



COCOA MARKET REVIEW

MARCH 2012

The current review focuses on cocoa price movements on international markets during the month of March 2012. **Chart I** illustrates price movements on the London (NYSE Liffe Futures and Options) and New York (ICE Futures US) markets in March. **Chart II** shows the evolution of the ICCO daily price, quoted in US dollars and in SDRs, from January to March 2012. **Chart III** presents recent changes in cocoa price daily volatility against that of coffee. **Chart IV** 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
March 2012

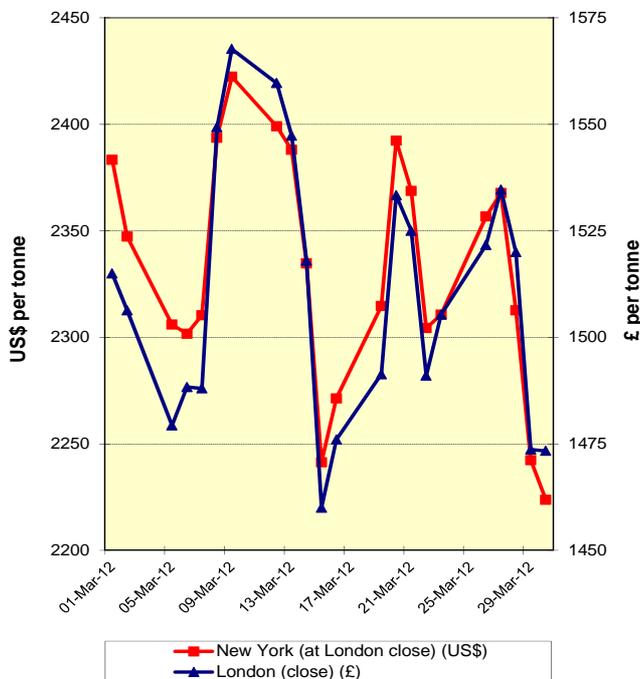
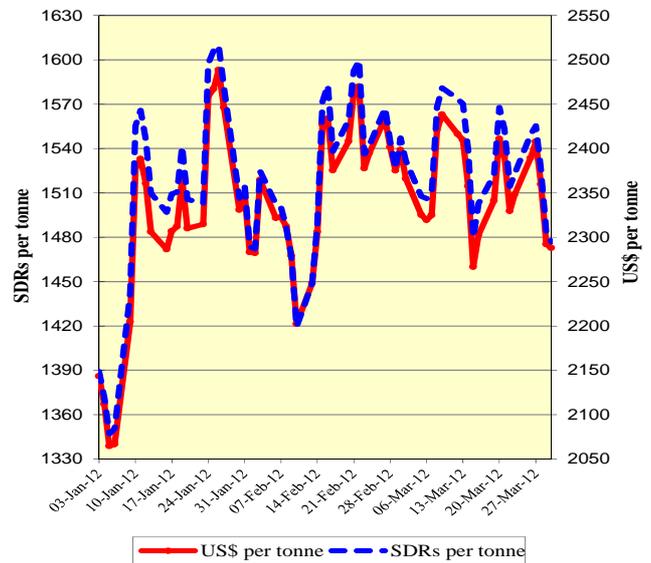


Chart II: ICCO daily prices
January - March 2012



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 March, the ICCO daily price averaged US\$2,359 per tonne, up by US\$3 compared to the average price recorded in the previous month (US\$2,356). Prices ranged between US\$2,266 and US\$2,439.

Cocoa futures prices remained highly volatile during the month under review, moving within a range, albeit with a declining tendency. At the beginning of the month, cocoa prices were weighed down by bearish fundamental reports of favourable weather conditions benefiting the upcoming mid-crop in the major producing areas in West Africa as well as reports from analysts envisaging a smaller deficit than previously expected or a near balance between supply and demand for the current crop year. Thereafter, as illustrated in **Chart I**, cocoa prices reversed upwards and attained their highest level for the month in London and New York at £1,568 per tonne and US\$2,422 per tonne respectively. Compared to the low prices recorded at the beginning of the month, the gains posted represented about six per cent in London and five per cent in New York. Factors attributing to the increase in cocoa prices included the activities of investors in covering their short positions. In addition, the slowdown of arrivals before the start of the mid-crop and quality issues related to the main crop harvest of Côte d'Ivoire stimulated concerns in respect of short-term supply tightness.

However, by the middle of the month, cocoa prices drifted downwards by seven per cent in both markets, to £1,460 in London and to US\$2,241 per tonne in New York. Reports of ample supplies from producing countries combined with a strengthening of the United States dollar as well as persistent origin selling ebbed any momentum in the cocoa futures market.

Chart III:
Cocoa and coffee price volatility
(values expressed in annual terms)

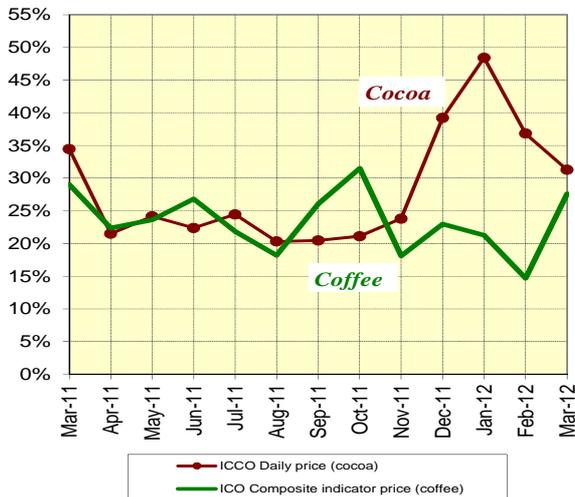
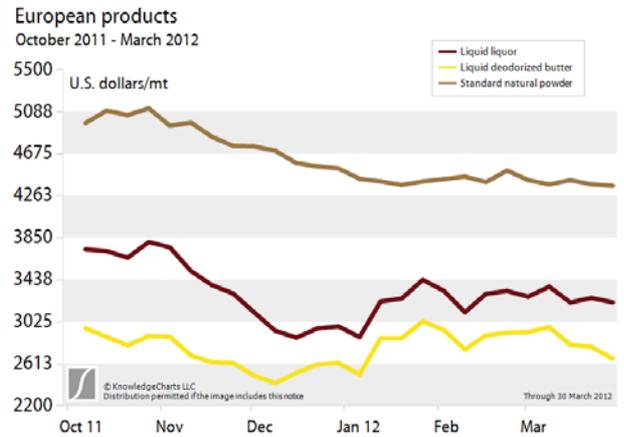


Chart IV
European cocoa products (US\$/tonne)



With limited physical cocoa activities on both futures markets and attention focussed mostly on the next crop sales, cocoa prices traded sideways during the second half of the month. The variety of views of market participants on the macroeconomic environment, current availability of cocoa beans and prospects for cocoa supply and demand have predominantly reflected price volatility in the cocoa market in recent months, as shown in **Chart III**.

Supply & demand situation

According to news agency data, cocoa arrivals at ports in Côte d'Ivoire were around 1,039,000 tonnes at the end of March, as against 1,038,928 tonnes during the same period of the previous season. In Ghana, cumulative cocoa purchases by the Cocobod from the beginning of the season to the last week of March were provisionally estimated at 717,171 tonnes. This was about 3.5% higher compared with the same period for the previous season.

With regard to grindings, industry reports indicate that cocoa butter rates have continued to be low whereas those of powder have remained steady during the month, as depicted in **Chart IV**. Demand for the former has still not shown any significant change. This may be attributed to the fact that increased grinding capacity has resulted in more bean processing and, consequently, more butter being produced. With Easter chocolate production over, strong demand for powder is again creating high butter supplies. In mid-April, the European Cocoa Association and the National Confectioners' Association will release grindings data for Europe and North America for the first quarter of 2012.

