

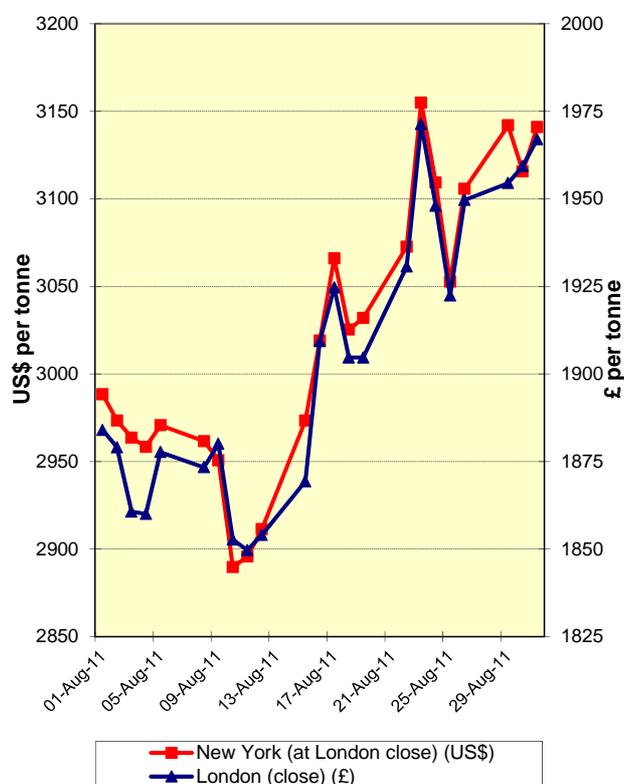


## COCOA MARKET REVIEW

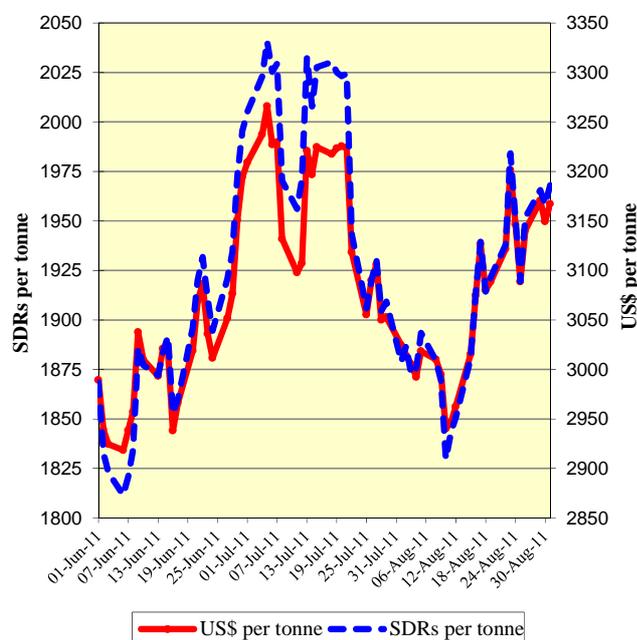
### AUGUST 2011

The current review reports on cocoa price movements on international markets during the month of August 2011. **Chart I** illustrates price movements on the London (NYSE Liffe Futures and Options) and New York (ICE Futures US) markets in August. **Chart II** shows the evolution of the ICCO daily price, quoted in US dollars and in SDRs, from June to August 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 (LIFFE) and New York (ICE) futures markets August 2011**



**Chart II: ICCO daily prices June – August 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.

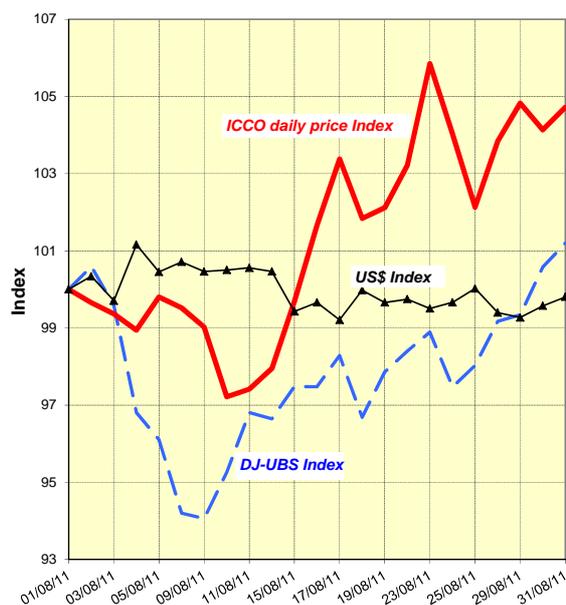
#### Price movements

In August, the ICCO daily price averaged US\$3,064 per tonne, down by US\$103 compared to the average price recorded in the previous month (US\$3,167), and ranged between US\$2,940 and US\$3,202.

At the start of the month under review, cocoa futures continued to follow the downward movement initiated at the end of the previous month, falling to £1,850 per tonne in London and to US\$2,890 per tonne in New York. Strong weekly arrivals in the two major producers contributed to this development. Compared to the same period of the previous season, cocoa arrivals at ports in Côte d'Ivoire were up at 1.382 million tonnes while in Ghana, purchases were estimated at 980,000 tonnes. In addition, concerns related to the global economy and the sustainability of the sovereign debt of several developed countries as well as the downgrading of the U.S. sovereign debt by Standard and Poors, led to a general fall in the prices of most commodities, as depicted in **Chart III**.

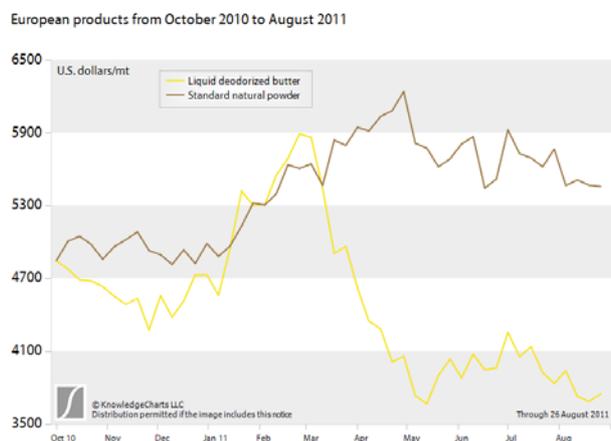
However, by the third week of August, amid bullish news of a supply deficit for the next cocoa season and a weaker US dollar, cocoa futures reversed from their downward trend. Towards the end of the month, compared to the lows attained earlier in the month, cocoa futures surged by seven per cent in London to £1,971 per tonne and by nine per cent in New York to US\$3,155 per tonne.

**Chart III: ICCO daily prices and Dow Jones-AIG commodity index (US\$ terms) August 2011**



**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\$ terms October 2010 – August 2011**



In the following sessions, cocoa futures prices fell, in line with the general weakness in the broader commodity market. However, during the last week of the month, cocoa futures rebounded from their previous lows in the wake of a strengthening commodity complex, as shown by the Dow Jones commodity AIG index in **Chart III**.

**Supply & demand situation**

In August, the ICCO Secretariat released its revised forecasts for the 2010/2011 season in the *Quarterly Bulletin of Cocoa Statistics*. The supply surplus has been revised upwards to 325,000 tonnes, arising mainly as a result of ample supplies from the two top producing countries. Favourable weather conditions boosted Côte d’Ivoire’s production despite the political crisis. Thus by the end of August, the country’s production was about 1.4 million tonnes as against the 1.1 million tonnes recorded for the same period in the previous season.

In Ghana, an unprecedented production record was experienced during the month. By the end of August, cocoa purchases declared by the *Ghana Cocoa Board* were around 1.01 million tonnes. Factors attributed to the historic purchase figures include conducive weather conditions, increased fertilizer application, disease control methods as well as increased yields from hybrid plantings. Nevertheless, smuggling from neighbouring countries has also been reported to have inflated the country’s data.

Grindings forecast for the current season are estimated to increase to over 3.8 million tonnes as compared to 3.7 million tonnes in the previous crop year. Concerns over the economic climate in developed countries have engendered a pessimistic outlook related to demand for cocoa in these countries. On the other hand, cocoa consumption is envisaged to increase in emerging economies, mainly supporting the demand for cocoa powder. As a result, as shown in **Chart IV**, for the past few months, the price for cocoa powder surpassed that of butter.

