



COCOA MARKET REVIEW

MAY 2013

The current review of the cocoa market situation reports on price movements on the international markets during the month of May 2013. **Chart I** illustrates price movements on the London (NYSE Liffe Futures and Options) and New York (ICE Futures US) markets in May. **Chart II** shows the evolution of the ICCO daily price, quoted in US dollars and in SDRs, from March to May 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** presents the prices of European cocoa products since the beginning of the current cocoa year.

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

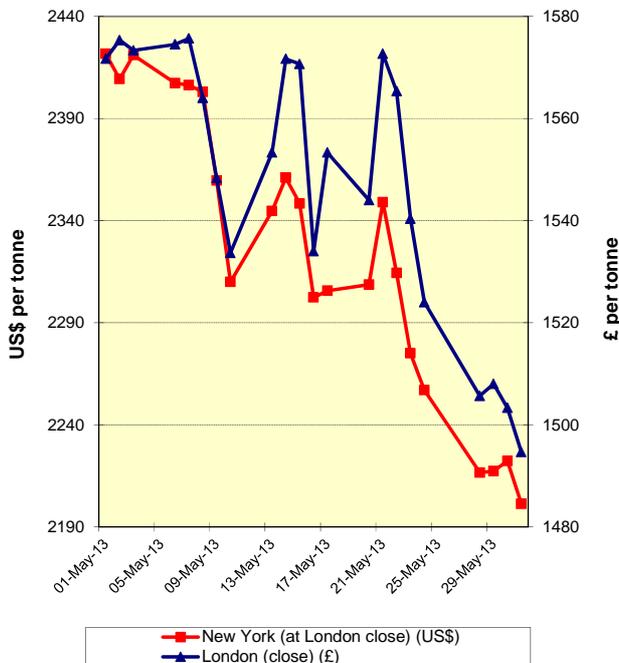
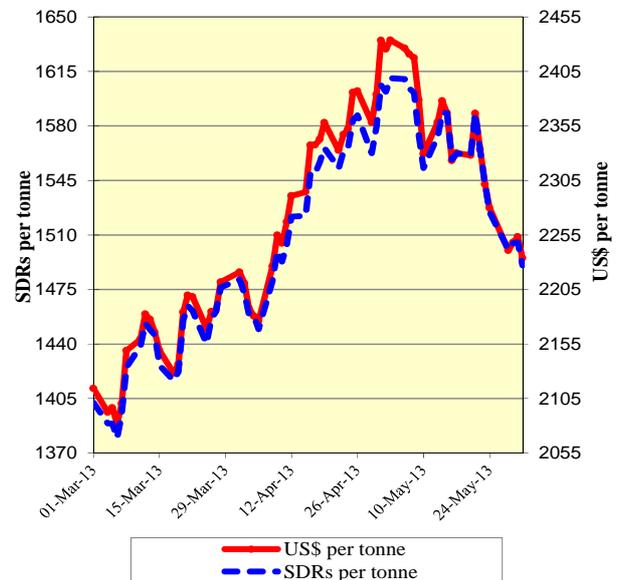


Chart II: ICCO daily prices
March – May 2013



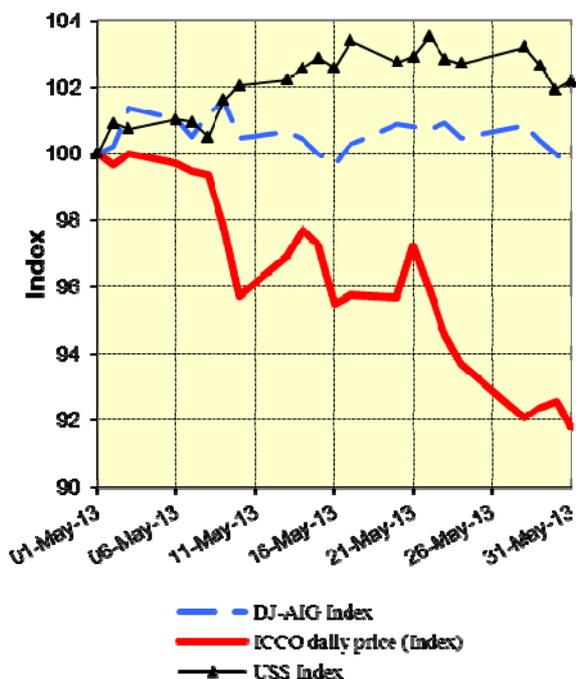
Note: The ICCO daily price for cocoa beans is the average of the quotations of the nearest three active futures trading months on NYSE Liffe and ICE Futures U.S. at the time of London close, converted into US\$ and SDRs using the appropriate exchange rates.

Price movements

In May, the ICCO daily price averaged US\$2,346 per tonne, up by US\$51 compared to the average price recorded in April (US\$2,294) and ranged between US\$2,233 and US\$2,434.

At the beginning of May, with non-commercial market participants raising their position at a strong pace in both terminal markets, cocoa futures extended the gains achieved at the end of the previous month and reached a five-month high in both London and New York, at £1,576 and at US\$2,421 per tonne respectively. However, the markets retreated in the second week of the month under review, as the US dollar strengthened amid reports of adequate supply of cocoa beans from Côte d'Ivoire. Thereafter, as seen in **Chart I**, and through to the third week of May, cocoa futures moved sideways. While downward movements in cocoa futures in both markets were mostly associated with commercial selling and the weakness of the broader commodity complex, increases in cocoa prices mostly resulted from temporary currency movements. Thereafter, cocoa futures followed a downward price pattern. Compared to the aforementioned high prices at the start of the month, cocoa futures fell by five per cent to £1,495 in London and by nine per cent to US\$2,201 per tonne in New York.

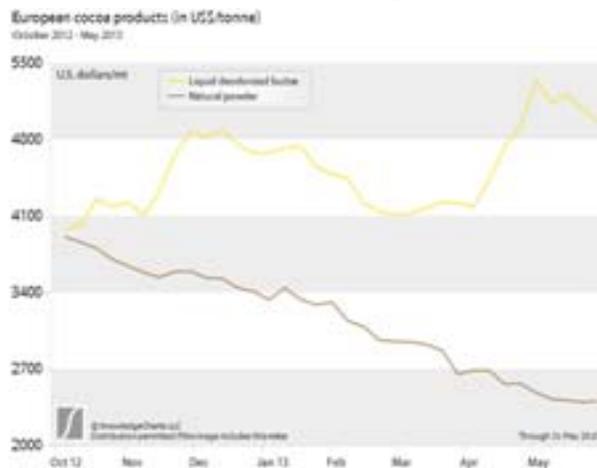
Chart III: ICCO daily price Index, Dow Jones-UBS commodity index and U.S. Dollar Index May 2013



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: European cocoa products in US\$/tonne October 2012 – May 2013



Supply & demand situation

The *Ministry of Economy and Finance* of Côte d'Ivoire reported that the 2012/2013 main crop had exceeded that of the previous season, at 1,079,309 tonnes compared to 1,047,364 tonnes. The higher figure than previously estimated in exporters' surveys had led to an upward revision of the port arrivals by news agencies, to 1,242,000 tonnes as at 2 June, compared with 1,172,000 tonnes for the same period of the previous year.

In Ghana, the volume of cocoa purchases since the start of the season reached 719,492 tonnes as at 23 May. According to the *Ghana Cocoa Board*, this reflected a decrease of 7.25%, compared to the same period of the previous season.

On the demand side, cocoa butter ratios were quoted at 2.03 times that of cocoa futures, as buying interest picked up. As illustrated in **Chart IV**, the increase in cocoa butter prices resulted from improving demand for cocoa butter, while manufacturers reacted by lowering the price of cocoa powder due to adequate supply.

Final comments

Global production is expected to be lower in 2012/2013 than in the previous season, mainly as a result of lower output in Ghana and in Brazil, arising from losses caused by the spread of *Witches' Broom* disease in the production of Bahia's *Temporao* crop.

With a limited growth in demand of about one per cent, the 2012/2013 season is expected to experience a supply deficit of 60,000 tonnes this season. If realized, it will be the first deficit experienced since the record surplus of the 2010/2011 cocoa year.

The main factors expected to influence cocoa prices over the coming weeks are the initial reports on the development of the forthcoming main crops in West Africa.