



COCOA MARKET REVIEW

JANUARY 2012

The current review focuses on cocoa price movements on international markets during the month of January 2012. **Chart I** illustrates price movements on the London (NYSE Liffe Futures and Options) and New York (ICE Futures US) markets in January. **Chart II** shows the evolution of the ICCO daily price, quoted in US dollars and in SDRs, from November 2011 to January 2012. **Chart III** presents the prices of European cocoa products since the beginning of the 2011/2012 cocoa year.

Chart I: Cocoa bean prices on the London (LIFFE) and New York (ICE) futures markets
January 2012

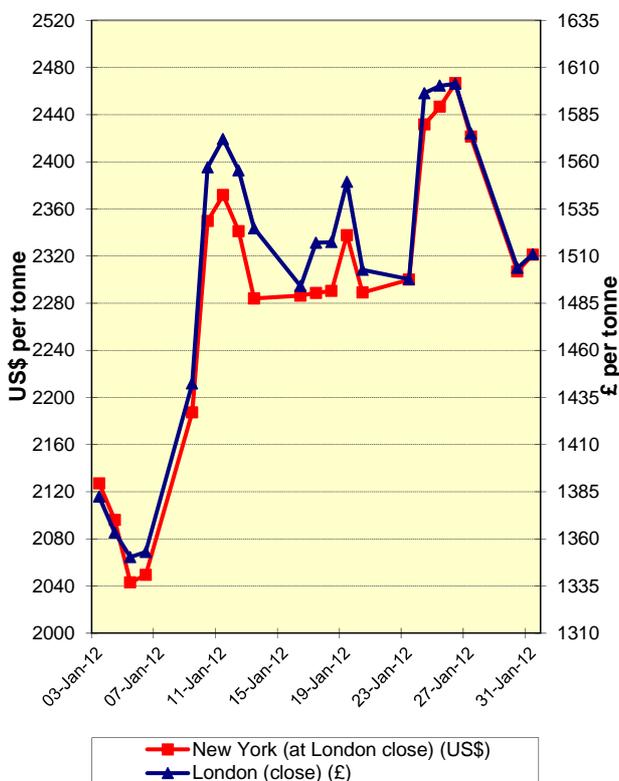
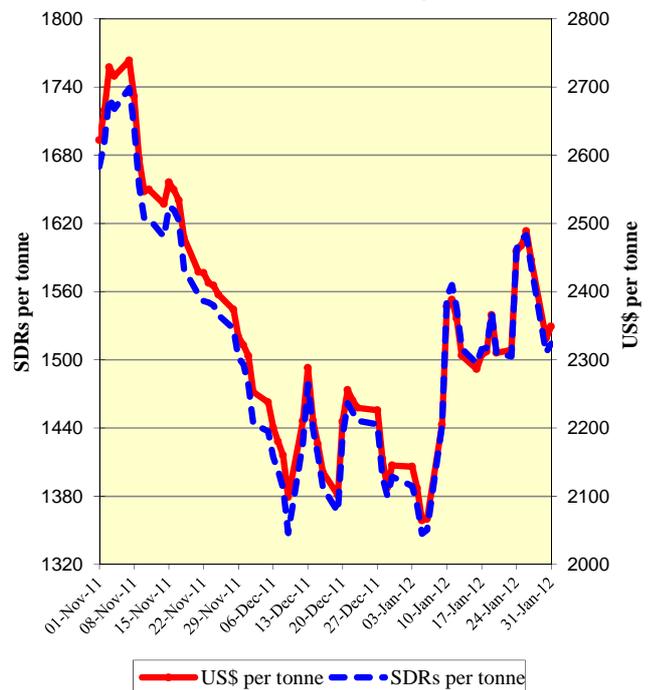


Chart II: ICCO daily prices
November 2011 – January 2012



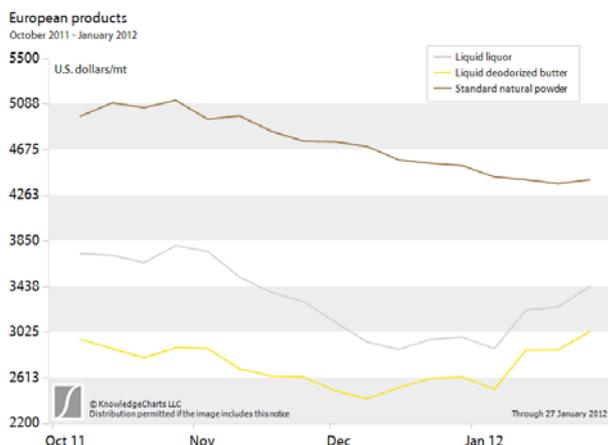
Note: The ICCO daily price for cocoa beans is the average of the quotations of the nearest three active futures trading months on NYSE Liffe and ICE Futures U.S. at the time of London close, converted into US\$ and SDRs using the appropriate exchange rates.

Price movements

In January, the ICCO daily price averaged US\$2,308 per tonne, up by US\$111 compared to the average price recorded in the previous month (US\$2,197), and ranged between US\$2,064 and US\$2,489.

Both terminal markets recorded low prices at the beginning of the month. Cocoa futures fell to their lowest level since the start of the cocoa year at £1,350 per tonne in London and at US\$2,043 per tonne in New York. As shown in **Chart I**, cocoa prices changed direction in the second week of the month as a result of dry weather conditions and waning weekly cocoa arrivals in Côte d'Ivoire. Compared to the above mentioned lows recorded at the start of the month, prices surged by 16% to £1,572 per tonne in London and to US\$2,372 per tonne in New York. Thereafter, daily cocoa prices remained volatile for the rest of the month, ranging between the US\$2,286 to US\$2,489 per tonne level. Major fundamental factors that influenced international cocoa prices during the last weeks of the month included a lower than expected increase in grindings data and unfavourable weather conditions in the West African producing areas.

**Chart III:
European cocoa products in US\$/tonnes
October 2011 – January 2012**



Supply and demand situation

News agency data showed that cocoa bean cumulative arrivals in Côte d'Ivoire as at the end of January were down at 877,067 tonnes compared to 904,681 tonnes for the previous year. Lack of rain as well as severe *harmattan* related weather conditions, old tree stocks and poor husbandry practices, were reported to have had a negative impact on production. Nevertheless, on 31 January, the country initiated its forward sales of the 2012/2013 main crop, an initiative which forms part of the nation's planned reforms of the cocoa sector. This programme aims to guarantee fixed prices for cocoa farmers in Côte d'Ivoire.

For the current crop year, data published for the Ghana Cocoa Board shows that cumulative cocoa purchases totalled approximately 681,000 tonnes as at 26 January. This represents an increase of approximately 5.8% compared with the same period for the previous season.

On the demand side, data published on processing activity in the fourth quarter of 2011 proved to be below expectations, with a year-on-year increase of just 1.8% in West Europe, 1.5% in North America and 2.2% in Brazil while activity shrank by 7.4% in Malaysia. In total, grindings rose by only 0.5% in these four areas which represent about two thirds of global cocoa processing activity. However, this very weak growth may be misleading, as strong expansion is taking place in other regions, particularly in Côte d'Ivoire, Ghana and Indonesia. As depicted in **Chart III**, prices for cocoa powder were significantly higher than those for cocoa butter. Growth in the use of cocoa powder has been attributed to the fact that emerging markets consume more cocoa powder based products.

Conclusions

As a result of the resilience being shown by emerging markets in their demand for cocoa combined with the increase in cocoa processing in origin countries, despite the adverse global economic climate, the expected tightened supply in respect of the January to September 2012 harvesting of the crop in West Africa may result in a return to a supply deficit for the current season.

At the end of February 2012, the ICCO Secretariat will publish its first crop forecasts for the current year in the *Quarterly Bulletin of Cocoa Statistics*.

