



COCOA MARKET REVIEW

JANUARY 2013

The current review of the cocoa market situation reports on price movements on the international markets during the month of January 2013. **Chart I** illustrates price movements on the London (NYSE Liffe Futures and Options) and New York (ICE Futures US) markets in January. **Chart II** shows the evolution of the ICCO daily price, quoted in US dollars and in SDRs, from November 2012 to January 2013. **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 **Chart IV** illustrates the end-of-month stocks in licensed warehouses in Europe and in the United States as well as the arbitrage between the LIFFE and ICE futures markets.

Chart I: Cocoa bean prices on the London (NYSE Liffe) and New York (ICE) futures markets
January 2013

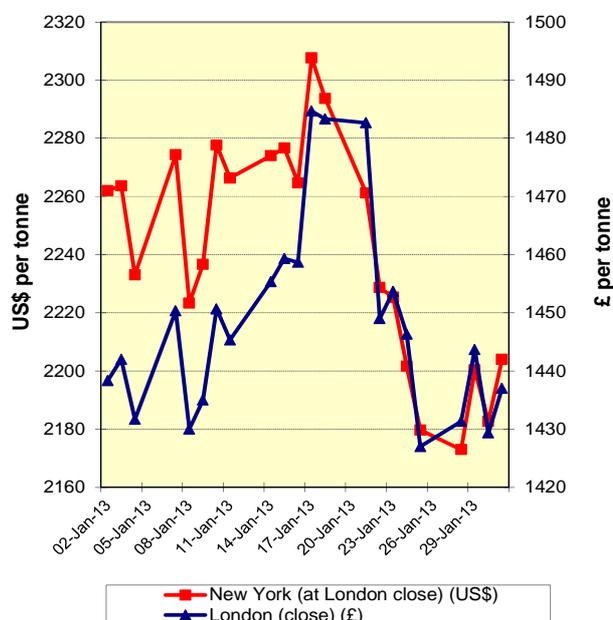
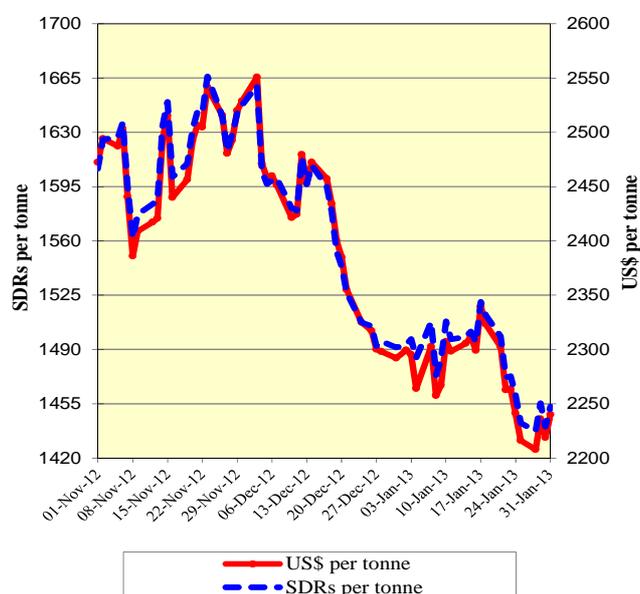


Chart II: ICCO daily prices
November 2012 – January 2013



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.

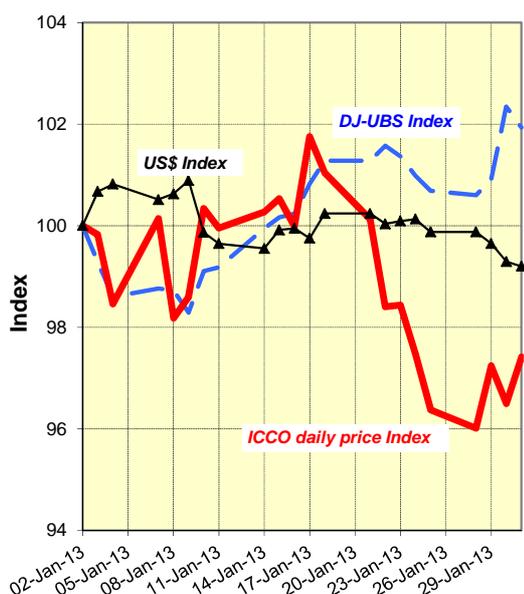
Price movements

In January, the ICCO daily price averaged US\$2,275 per tonne, down by US\$135 compared to the average price recorded in the previous month (US\$2,410) and ranged between US\$2,207 and US\$2,340 per tonne.

After the relentless price declines recorded in both the LIFFE and ICE cocoa futures markets in December 2012, cocoa futures prices moved sideways at the beginning of the month under review. During this period, trading on the futures markets was characterized mainly by relatively strong origin selling amid limited stocks of valid graded cocoa in Liffe warehouses. Thereafter and through to the third week of January, cocoa futures witnessed a price recovery, partly due to concerns over the possible impact of the *Harmattan* winds in the West African region on the upcoming mid crops. However, this seasonal weather pattern has proved weak this year, with minimal impact expected on cocoa growing. In addition, as seen in **Chart III**, a weak US dollar also attracted industry buying and most commodities, including cocoa, recouped some of their losses.

The rise in prices was short-lived, as the release of weak grindings data from Europe and North America raised concerns over the stagnant global economy and its impact on cocoa demand in developed countries. Thus, cocoa futures prices reversed to a downward trend towards the end of January, falling to an eight and a half month low at £1,427 per tonne in London and to a seven month low at US\$2,173 per tonne in New York.

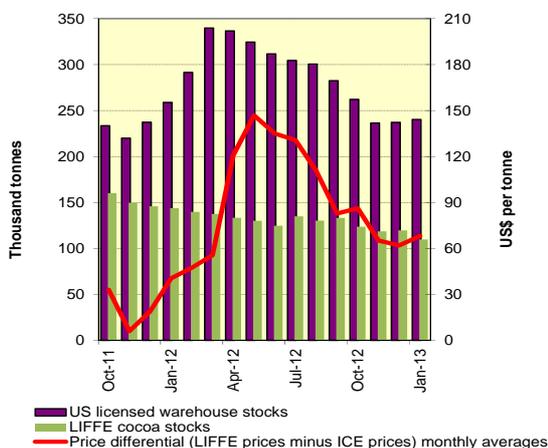
Chart III: ICCO daily price Index, Dow Jones-UBS commodity index and U.S. Dollar Index



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 Commodity-UBS 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 2011 - January 2013



Supply and demand situation

The Ivorian *Ministry of Economy and Finance* reported that cumulative port arrivals had reached 400,047 tonnes in Côte d’Ivoire at the end of November, down by 34,776 tonnes (minus eight per cent). Provisional data from news agencies estimated that arrivals had reached 817,000 tonnes as at the end of January. Compared to the same period in the previous season, this reflects a fall of almost seven per cent in production. However, these data have been challenged by some analysts, who believe that the real volume that reached the ports has been underestimated. In Ghana, seasonal cocoa purchases were also lower than those recorded for the previous year, as the *Ghana Cocoa Board* indicated that 539,247 tonnes had been declared as at 17 January.

On the demand side, the *European Cocoa Association* reports that cocoa grindings for Europe's fourth quarter of 2012 has fallen by 6.2% compared with the same period for the previous year, to 327,982 tonnes. Reports indicate that continued poor processing margins have contributed to the fall in grindings. Conversely, grindings data provided by the *US National Confectioners’ Association* for the fourth quarter of 2012 rose by 0.95% compared with the same quarter for the previous year. This slight increase represents the first positive North American grindings data since the last quarter of 2011.

Certified warehouse stocks of cocoa beans

Whereas LIFFE certified stocks fell by eight per cent compared to the previous month, the level of stocks held in licensed warehouses in the United States increased slightly by one per cent. As shown in **Chart IV**, the arbitrage spread between the LIFFE and ICE cocoa futures markets continued to be generally narrow, with more stocks in the United States. According to the ICCO survey of world cocoa bean stocks, 1.838 million tonnes of stocks were located as at 30 September 2012, with 1.262 million tonnes held in cocoa importing countries, 498,000 tonnes held in origin countries and 77,000 tonnes held in transit.

Conclusion

With the major producing countries falling behind in production and the need to revive grindings owing to depleted stocks of cocoa butter and powder in the confectionery sector, most analysts are expecting a supply deficit to occur in the current 2012/2013 cocoa season. The key question relates to the size of this deficit. At the end of February, the ICCO Secretariat will release its revised estimates for the 2011/2012 season and first crop forecasts for the current 2012/2013 cocoa year in the *Quarterly Bulletin of Cocoa Statistics*. To obtain a copy of the Bulletin, please follow the following link:

<http://www.icco.org/statistics/quarterly-bulletin-cocoa-statistics.html>

