



COCOA MARKET REVIEW

MARCH 2013

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

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

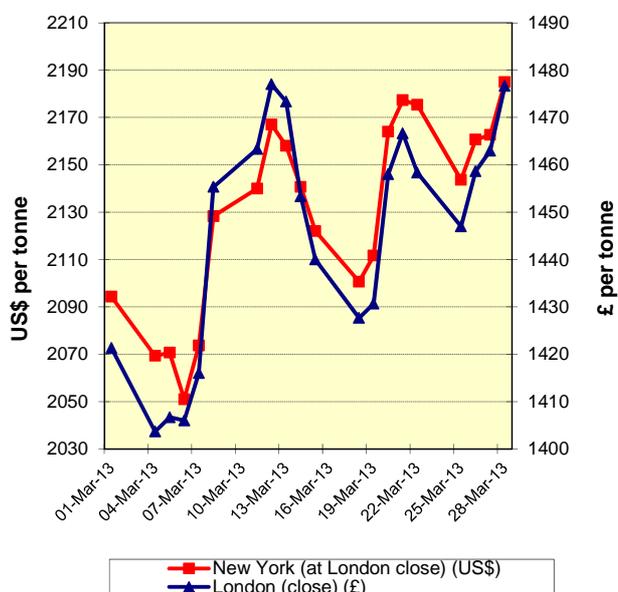
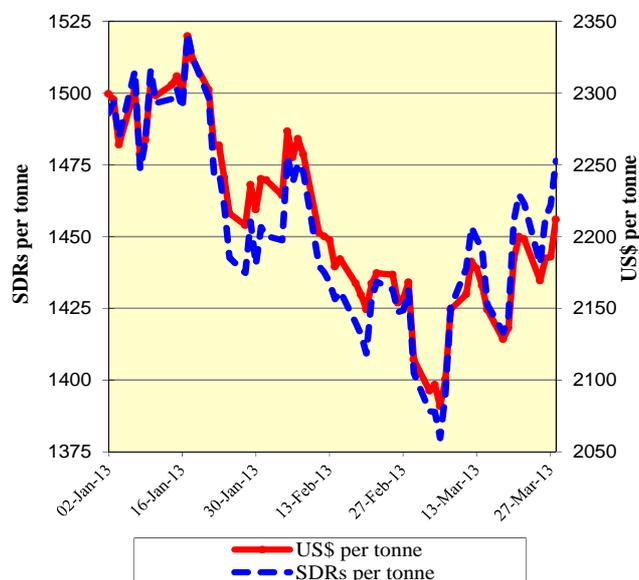


Chart II:
ICCO daily prices
January – March 2013



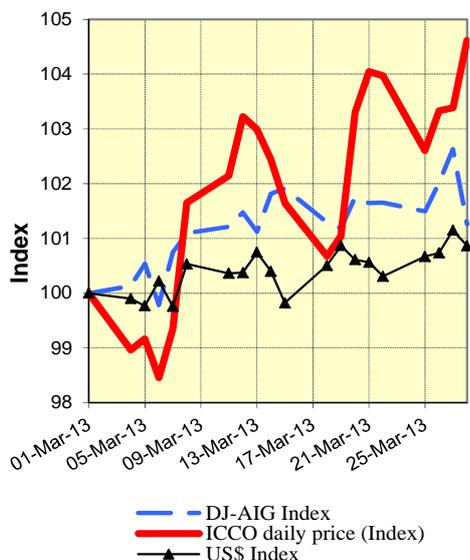
Note: The ICCO daily price for cocoa beans is the average of the quotations of the nearest three active futures trading months on NYSE Liffe and ICE Futures U.S. at the time of London close, converted into US\$ and SDRs using the appropriate exchange rates.

Price movements

In March, the ICCO daily price averaged US\$2,153 per tonne, down by US\$45 compared to the average price recorded in the previous month (US\$2,198) and ranged between US\$2,081 and US\$2,212 per tonne.

At the start of the month under review, cocoa prices drifted downwards to an 11-month low in London at £1,404 per tonne and to a 13-month low in New York at US\$2,051 per tonne. Cocoa prices were weighed down by reports of favourable weather conditions bolstering the cocoa supply outlook, especially the development of the mid-crop from West Africa. However, by the second week of the month, cocoa futures rebounded from their losses amid reports of a lower than expected cocoa supply from West Africa. Compared to the lows attained at the beginning of the month, cocoa prices increased by more than five per cent to £1,477 per tonne in London and to US\$2,167 per tonne in New York. By the third week of March, as shown in **Chart III**, the strengthening of the United States dollar weakened the broader commodity complex and cocoa prices followed accordingly. Thereafter, supported by speculative short covering and buying interest from traders, cocoa prices recouped their losses and moved upwards.

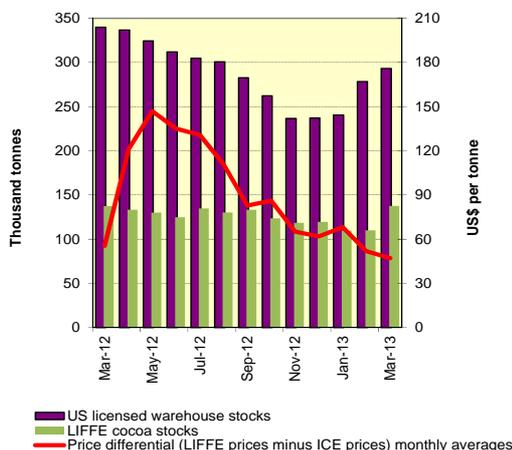
Chart III: ICCO daily price Index, Dow Jones-UBS commodity index and U.S. Dollar Index March 2013



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) March 2012 - March 2013



Certified warehouse stocks of cocoa beans

As shown in **Chart IV**, cocoa stocks in licensed warehouses in the United States and certified stocks held by LIFFE nominated warehouse-keepers both increased with the arbitrage spread (difference in prices) between the LIFFE and ICE cocoa futures markets, shrinking to an average of US\$47 in March.

Supply and demand situation

Data from news agencies indicated that cocoa arrivals at ports in Côte d'Ivoire reached 1,026,000 tonnes by 31 March compared to 1,047,364 tonnes for the corresponding period of the previous season. The Government of Côte d'Ivoire set the cocoa farm gate price at 700 CFA francs (\$1.37) per kg for the April-to-September mid-crop harvest, down from 725 CFA francs for the main harvest period.

In Ghana, cocoa purchases reported by the *Ghana Cocoa Board* since the start of the current season to 21 March were 601,303 tonnes. With the weather cited as the key factor for the shortfall, this represented a decline of approximately 16% compared with the same period for the previous season.

In Indonesia, the Government maintained the five per cent cocoa bean export tax. According to the *Indonesian Cocoa Association*, the country is set to become a net importer of cocoa beans in the years to come, as the cocoa grinding capacity in the country expands. With bean exports from Indonesia declining, analysts are of the view that the global supply pattern of cocoa beans will witness a change, with more pressure on West Africa.

After falling in the previous month, the price of cocoa semi-finished products remained relatively stable in March. Market participants are currently awaiting the release in mid-April of grindings data for the first quarter of 2013 for Europe and North America by the *European Cocoa Association* and by the *National Confectioners' Association* respectively.

