



COCOA MARKET REVIEW

DECEMBER 2012

The current review of the cocoa market situation reports on price movements on the international markets during the month of December 2012. **Chart I** illustrates price movements on the London (NYSE Liffe Futures and Options) and New York (ICE Futures US) markets in December. **Chart II** shows the evolution of the ICCO daily price, quoted in US dollars and in SDRs, from October to December 2012. **Chart III** depicts the change in the ICCO daily price Index, the Dow Jones-UBS Commodity Index and the US Dollar Index during the month under review while **Table 1** summarizes major price developments in 2012.

Chart I: Cocoa bean prices on the London (NYSE Liffe) and New York (ICE) futures markets December 2012

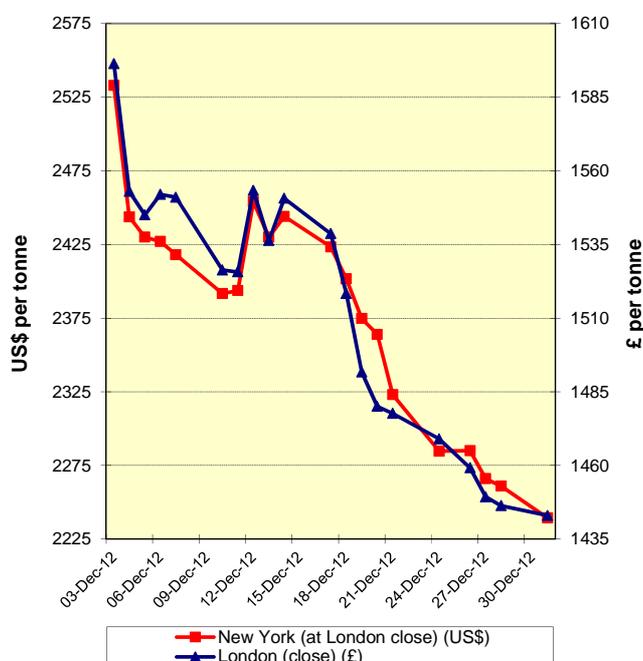
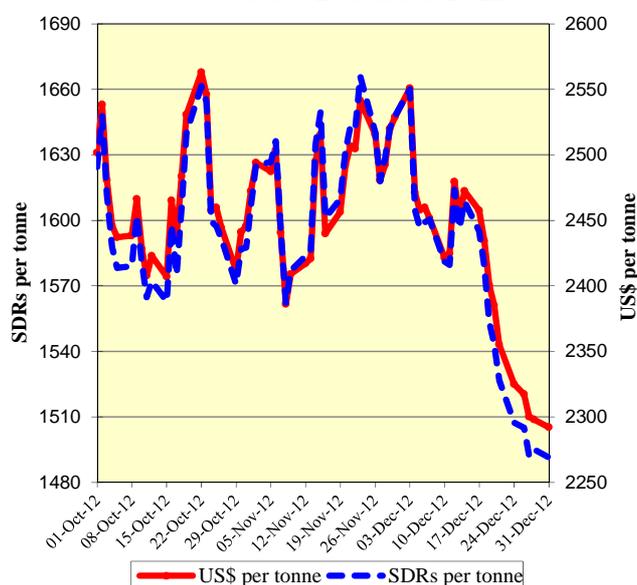


Chart II: ICCO daily prices October – December 2012



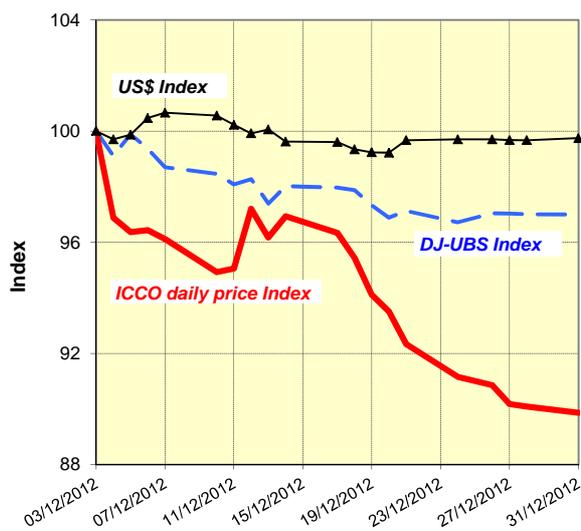
Note: The ICCO daily price for cocoa beans is the average of the quotations of the nearest three active futures trading months on NYSE Liffe and ICE Futures U.S. at the time of London close, converted into US\$ and SDRs using the appropriate exchange rates.

Price evolution

In December, the ICCO daily price averaged US\$2,410 per tonne, down by US\$68 compared to the average price recorded in the previous month (US\$2,478) and ranged between US\$2,292 and US\$2,551 per tonne.

The sharp rise in cocoa futures prices that occurred at the end of November discontinued in December. Compared to the prices initiated at the beginning of the month, by the second week of the month, cocoa prices had receded by four per cent to £1,526 per tonne in London and by six per cent to US\$2,392 per tonne in New York. Reports of Côte d'Ivoire and Ghana commencing the forward sales of their 2013/2014 crops, including the marketing of the current crop and expectations of a fall in demand due to uncertainty within the global macro-economy provided the bearish sentiment and consequent price decrease. Thereafter, as shown in **Chart I**, cocoa futures marginally increased. However, this trend was short-lived and cocoa prices then followed a free-fall. By the end of the month, as origin selling continued to weigh on the markets, cocoa prices plummeted to an eight month low of £1,443 per tonne in London and to a five month low of US\$2,239 per tonne 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-UBS Commodity Index tracks price movements across various commodities, including energy, precious metals, industrial metals, grains, livestock, softs (cocoa being excluded) and agriculture.

in the country are processed. However, despite the locally half of its cocoa bean production by 2015.

Conclusion

As shown in **Chart III**, cocoa prices and the Dow Jones-UBS Commodity Index have followed the same downward pattern since the first week of December. Poor global economic growth including the fiscal cliff standoff in the US negatively affected commodities during the month. While the cocoa market experienced losses of 10%, mainly due to large volumes of cocoa beans being traded during the month, the Dow Jones-UBS Commodity Index declined by only three per cent in December. Nevertheless, comparing the markets on a year-on-year basis for the past three years (since 2010), this is the first time London and New York futures ended the year with an increase, as shown in **Table 1**.

Supply & demand situation

As expected, cocoa production in West Africa, the main producing area, started weakly in the current season. Indeed, rainfall in the region has been significantly below average from May to September 2012, impacting on the growth of the main crop. Total cocoa arrivals to Ivorian ports from the beginning of the current 2012/2013 season reached 624,000 tonnes by the end of the month, 11% lower compared with the same period for the previous season. In Ghana, cumulative cocoa purchases by the *Cocobod* as at 6 December reached 347,043 tonnes, down by 23% compared with the corresponding data for the previous year. A partial recovery is expected in the second half of the main crop, from January to March 2013.

Following the limited decline in processing activities in the previous season, the 2012/2013 year is expected to fare better globally. Data for October to December 2012, the first quarter of the season, will be released soon, with most market analysts expecting another contraction in European figures. The strong growth in processing activity in Côte d’Ivoire, the second largest processor in 2011/2012 is expected to be hindered by the withdrawal of subsidies to domestic processors. Approximately 30% of the beans produced removal of subsidies, the Government is aiming to process

Table 1: Prices for cocoa beans on the futures markets, record levels and growth rates

Cocoa bean prices	Unit	2012 high (date)	Date previous high	Year-on-year change (%) a/
ICCO daily prices	SDRs/tonne	1,784 (6 September)	16 Sept 2011	7%
ICCO daily prices	US\$/tonne	2,719 (6 September)	07 Nov 2011	7%
ICCO daily prices	Euro/tonne	2,153 (6 September)	06 Sept 2011	5%
London futures b/	£/tonne	1,730 (6 September)	27 Oct 2011	3%
New York futures b/	US\$/tonne	2,686 (6 September)	08 Nov 2011	5%
Dow Jones-UBS Commodity Index	Index	152 (14 September)	21 Sept 2011	-1%

Notes:

a/ Percentage change from 30 December 2011 to 31 December 2012

b/ Average of the quotations of the nearest three active futures trading months



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