MONTHLY REVIEW OF THE COCOA MARKET SITUATION

SEPTEMBER 2011

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

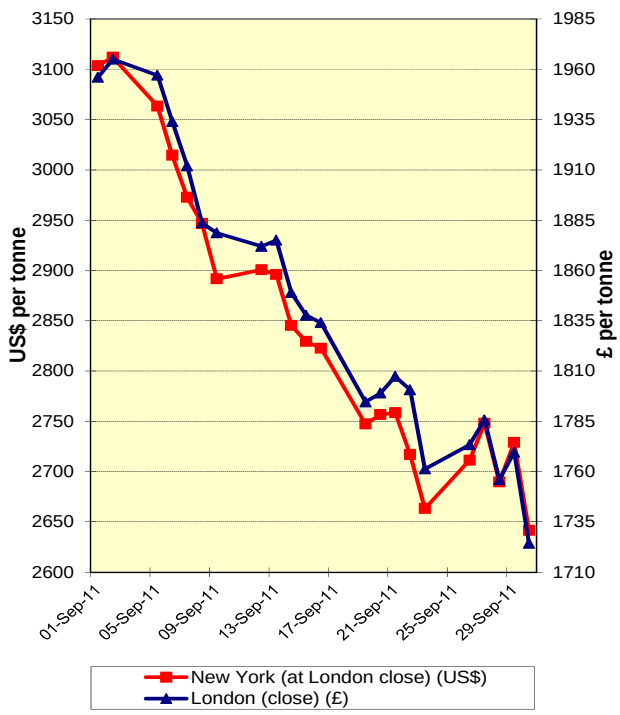
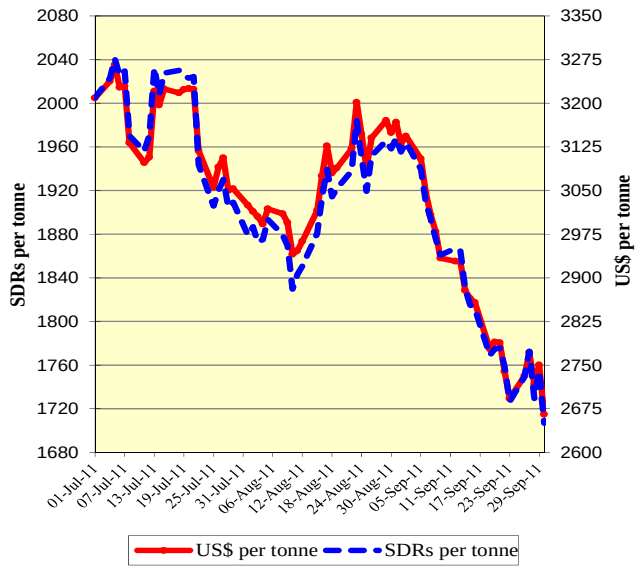


Chart II: ICCO daily prices
July – September 2011



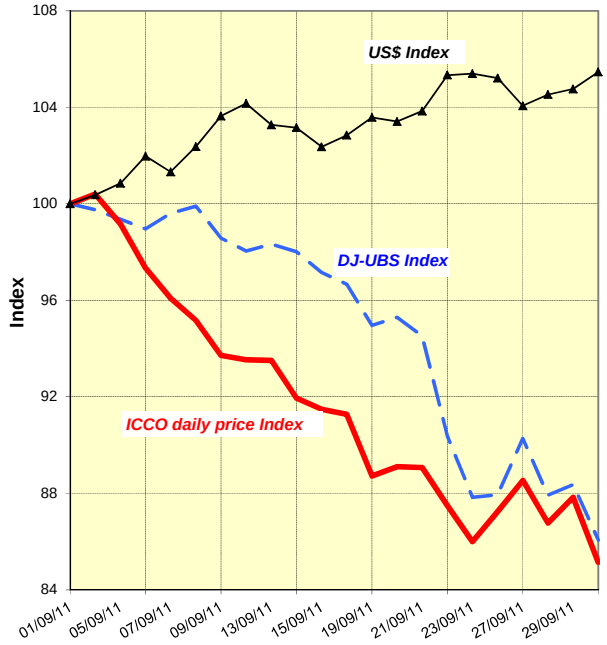
Note: The ICCO daily price for cocoa beans is the average of the quotations of the nearest three active futures trading months on NYSE Liffe and ICE Futures U.S. at the time of London close, converted into US$ and SDRs using the appropriate exchange rates.

Price movements

In September, the ICCO daily price averaged US$2,874 per tonne, down by US$190 compared to the average price recorded in the previous month (US$3,064). Prices ranged between US$2,665 and US$3,144.

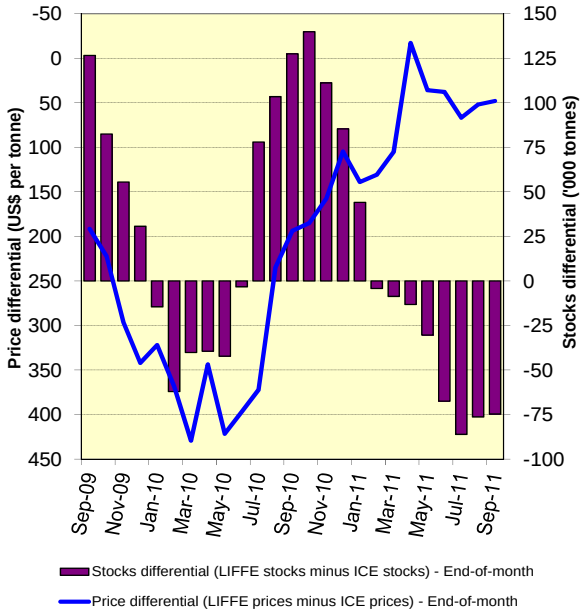
Cocoa futures continued to trade lower during the month under review. By the end of the month, cocoa prices hit a two year low at £1,724 per tonne in London and US$2,642 per tonne in New York. This reflected a decrease of 12% and 15% in London and New York respectively in comparison with the prices recorded at the beginning of September. The low prices posted during this period were mainly due to pressure from a large global surplus for the 2010/2011 cocoa season combined with an improved outlook for the 2011/2012 main crop in West Africa. In addition, uneasiness related to the global macro-economy and the debt crisis within the euro-zone resulted in low investments in riskier assets such as commodities. As shown by the Dow Jones commodity AIG index in **Chart III**, cocoa futures followed the general downward trend of the commodity index. **Chart I** depicts the occasional slight increase in cocoa prices that was observed during the latter part of the month, which reflected plans by the European Union to expand the European Union Financial Stability Facility to support EU funds for eurozone governments in financial difficulty.

Chart III: Chart III: ICCO daily prices and Dow Jones-AIG commodity index (US$ terms)
September2011



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



Certified warehouse stocks of cocoa beans

As depicted in **Chart IV**, the price premium fetched by the London cocoa futures market as against the New York market weakened compared to the previous month and attained US$48 at the end of the month. Compared to the previous month, NYSE Liffe reported an increase in the volume of certified warehouse stocks in Europe of 3,270 tonnes to 172,770 tonnes as at the end of September. In the United States, certified warehouse stocks also rose to 247,487 tonnes (up by 1,993 tonnes) as at the end of the month. The low increase in US stocks of cocoa beans can be attributed to the curb in imports of cocoa beans from Indonesia, resulting from high premiums and quality issues.

Supply & demand situation

On the supply side, news agency reports indicated that cumulative cocoa bean arrivals to ports in Côte d'Ivoire were 1.482 million tonnes at the end of month, up by 239,707 tonnes compared to the same period of the previous season. The effect of favourable weather conditions outweighed the negative impact of the political crisis on the country's cocoa production during the 2010/2011 cocoa season. In Ghana, official cocoa purchasing data released by the Ghana Cocoa Board showed an increase of more than 60% in the 2010/2011 season compared to the previous crop year, to almost 1.025 million tonnes.

Expectations for the demand situation of cocoa beans indicated that weak global economic conditions will limit cocoa consumption in developed countries. Demand for cocoa powder remained strong, as a result of the rise in consumption of cocoa powder products in the emerging countries within Asia and South America. Cocoa butter demand continued to be weak as a result of high stock levels in both origin and consuming countries.

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