



MONTHLY REVIEW OF THE COCOA MARKET SITUATION

JUNE 2012

The current review of the cocoa market situation reports on price movements on the international markets during the month of June 2012. **Chart I** illustrates price movements on the London (NYSE Liffe Futures and Options) and New York (ICE Futures US) markets in June. **Chart II** shows the evolution of the ICCO daily price, quoted in US dollars and in SDRs, from April to June 2012. **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** illustrates the end-of-month stocks in licensed warehouses in the United States and the arbitrage between the LIFFE and ICE futures markets.

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

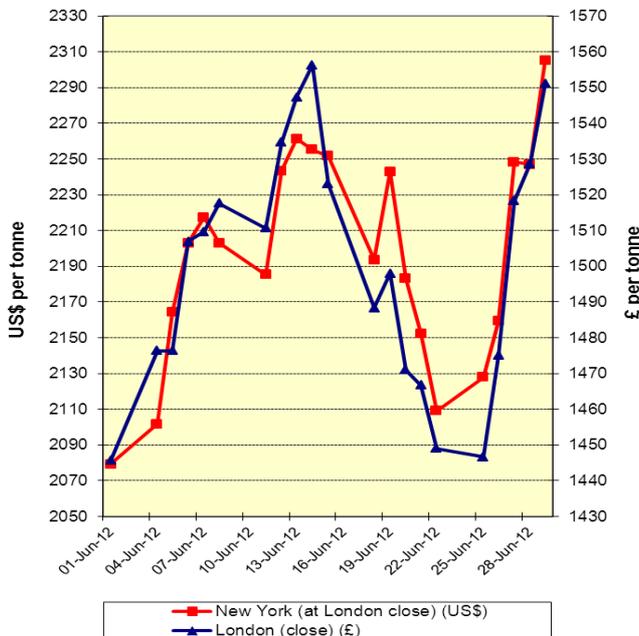
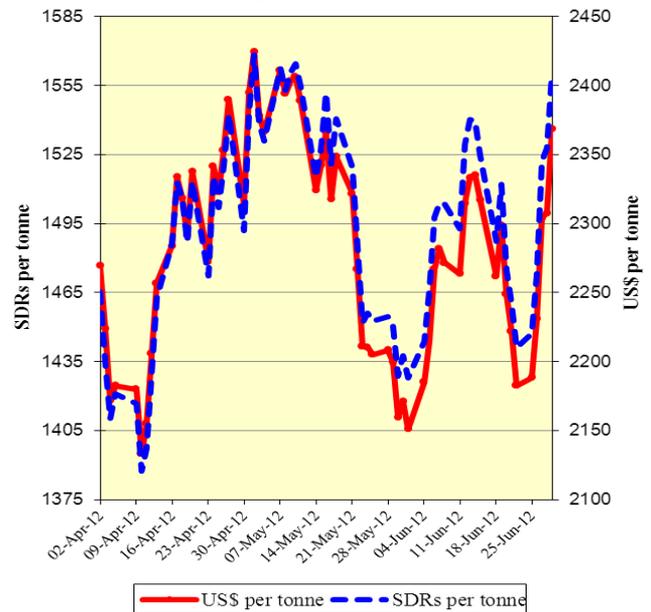


Chart II: ICCO daily prices
April – June 2012



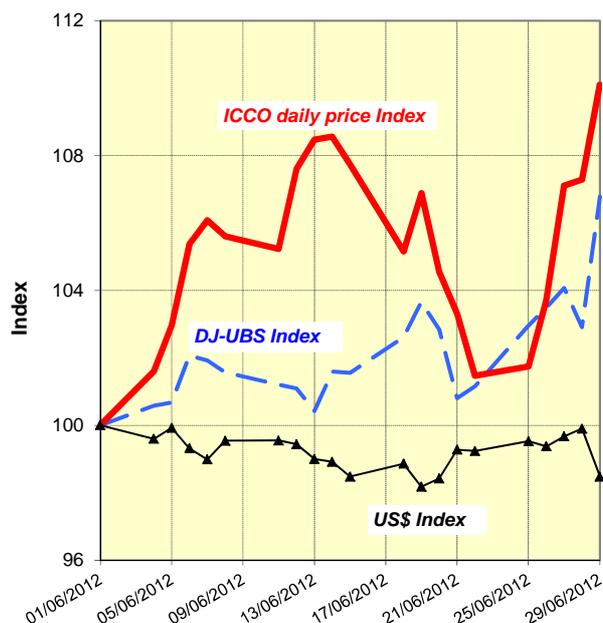
Note: The ICCO daily price for cocoa beans is the average of the quotations of the nearest three active futures trading months on NYSE Liffe and ICE Futures U.S. at the time of London close, converted into US\$ and SDRs using the appropriate exchange rates.

Price movements

In June, the ICCO daily price averaged US\$2,264 per tonne, down by US\$50 compared to the average price recorded in the previous month (US\$2,314) and ranged between US\$2,150 and US\$2,369.

At the beginning of June, both LIFFE and ICE cocoa futures markets followed an upward trend. Compared to the prices initiated at the start of the month, cocoa futures increased by about eight per cent in both London and New York by the end of the second week of the month. During this period, cocoa prices were triggered by bullish fundamental news of relatively poor weather conditions, with below-average rainfall in Côte d'Ivoire and Ghana, denting the prospect for the West African mid-crop. This resulted in analysts predicting a reduced supply from the area. Against the backdrop of macro issues within the Euro zone and a fall in United States stock markets, trading sessions during the third week of the month under review experienced a tailspin in cocoa prices. Concerns of an economic slowdown affecting the demand for cocoa forced cocoa futures prices to fall to low levels, similar to those witnessed in the first trading session of the month. Thereafter, with a consensus among European leaders to support banks within the euro zone, the financial markets propelled the wider commodity complex, as shown in **Chart III**. Consequently, cocoa futures gained from the spill over of the general increase in commodity prices. By the end of June, as illustrated in **Chart I**, cocoa prices in London increased to £1,551 per tonne, while in New York, they attained their highest level for the month, at US\$2,305 per tonne.

Chart III: ICCO daily price Index, Dow Jones-UBS commodity index and U.S. Dollar Index



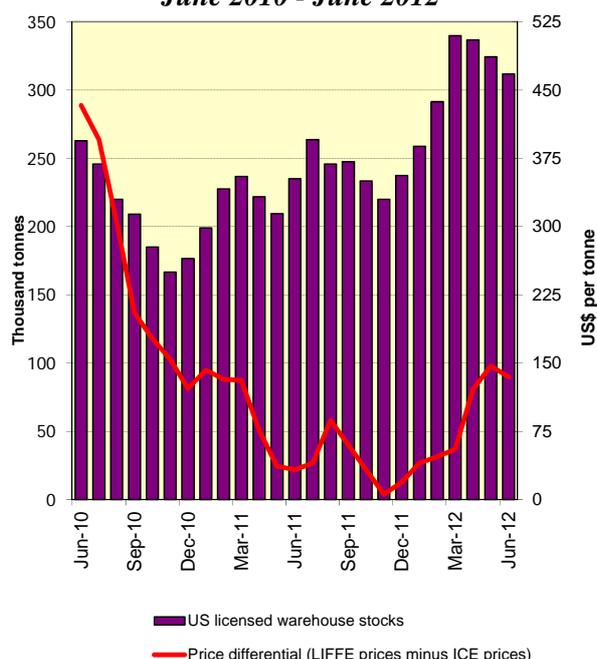
Notes:

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 -UBS Commodity Index* tracks price movements across various commodities, including energy, precious metals, industrial metals, grains, livestock, softs (cocoa being excluded) and agriculture.

Chart IV

Arbitrage between LIFFE and ICE Futures (Monthly average)

US Licensed warehouse end-of month stocks June 2010 - June 2012



Certified warehouse stocks of cocoa beans

Compared to the previous month, both markets reported a fall in the volume of certified warehouse stocks. In New York, volumes fell from 324,401 tonnes to 311,697 tonnes and in London, from 130,030 tonnes to 124,720 tonnes. As shown in **Chart IV**, the arbitrage has gradually widened since November 2011 when it dropped to virtually zero. Compared to last year’s data, LIFFE certified stocks during the month were down by 26%, while in New York, ICE certified stocks were up by 33%.

Fundamental situation

As mentioned in the previous monthly review, the ICCO Secretariat expects the production deficit for the current 2011/2012 cocoa year to be around 43,000 tonnes. According to data published by various news agencies, exporters in Côte d’Ivoire have lowered their expectations for the Ivorian mid-crop. The aforementioned unfavourable weather conditions have affected the country’s potential cocoa output. By the end of the month under review, cocoa arrivals to ports in Côte d’Ivoire were down by 3.7% to 1,238,000 tonnes compared with 1,285,716 tonnes reported during the same period of the previous season.

In Ghana, cumulative cocoa purchases by the *Cocobod* from the start of the season to the end of the main crop at the beginning of June reached 798,736 tonnes. Compared to the same period of the last season, this reflected a 12.8% fall in production. The country’s output has also been hit by the adverse weather conditions.

