led the upward move with cocoa prices increasing by almost 12% from the low prices attained at the beginning of the month, whilst prices in the London market gained five per cent.

### Certified warehouse stocks of cocoa beans

The political turmoil in Côte d'Ivoire which prevented the export of cocoa beans from the country affected stocks of cocoa beans in warehouses in both Europe and in the United States. As illustrated in **Chart IV**, the level of stocks in licensed warehouses in both continents continued to deplete during the month. In Europe, stocks declined from 228,000 tonnes to 209,000 tonnes. Similarly, in the United States, the level of stocks decreased from 237,000 tonnes to 222,000 tonnes. At the same time, the arbitrage spread (difference in price) between the LIFFE and ICE cocoa futures markets shrivelled. The uncommon price arbitrage developments between the two markets that had begun at the beginning of the year continued to occur, with New York levelling London by the end of the month, despite larger certified stocks in the United States.

### Conclusions

The volatility in cocoa prices experienced during the month under review confirmed the nervousness of market participants as the political situation in Côte d'Ivoire together with global macroeconomic developments played a substantial role in cocoa futures.

The imminent resumption of cocoa exports from Côte d'Ivoire and the start of the mid-crop harvest which is expected to be large in West Africa are likely to put pressure on cocoa prices in the coming weeks. Nevertheless, this price outlook will also depend on expectations for the next 2011/12 main crop. Although weather conditions have been favourable, at this early stage, it is not yet clear if the next 2011/12 cocoa output in West Africa will match the current one, which benefitted from excellent weather conditions.

