

### **COCOA MARKET REVIEW**

## **JUNE 2011**

The current review reports on cocoa price movements on international markets during the month of June 2011. **Chart I** illustrates price movements on the London (NYSE Liffe Futures and Options) and New York (ICE Futures US) markets in June. **Chart II** shows the evolution of the ICCO daily price, quoted in US dollars and in SDRs, from April to June 2011. **Chart III** depicts the change in the ICCO daily price Index, the Dow Jones-UBS Commodity Index and the US Dollar Index. **Chart IV** presents the prices of European cocoa products since the beginning of the 2010/2011 cocoa year.

Chart I: Cocoa bean prices on the London (NYSE Liffe) and New York (ICE) futures markets

June 2011

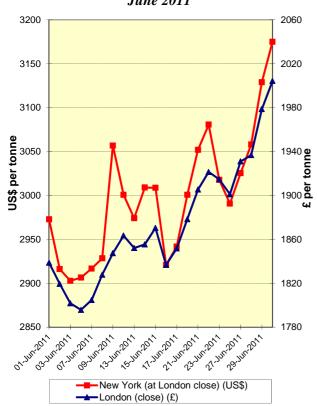
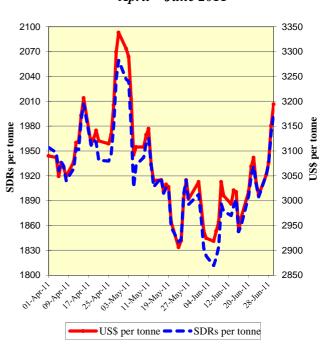


Chart II: ICCO daily prices

April – June 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

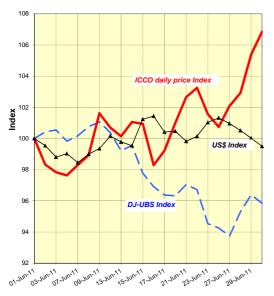
### Price movements

In June, the ICCO daily price averaged US\$3,016 per tonne, down by US\$55 compared to the average price recorded in the previous month (US\$3,071), and ranged between US\$2,918 and US\$3,194.

Bearish fundamental news of large volumes of cocoa beans from West Africa that incited cocoa futures to settle lower in May continued to influence the downward trend of cocoa prices at the beginning of the month under review. In London, cocoa prices fell to a 22-month low, attaining £1,796 per tonne, while in New York, prices fell to their lowest level for the month at US\$ 2,903 per tonne. As seen in **Chart III**, in the following weeks through to the middle of the month, cocoa futures moved sideways, in line with the general trend in the broader commodity market. Although there was a general upward movement in prices, the instances of a fall in cocoa futures during this period were mainly due to the strengthening of the US dollar.

In the middle of the month, cocoa decoupled from the broader commodity market, and followed an upward trend, supported by reported concerns over the quality of the beans arriving at the ports in Côte d'Ivoire. Against the backdrop of an approved resolution to the Greek crisis and macro related buying in commodities and equities in general, cocoa futures gained further support during the last week of the month. By the end of June, prices in London and New York were at their highest levels for the month, at £2,004 and US\$3,175 per tonne respectively.

# Chart III: ICCO daily price Index, Dow Jones-UBS commodity index and U.S. Dollar Index

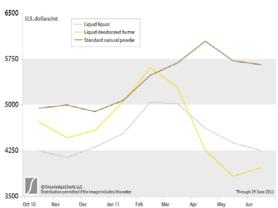


#### Notes:

The US Dollar Index is a measure of the value of the United States dollar relative to a basket of six major foreign currencies. The Dow Jones Commodity-UBS Index tracks price movements across various commodities, including energy, precious metals, industrial metals, grains, livestock, softs (cocoa being excluded) and agriculture.

### Chart IV: European cocoa products in US\$/tonnes October 2010 – June 2011

European cocoa products from October 2010 - June 2011



Source: Commodities Risk Analysis LC

## Certified warehouse stocks of cocoa beans

Over the past few months, cocoa bean stocks in European warehouses have been depleting as a result of the Ivorian ban on cocoa exports that occurred during the political crisis earlier in the year. Certified warehouse end-of-month stocks in Europe decreased to 167,450 tonnes at the end of June (down by 12,000 tonnes compared to the previous month) while US certified warehouse end-of-month stocks rose to 235,000 tonnes (up by 26,000 tonnes).

# Supply and demand

On the supply side, most African producers have witnessed a bumper harvest for the current crop year as a result of good weather conditions. According to data released by the *BCC*, cocoa arrivals in Côte d'Ivoire as at the end of June were 1.286 million tonnes. This is about 22% higher than during the same period for the previous season. However news agency reports indicate that the quality of beans arriving at the Ivorian ports remains a concern. Mentioning "exceptional circumstances" following post-election political uncertainty, the Ivorian authorities eased the export size requirements for mid-crop beans to 125 beans per 100 grammes instead of the normal standard of 105 beans.

In Ghana, cumulative cocoa purchases by *Cocobod* for the 2010/2011 season were 916,000 tonnes as at the end of the month. Favourable weather conditions, combined with an increased use of fertilizers and improved disease and pest control have been cited by *Cocobod* as factors that have helped to achieve the record production level.

The uncertainties surrounding the economic recovery in Europe and North America have continued to have an impact on demand. As a result of significant butter stocks, cocoa butter ratios were still at low levels and were estimated at 1.32 times the London bean contracts as at the middle of June.

However, it is estimated that cocoa powder prices have maintained high levels. Processing activity has been stimulated by demand for cocoa powder in emerging markets. Consumption of powder based products is usually less sensitive to cocoa prices as they contain relatively low percentage levels of cocoa.





