

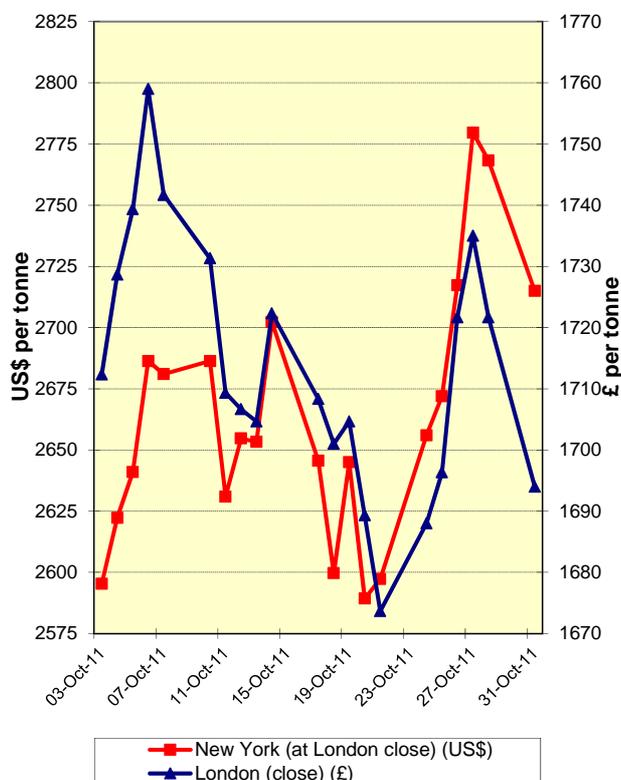


## COCOA MARKET REVIEW

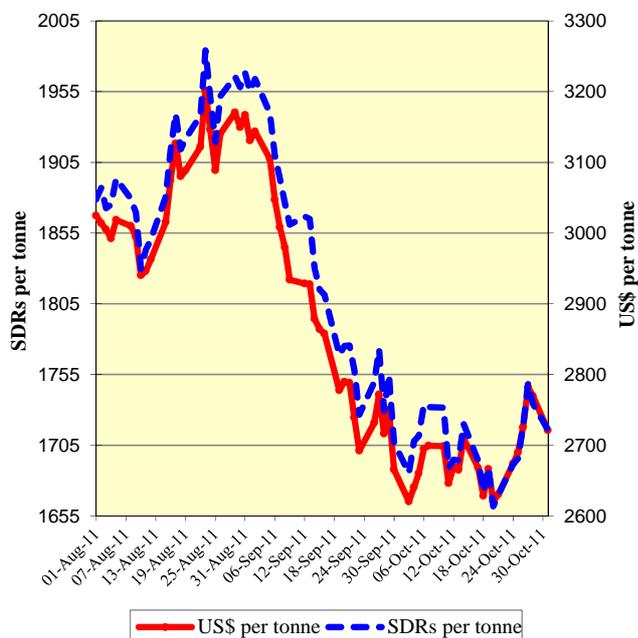
### OCTOBER 2011

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

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



**Chart II: ICCO daily prices**  
*August - October 2011*



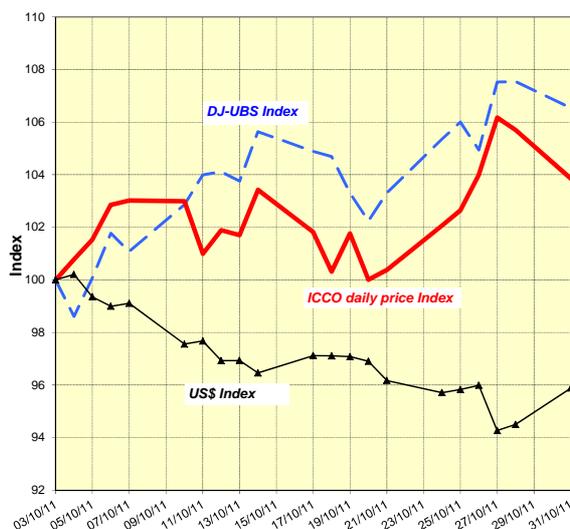
**Note:** The ICCO daily price for cocoa beans is the average of the quotations of the nearest three active futures trading months on NYSE Liffe and ICE Futures U.S. at the time of London close, converted into US\$ and SDRs using the appropriate exchange rates.

#### Price movements

In October, the ICCO daily price averaged US\$2,680 per tonne, down by US\$194 compared to the average price recorded in the previous month (US\$2,874). Prices ranged between US\$2,620 and US\$2,783.

Cocoa futures during the month under review were generally influenced by the global macro-economy. After falling to their lowest level in more than two years during the previous month, cocoa futures settled higher at the beginning of the month as the EU's efforts in solving the region's sovereign debt crisis triggered a rise in most commodities. Thereafter, cocoa futures followed a downward trend as a result of fundamental news providing a bearish tone on both the London and New York markets. Favourable weather conditions and news that the current crop in the major producing areas was developing well lowered prices to £1,674 per tonne in London and to US\$2,589 per tonne in New York in the third week of the month. However, the release of improved grindings data for the July – September 2011 quarter from Europe (up by 14% compared to the same quarter a year earlier) and North America (up by 3.4%) provided some fresh impetus to the markets. In addition, renewed optimism about the solution to the EU financial crisis benefitted most commodities. In London and New York, cocoa futures increased to £1,735 and US\$2,780 per tonne respectively.

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

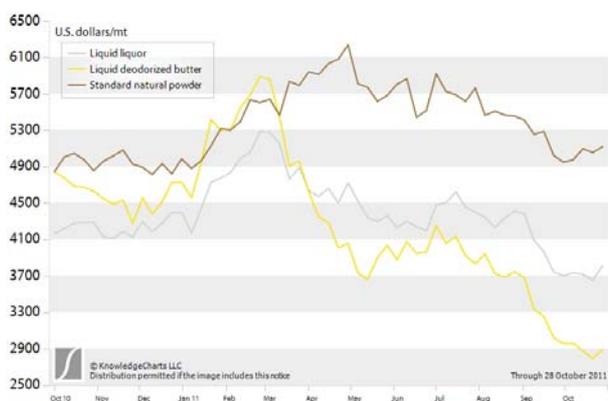


**Notes:**

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 (US\$/tonne)**

*October 2010 – October 2011*



By the end of the month, as shown in **Chart I**, cocoa futures pulled back their gains as the broader commodity spectrum suffered losses due to the strengthening of the US dollar and the unresolved financial instability in the euro zone.

As illustrated by the Dow Jones commodity-AIG index in **Chart III**, cocoa futures experienced price movements similar to those of most commodities. The price trend during this period was influenced by the ongoing financial crisis in the euro zone and its overall impact on the demand for commodities.

**Supply & demand situation**

On the supply side, total cocoa arrivals at Ivorian ports as at the end of October were about 91,000 tonnes, according to data published by a news agency. This was about 18,000 tonnes lower than the corresponding period of the previous season. Hoarding of cocoa beans in anticipation that farm gate prices would increase has contributed to the reduction in cocoa arrivals. It should be noted that the Government of Côte d'Ivoire is on course to implement a reform of its cocoa sector which would guarantee farmers a minimum selling price of at least 50% of the *c.i.f.* export price. The reform would involve forward selling of a portion of the expected crop.

In Ghana, cumulative cocoa purchases by Cocobod in October reached about 152,000 tonnes. This was well above the 89,000 tonnes recorded at the same time during the past crop year.

In Indonesia, industry data showed a reduction in exports of cocoa beans. Compared to the same period of the last cocoa season, cocoa bean exports were about 7,000 tonnes as against 34,000 tonnes. Heavy rains and black pod disease are expected to affect the 2011/2012 crop.

As seen in **Chart IV**, prices of semi-finished products, in line with the bean price, weakened during the month of October. The euro zone debt crisis coupled with the slowdown in the United States economy affected consumer spending. This subsequently reduced the buying interest of semi-finished products. In particular, market reports indicate that the price ratio of cocoa butter during the month fell below the 1.00 level for the first time in many years to 0.97, resulting from the large stocks of cocoa butter in Europe and the United States.

