



MONTHLY REVIEW OF THE COCOA MARKET SITUATION

OCTOBER 2013

The current review of the cocoa market situation reports on price movements on the international markets during the month of October 2013. **Chart I** illustrates price movements on the London (NYSE Liffe Futures and Options) and New York (ICE Futures US) markets in October. **Chart II** shows the evolution of the ICCO daily price, quoted in US dollars and in SDRs, from August to October 2013. **Chart III** depicts the trend in the ICCO daily price Index, the Dow Jones-UBS Commodity Index and the US Dollar Index while **Chart IV** illustrates the end-of-month stocks in licensed warehouses in Europe and in the United States and the arbitrage between the LIFFE and ICE futures markets.

Chart I:
Cocoa bean prices on the London (LIFFE)
and New York (ICE) futures markets
October 2013

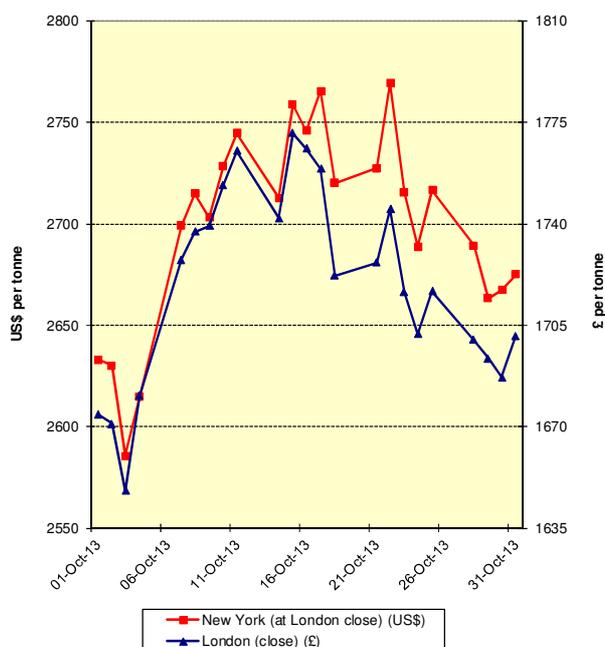
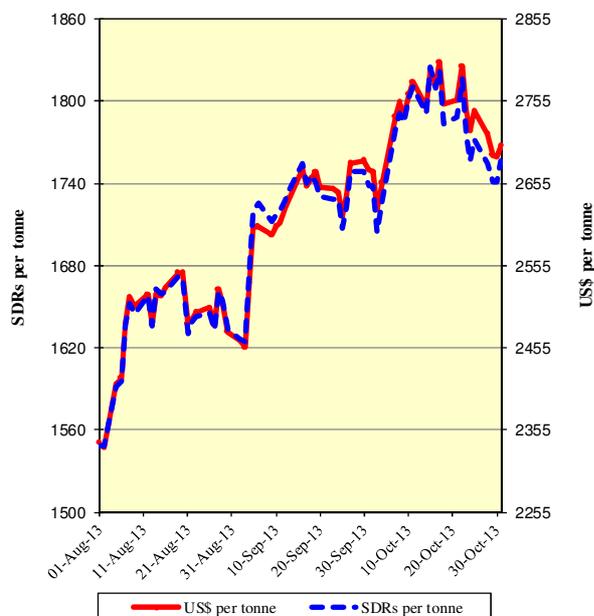


Chart II: ICCO daily prices
August – October 2013



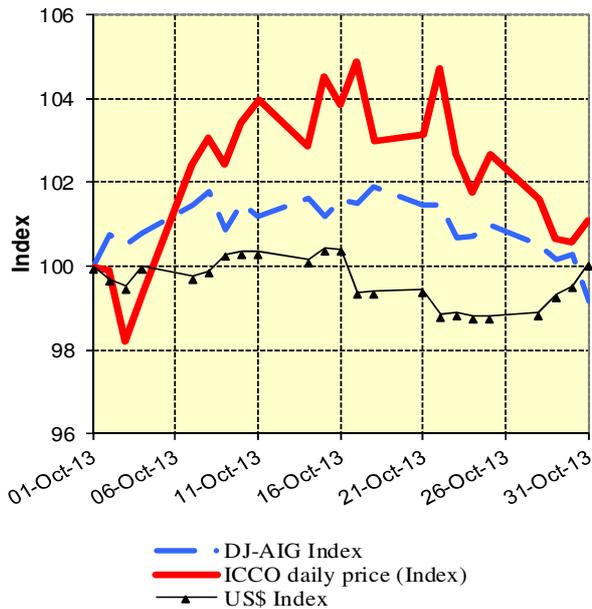
Note: The ICCO daily price for cocoa beans is the average of the quotations of the nearest three active futures trading months on NYSE Liffe and ICE Futures U.S. at the time of London close, converted into US\$ and SDRs using the appropriate exchange rates.

Price movements

In October, the ICCO daily price averaged US\$2,731 per tonne, up by US\$115 compared with the average price recorded in the previous month (US\$2,616) and ranged between US\$2,623 and US\$2,802 per tonne.

At the start of the 2013/2014 cocoa year, technical trading as well as bearish fundamental news that the rains in Côte d'Ivoire could ease the dry weather conditions that had been threatening the 2013/2014 cocoa year led cocoa futures to fall to their lowest level for the month under review at £1,648 per tonne in London and at US\$2,586 per tonne in New York. Thereafter, as seen in **Chart I**, cocoa futures rallied amid reports confirming that global demand would surpass global supply. By the middle of the month, following the release of a 4.7% year-on-year increase in European grindings to 331,514 tonnes for the third quarter of 2013 and an 8.3% increase in North American grindings to 131,974 tonnes, cocoa futures in both markets hit a two-year high. Towards the end of the month under review, cocoa futures drifted downwards, as arrivals and origin hedging activities from the largest producers of cocoa caused bearish sentiments within the cocoa markets. Moreover, after the aforementioned rally, the market was due for a correction and profit-taking activities were undertaken.

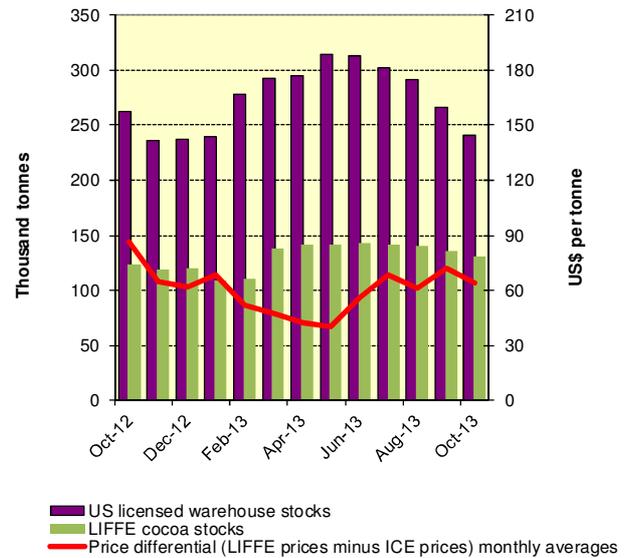
Chart III: ICCO daily price Index, Dow Jones-UBS commodity index and the U.S. Dollar Index October 2013



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-UBS Commodity 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) and end-of-month cocoa stocks October 2012 - October 2013



As shown in **Chart III**, the weakness of the United States dollar, resulting partly from the political disputes over the United States debt crisis contributed to the rise in the price of commodities in US Dollar terms, with cocoa futures advancing more than its counterparts.

Certified warehouse stocks of cocoa beans

Chart IV depicts the level of stocks held in licensed warehouses in both London and in the United States. Compared to the previous month, volumes fell from 266,644 tonnes to 240,605 tonnes in New York and from 136,060 tonnes to 130,490 tonnes in London. Moreover, the arbitrage spread (difference in price) between the LIFFE and ICE cocoa futures markets shrank in October. The low cocoa stock level has been supporting concerns over supply tightness and its impact on cocoa prices.

Supply and demand situation

Improved demand trends in the major consuming countries have heightened concerns about the supply of cocoa beans. Fortunately, reports by a news agency related to cocoa bean arrivals in Côte d’Ivoire showed an improvement compared with the previous year, at around 210,000 tonnes by 3 November, up from 142,000 tonnes for the same period of the previous season. However, this increase was partly attributed to a carry-over from the previous season’s mid-crop. Similarly, in Ghana, cocoa purchases recorded by the *Ghana Cocoa Board* totalled 107,917 tonnes as at 24 October. The boost in purchases resulted from a build-up in stocks prior to the start of the current season.

