

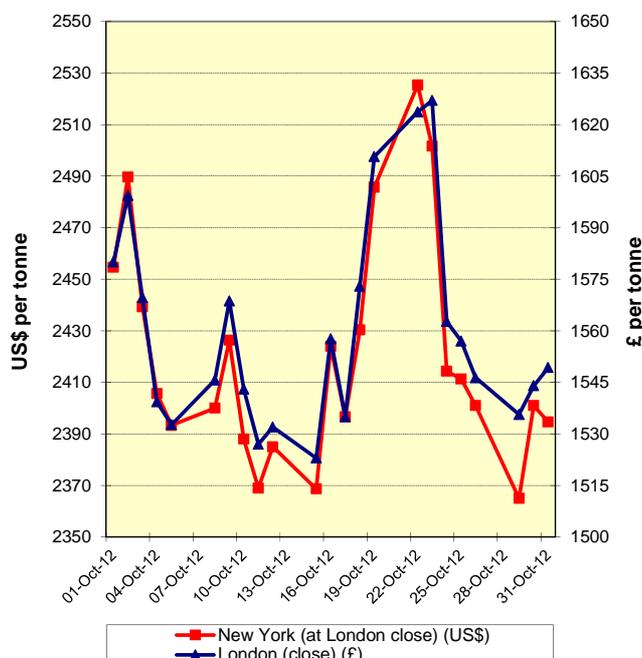


## MONTHLY REVIEW OF THE COCOA MARKET SITUATION

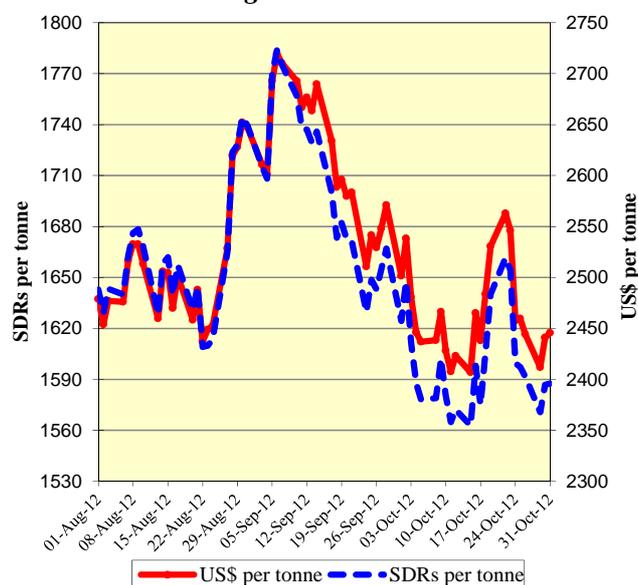
### OCTOBER 2012

The current review of the cocoa market situation reports on price movements on the international markets during the month of October 2012. **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 2012. **Chart III** depicts the change in the ICCO daily price Index, the Dow Jones-UBS Commodity Index and the US Dollar Index whilst **Chart IV** illustrates the end-of-month stocks in licensed warehouses in Europe and 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  
October 2012



**Chart II: ICCO daily prices**  
August – October 2012



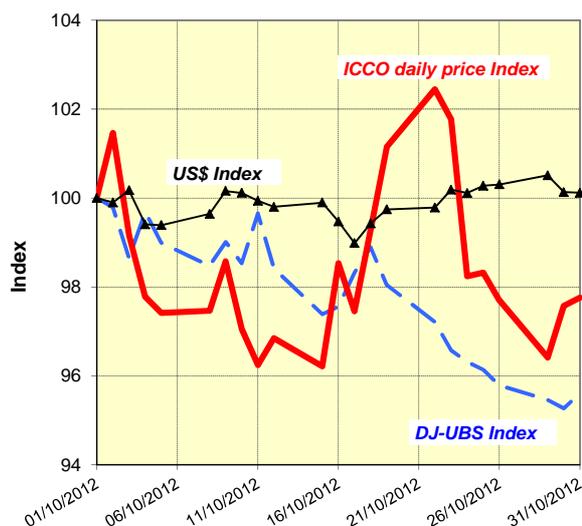
**Note:** The ICCO daily price for cocoa beans is the average of the quotations of the nearest three active futures trading months on NYSE Liffe and ICE Futures U.S. at the time of London close, converted into US\$ and SDRs using the appropriate exchange rates.

#### Price movements

In October, the ICCO daily price averaged US\$2,464 per tonne, down by US\$157 compared to the average price recorded in the previous month (US\$2,620) and ranged between US\$2,407 and US\$2,563 per tonne.

Although cocoa futures prices increased slightly during the first couple of trading sessions of the month under review, the rise in cocoa prices was not sustained and cocoa futures further extended their losses which had started in the previous month. Confidence from market participants that major reforms in the Ivorian cocoa sector were not disrupting exports from the country as well as weak demand from the industry resulted in the contraction of cocoa prices. By the second week of October, cocoa prices rebounded from their lows as the incidence of wet weather conditions and the emergence of black pod disease in the West African region were reported. Thereafter, as shown in **Chart III**, prices of most commodities including cocoa fell after the US dollar strengthened and weighed on most raw materials denominated in the aforementioned currency. In the subsequent trading sessions, as the publication of grindings data from Europe and North America showed a lower than expected decline, cocoa futures increased and attained their highest levels for the month at £1,627 per tonne in London and US\$2,525 per tonne in New York. As illustrated in **Chart I**, the gains could not be sustained and in the last few trading sessions of the month, with no fundamental news directing the cocoa markets in addition to the further strengthening of the US dollar, cocoa prices fell by six per cent in both markets.

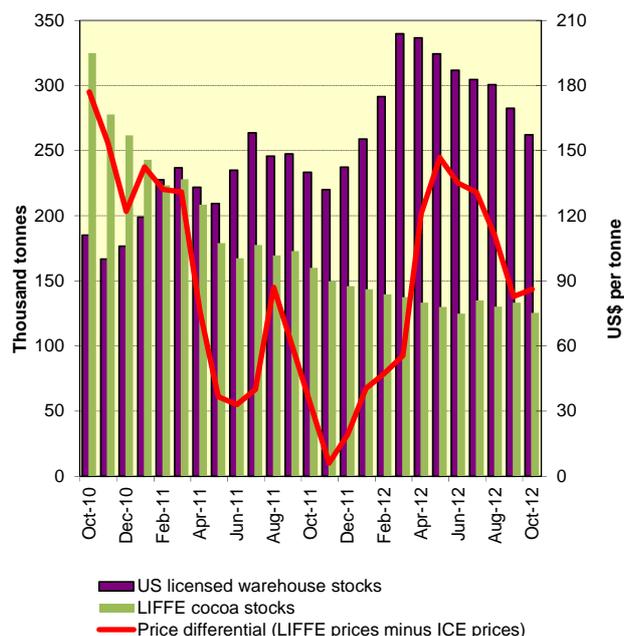
**Chart III: ICCO daily price Index, Dow Jones-UBS commodity index and U.S. Dollar Index**



**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) End-of-month cocoa stocks October 2010 - October 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 282,479 tonnes to 262,187 tonnes and in London, from 133,230 tonnes to 125,350 tonnes. Compared to last year’s data, LIFFE certified stocks during the month were down by 22%, while in New York, ICE certified stocks were up by 12%. As shown in **Chart IV**, the price arbitrage has gradually narrowed since May 2012.

**Supply and demand situation**

On the supply side, total cocoa arrivals at Ivorian ports as at 28 October were about 87,000 tonnes, according to data published by a news agency. This was about 3,609 tonnes lower than the corresponding period of the previous main crop season.

In Ghana, cocoa purchases reported by *Reuters News* were 86,028 tonnes as at 19 October. This represented a 42% fall compared with the same period for the previous year. Prices for the 2012/2013 season increased in both countries. With cocoa farmgate prices at 725 CFA francs (US\$1.43) per kilogramme in Côte d’Ivoire and 3,392 GH cedis (US\$1,795) per tonne in Ghana, there are concerns over possible smuggling from the top producer to the second largest one.

On the demand side, the third quarter European grindings data showed another fall of 16.2% from the same period last year, dropping to 316,676 tonnes. North American grindings also fell by 2.19% year-on-year to 121,890 tonnes. Retail demand in both continents remained weak.

