



MONTHLY REVIEW OF THE COCOA MARKET SITUATION

JULY 2012

The current review of the cocoa market situation reports on price movements on the international markets during the month of July 2012. **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 2012. **Chart III** depicts the change in the ICCO daily price Index, the Dow Jones-UBS Commodity Index and the US Dollar Index. **Table I** summarizes cocoa bean grindings from Europe and North America.

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

July 2012

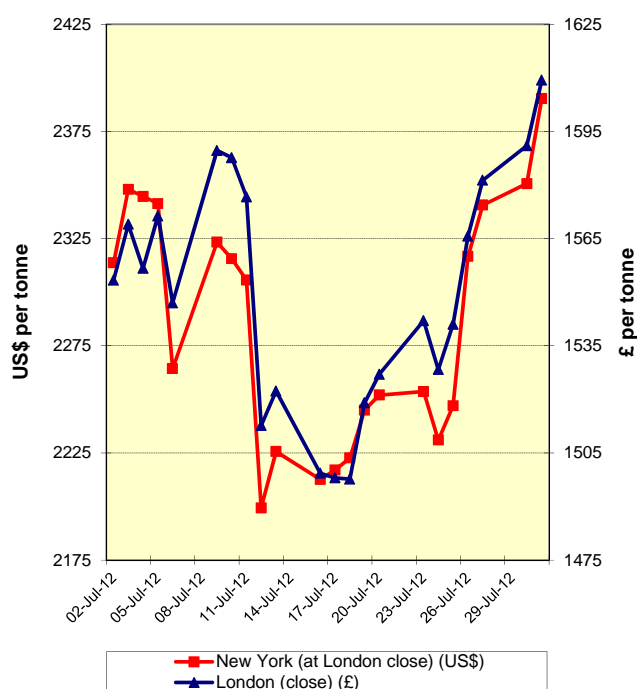
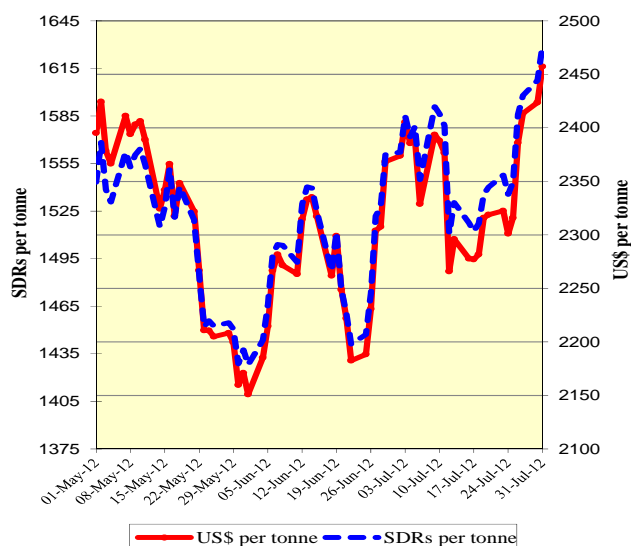


Chart II: ICCO daily prices

May – July 2012



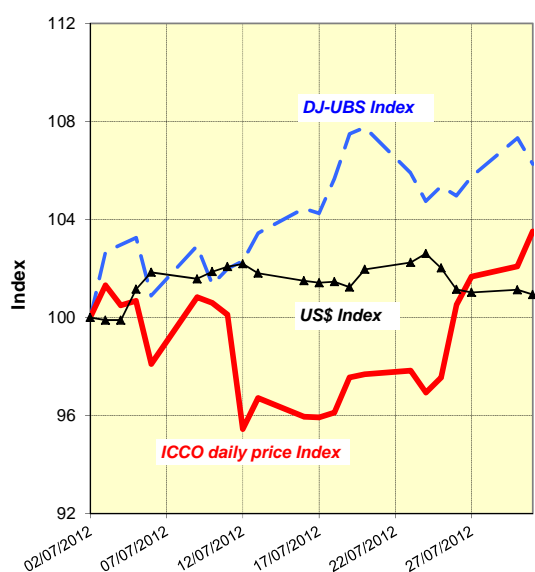
Note: The ICCO daily price for cocoa beans is the average of the quotations of the nearest three active futures trading months on NYSE Liffe and ICE Futures U.S. at the time of London close, converted into US\$ and SDRs using the appropriate exchange rates.

Price movements

In July, the ICCO daily price averaged US\$2,350 per tonne, up by US\$86 compared to the average price recorded in the previous month (US\$2,264) and ranged between US\$2,266 and US\$2,458.

In the first trading sessions of the month, cocoa futures prices moved to a six month high at £1,590 in London and a two month high at US\$2,348 per tonne in New York. As mentioned in the previous month's review, fundamental news of relatively poor weather conditions, with below-average rainfall in Côte d'Ivoire and Ghana, continued to dent the prospects for the West African mid-crop. On 12 July, the release of much weaker than expected second quarter grindings data from Europe placed downward pressure on prices. Compared to the aforementioned highs obtained in the earlier part of the month, cocoa prices fell by 4.8% to £1,513 per tonne in London and by 5.8% to US\$2,199 per tonne in New York. In addition, the release of a 9.8% decline in North American grindings data added to the bearish sentiment. However, with the weakening of the US dollar and with European leaders pledging to support and preserve the Euro, the equity markets rallied during the middle of the month and prices

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



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

across the broader commodity complex increased as depicted in **Chart III**. Thereafter, cocoa futures prices continuously moved higher on spill over gains from the broader commodity complex. Compared to the lows attained during the month, prices at the end of the period under review closed up by £112, at £1,609 per tonne in London and up by US\$191, at US\$2,390 per tonne in New York.

As illustrated in **Chart III**, apart from the middle of July when grindings data resulted in cocoa futures plummeting, the price development for cocoa followed a similar pattern as for other commodities.

Supply and demand

On the supply side, according to news agency data, cocoa arrivals at ports in Côte d’Ivoire reached 1,297,000 tonnes by the end of July as compared with 1,368,429 tonnes in the same period for the previous season. In Ghana, reports from *Cocobod* indicated that unfavourable weather conditions had not paved the way for a good mid-crop. Cumulative cocoa purchases reported by Reuters at the end of July were about 798,736 tonnes, down by 12.8% on the 916,810 tonnes produced in the same period of the previous season.

Table 1

Period/Region	Cocoa grindings (tonnes)						Year-on-year % change	
	2011 Jan-Mar	2011 Apr-June	2011 July-Aug	2011 Oct-Dec	2012 Jan-Mar	2012 Apr-June	2012 Jan-Mar	2012 Apr-June
Europe a/	354,603	355,763	378,068	349,756	353,311	292,551	-0.4%	-17.8%
North America b/	124,028	124,970	124,621	118,926	119,022	112,768	-4.0%	-9.8%

Sources:

a/ European Cocoa Association

b/ National Confectioners’ Association

On the demand side, as shown in **Table 1**, European cocoa grindings for the second quarter fell by almost 18%, the sharpest quarterly fall for more than a decade. The fall in North American grindings of 9.8% was reported as the heaviest decline witnessed in more than three years. Analysts are of the view that the macroeconomic crisis in both continents has heavily affected cocoa consumption. At the end of August, the ICCO Secretariat will release its revised supply and demand forecasts for the current year in its *Quarterly Bulletin of Cocoa Statistics*.

