

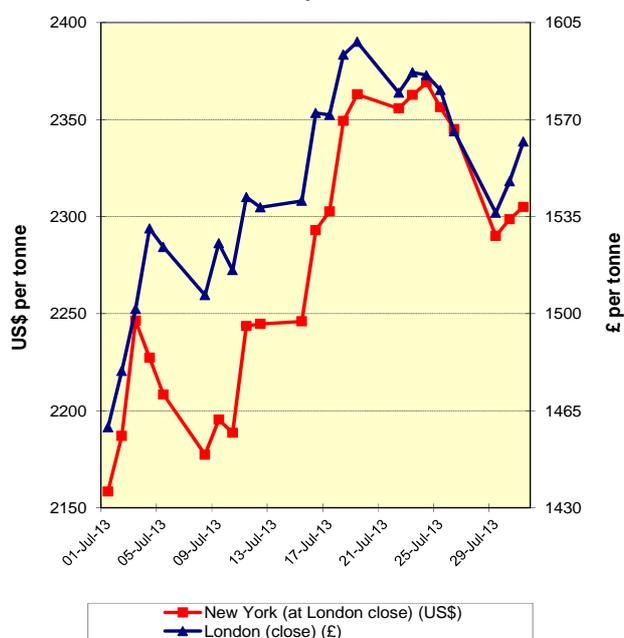


## COCOA MARKET REVIEW

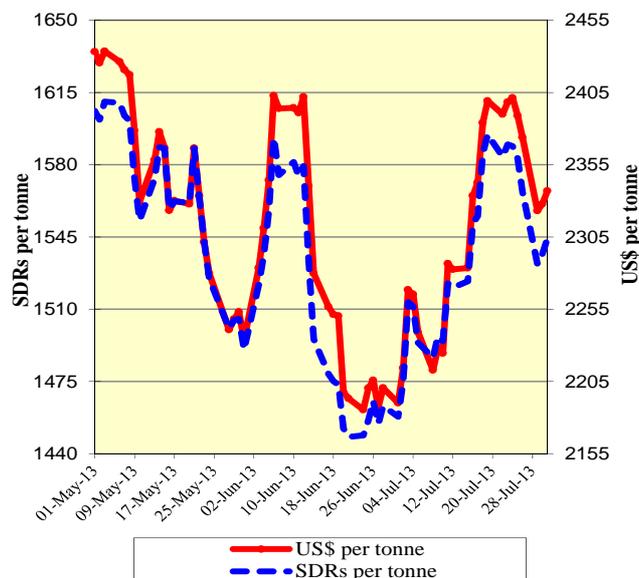
JULY 2013

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

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



**Chart II: ICCO daily prices**  
May – July 2013



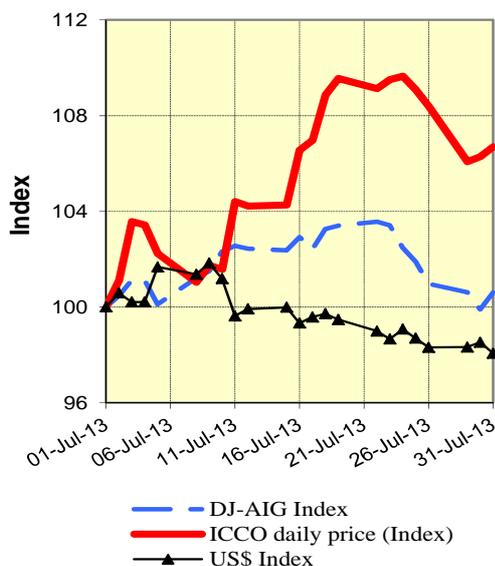
**Note:** The ICCO daily price for cocoa beans is the average of the quotations of the nearest three active futures trading months on NYSE Liffe and ICE Futures U.S. at the time of London close, converted into US\$ and SDRs using the appropriate exchange rates.

### Price movements

In July, the ICCO daily price averaged US\$2,309 per tonne, up by US\$25 compared to the average price recorded in June (US\$2,284) and ranged between US\$2,190 and US\$2,402.

Cocoa futures intensified the short covering rally which started at the end of June and generally followed an upward trend during the first three weeks of July. However, as shown in **Chart I**, under the influence of a strong US dollar and amid reports of ample supplies from Côte d'Ivoire, cocoa prices fell for a few trading sessions during the second week of the month. Nevertheless, this fall in cocoa prices was short lived and cocoa futures resumed their upward trend. Cooler weather conditions which raised the possibility of diseases affecting the tail end of Côte d'Ivoire's mid-crop, combined with a weakening US dollar, were among the factors that supported cocoa prices. Furthermore, the release of improved grindings data from Europe and North America also propelled the markets into positive territory. Compared to the prices recorded at the start of the month, cocoa futures rose by almost ten per cent in both markets to £1,598 in London and to US\$2,369 per tonne in New York in the second half of the month. Towards the end of the month, the gains in cocoa prices were interrupted, as origin hedging activities from major producers weighed on the markets.

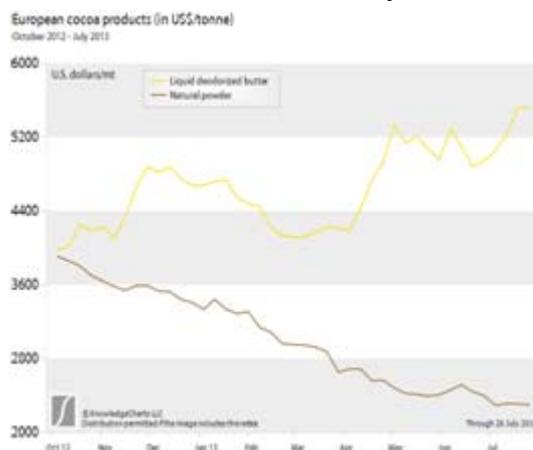
**Chart III: ICCO Daily Price Index, Dow Jones-UBS Commodity Index and U.S. Dollar Index July 2013**



**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 –July 2013**



As depicted in **Chart III**, the cocoa market mirrored the general development in the commodity market, under the influence of the weakening U.S. dollar against other major currencies. However, the cocoa market performed better than other commodities during the month under review.

**Supply & demand situation**

According to news agencies, port arrivals in Côte d’Ivoire were estimated at 1,392,000 tonnes by 3 August compared to 1,315,000 tonnes in the same period of the previous season. However, it should be noted that official figures for the period up to 30 June should be released shortly and will lead to a correction of these estimates. Although harvesting of the mid-crop is on course, there are concerns that, if the current cool weather conditions and lack of rainfall continue, this could hinder the size of the tail end of the mid-crop, already expected to be poor, and the flowering of next season’s crop. Cumulative cocoa purchases for the season in Ghana reached 796,911 tonnes as at 25 July. Although the main crop was lower than that of the previous season, according to the *Ghana Cocoa Board*, the light crop reached 41,465 tonnes, an increase of 54% over the 26,909 tonnes recorded in the same period of the previous season.

On the demand side, second quarter grindings reported by the *European Cocoa Association* for Europe showed a year-on-year increase for the first time since the fourth quarter of 2011, rising by 6.1% to 310,408 tonnes compared with the same period of the previous year. Data from the *National Confectioners’ Association* for North American cocoa grindings increased by 12% in the second quarter, to 126,044 tonnes compared with 112,768 tonnes recorded for the same period of the previous year.

As illustrated in **Chart IV**, cocoa butter ratios continued their upward trend and were quoted at 2.30 times that of cocoa bean prices on the futures market, as re-stocking by chocolate manufacturers increased demand for the product. The increase in cocoa butter prices was accompanied by a decline in the price of cocoa powder.

