



COCOA MARKET REVIEW

JANUARY 2014

The current review focuses on cocoa price movements on the international markets during January 2014. **Chart I** illustrates price movements on the London (NYSE Liffe Futures and Options) and New York (ICE Futures US) markets for the month under review. **Chart II** shows the evolution of the ICCO daily price, quoted in US dollars and in SDRs, from November 2013 to January 2014. **Chart III** depicts the change in the ICCO daily price Index, the Dow Jones-UBS Commodity Index and the US Dollar Index in January while **Chart IV** presents the prices of European cocoa products from the beginning of the 2012/2013 cocoa year to the present.

Chart I:
Cocoa bean prices on the London (LIFFE)
and New York (ICE) futures markets
January 2014

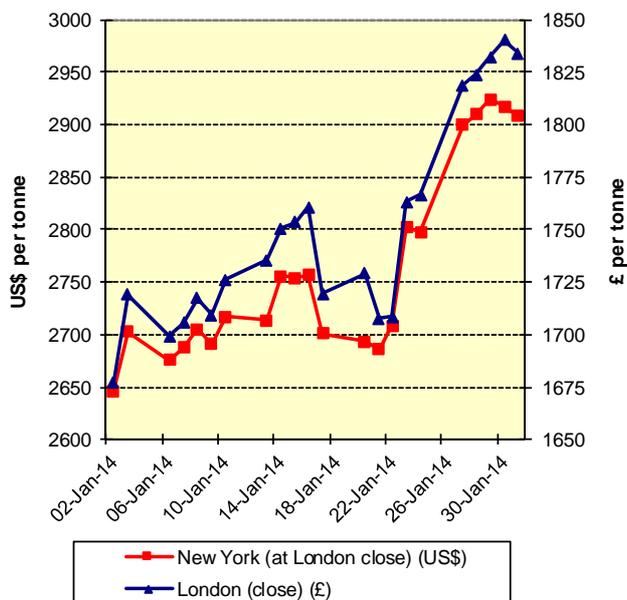
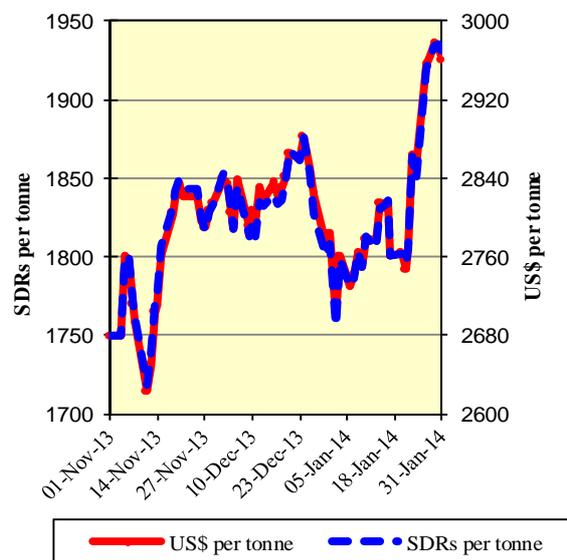


Chart II: ICCO daily prices
November 2013 – January 2014



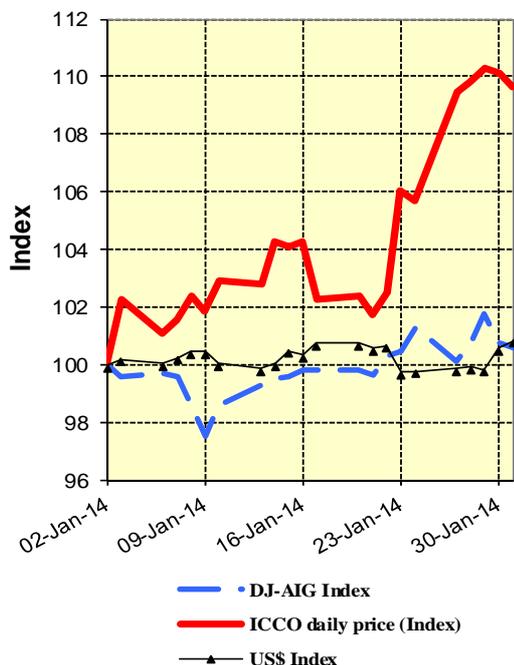
Note: The ICCO daily price for cocoa beans is the average of the quotations of the nearest three active futures trading months on NYSE Liffe and ICE Futures U.S. at the time of London close, converted into US\$ and SDRs using the appropriate exchange rates.

Price movements

In January, the ICCO daily price averaged US\$2,819 per tonne, down by US\$6 compared to the average price recorded in the previous month (US\$2,825), and ranged between US\$2,699 and US\$2,978 per tonne.

Cocoa prices started the month at a seven-week low of £1,677 per tonne in London and US\$2,647 per tonne in New York and continued to move sideways until the middle of January. During this period, reports of strong arrivals and purchases data from major producing countries undermined predictions of a significant supply deficit for the current season. Nevertheless most analysts were of the view that the strong pace of arrivals would tail off and thus maintained their position of demand surpassing production. As seen in **Chart I**, by mid January, cocoa futures prices were supported by the release of better than expected grindings data from the *European Cocoa Association* which showed a 6.2% increase compared with the same period for the previous year, to 348,406 tonnes. However, this increase in cocoa futures prices was short-lived and cocoa prices fell, as the publication of North American grindings data showed an increase of 4.4% year-on-year. This fell short of an anticipated five to seven per cent rise. During the last week of the month, as the headlines continued

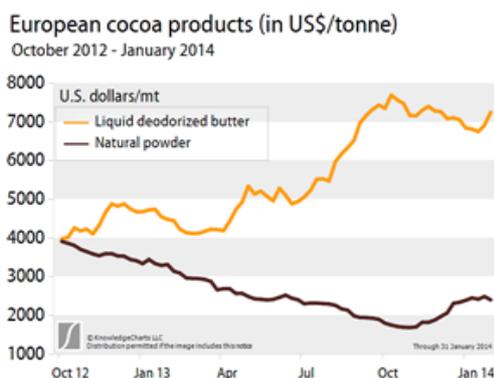
Chart III: ICCO daily price Index, Dow Jones-UBS commodity Index and U.S. Dollar Index January 2014



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. Both indexes are rebased.

Chart IV: European cocoa products in US\$/tonnes October 2012 – January 2014



to report on supply concerns, in particular of a possible larger than estimated global supply deficit for the previous 2012/2013 season, cocoa prices rallied by 10% in both markets and settled near a twenty-eight month high of £1,840 and US\$2,924 per tonne in London and New York respectively.

As shown in **Chart III**, the cocoa market continued to perform better than most other commodity markets during the month under review, amid concerns of a global supply shortage.

Supply & demand situation

On the supply side, data from news agencies indicated that cocoa arrivals from Côte d’Ivoire reached 1,047,000 tonnes by 2 February 2014 as compared to 879,000 tonnes in the same period for the previous year. In Ghana, cocoa purchases declared to the *Ghana Cocoa Board* were 624,121 tonnes as at 16 January 2014, indicating a 16% increase over the previous year, with the regulator projecting 850,000 tonnes for the current 2013/2014 season.

Chart IV shows that prices of cocoa products moved upwards in January. This movement was supported by the aforementioned positive grindings data, depicting signs of improving demand and news agency reports have also indicated buying interest ahead of Valentine’s Day and Easter.

Conclusion

The cocoa futures markets showed no signs of weakness during the month under review in spite of abundant cocoa arrivals from West Africa. At the end of February, the ICCO Secretariat will release its first crop forecasts for the current year in the *Quarterly Bulletin of Cocoa Statistics*.

