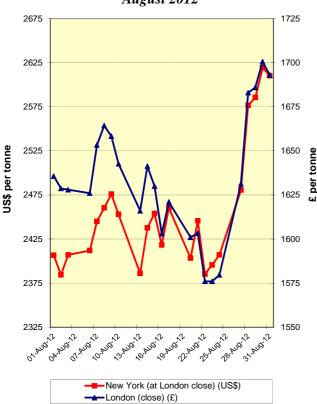


## MONTHLY REVIEW OF THE COCOA MARKET SITUATION

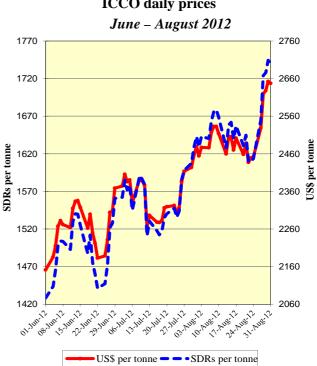
#### **AUGUST 2012**

The current review of the cocoa market situation reports on price movements on the international markets during the month of August 2012. **Chart I** illustrates price movements on the London (NYSE Liffe Futures and Options) and New York (ICE Futures US) markets in August. **Chart II** shows the evolution of the ICCO daily price, quoted in US dollars and in SDRs, from June to August 2012. **Chart III** depicts the change in the ICCO daily price Index, the Dow Jones-UBS Commodity Index and the US Dollar Index.

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



# Chart II: ICCO daily prices



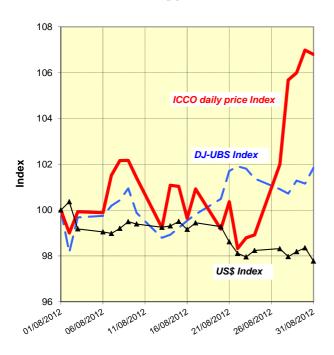
**Note**: The ICCO daily price for cocoa beans is the average of the quotations of the nearest three active futures trading months on NYSE Liffe and ICE Futures U.S. at the time of London close, converted into US\$ and SDRs using the appropriate exchange rates.

#### Price movements

In August, the ICCO daily price averaged US\$2,512 per tonne, up by US\$162 compared to the average price recorded in the previous month (US\$2,350) and ranged between US\$2,437 and US\$2,653 per tonne.

After a sharp price increase recorded in both LIFFE and ICE cocoa markets in July, cocoa futures prices moved with no particular firm direction during the first few weeks of August. As shown in **Chart I**, the price swings dominating the cocoa market during this period have been attributed to uncertainties over the new crop. In addition, concerns over dry weather conditions in West Africa provided some support to cocoa prices. However, the occasional price falls were triggered by profit taking. By the third week of the month, cocoa futures had fallen to £1,576 per tonne in London and to US\$2,385 in New York.

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

Thereafter, during the last week of August, reports of unrest in Côte d'Ivoire, combined with the weakening of the US dollar index, as shown in **Chart III**, resulted in cocoa prices following an upward trajectory. The violence incited bouts of short-covering activity among the market participants, as tensions over cocoa supplies increased. By the end of the month, cocoa futures rallied and attained a nine-month high in both London and New York, at £1,701 per tonne and US\$2,619 per tonne respectively. Compared to the low levels recorded during the third week of the month, this represented an increase of eight per cent in London and 10% in New York.

#### Supply & demand situation

On the supply side, news agency data showed that cocoa bean arrivals to ports in Côte d'Ivoire reached 1.339 million tonnes at the end of August, down by almost 74,000 tonnes compared to the previous season of 1.413 million tonnes.

In a similar pattern, in Ghana, the main purchases recorded cocoa Ghana Cocoa Board totalled 798,736 tonnes at the end of the month, down by 118,074 tonnes on the 916,810 tonnes produced in the same period of the previous year's season. According to Reuters News, the country's on-going light crop is expected to fall by 61% to 42,000 tonnes, compared with the record harvest 107,000 tonnes recorded last year.

Indeed, the erratic weather conditions, consisting of long dry spells followed by cool and cloudy weather patterns have negatively affected cocoa output in most of the West African region.

The ICCO Secretariat's revised forecasts for the current 2011/2012 cocoa year, published in August in the *Quarterly Bulletin of Cocoa Statistics*, envisage a production deficit of 19,000 tonnes compared with an earlier projection of 43,000 tonnes. World cocoa bean production is expected to decline by 8.1% (down by 349,000 tonnes) over the previous season, to 3.962 million tonnes. Grindings are forecast to increase by 0.4% to 3.941 million tonnes (up by 14,000 tonnes). If realized, this would reduce the total statistical stocks of cocoa beans as at the end of the 2011/2012 cocoa year to 1.754 million tonnes, equivalent to 44.5% of projected annual grindings in 2011/2012.





