



COCOA MARKET REVIEW

MARCH 2014

The current review focuses on cocoa price movements on the international markets during March 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 January to March 2014. **Chart III** depicts the change in the ICCO daily price Index, the Dow Jones-UBS Commodity Index and the US Dollar Index in March while **Chart IV** presents the prices of European cocoa products from the beginning of the current cocoa year onwards.

Chart I:
Cocoa bean prices on the London (NYSE Liffe)
and New York (ICE) futures markets
March 2014

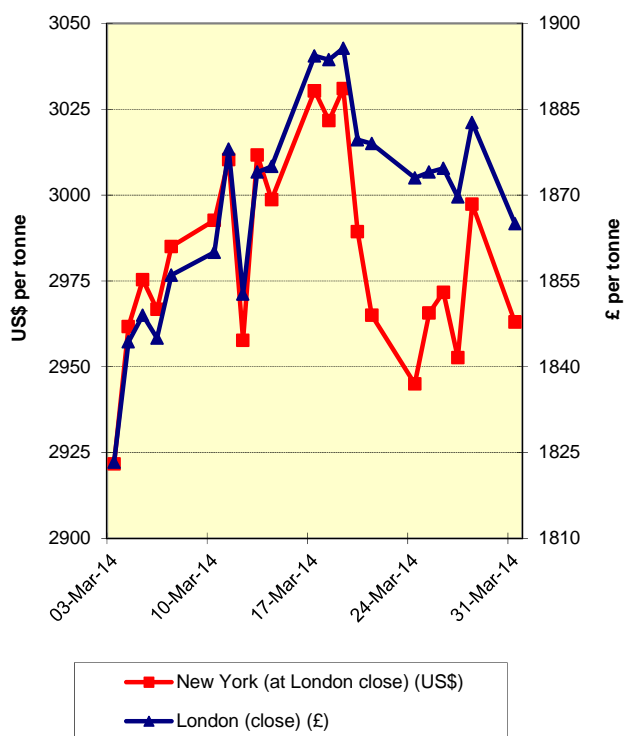
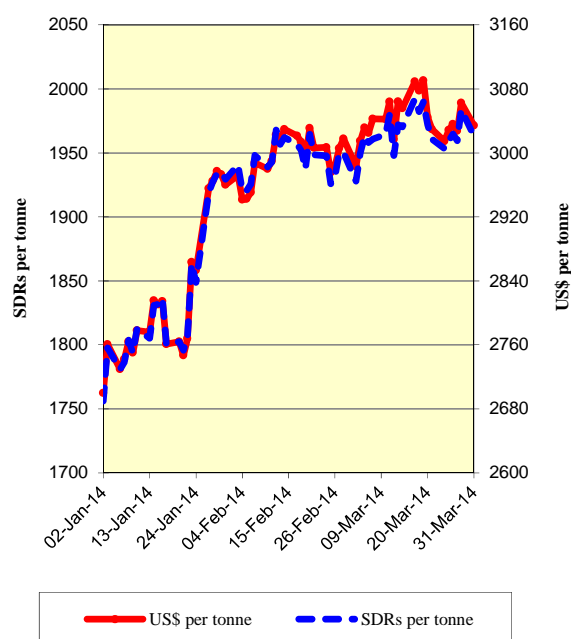


Chart II:
ICCO daily prices
January – March 2014



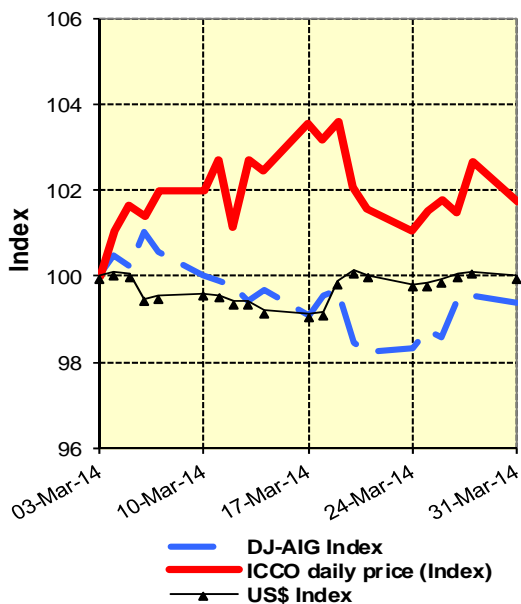
Note: The ICCO daily price for cocoa beans is the average of the quotations of the nearest three active futures trading months on NYSE Liffe and ICE Futures U.S. at the time of London close, converted into US\$ and SDRs using the appropriate exchange rates.

Price movements

In March, the ICCO daily price averaged US\$3,042 per tonne, up by US\$47 compared to the average price recorded in the previous month (US\$2,994), and ranged between US\$2,983 and US\$3,091 per tonne.

Talks of a cocoa supply deficit that had prevailed during the previous month continued to be the catalyst for the upward movement of cocoa futures prices during the beginning of March. Within the first seven trading sessions of the month, cocoa futures increased by three per cent in both London and New York, to £1,878 and US\$3,010 per tonne respectively. Towards the middle of the month, as seen in **Chart I**, cocoa futures prices breached their upward trend. During this period, as seen in **Chart III**, commodity prices slipped and cocoa futures followed suit. Thereafter, cocoa futures recovered from their losses, as bullish factors supported the market. These factors included strong demand from Asia, as Indonesia has been increasing its imports of beans to meet its processing needs, combined with production concerns in Cameroon resulting from news of black pod disease and capsid bug infestation that could affect the country's output. By the third week of March, cocoa prices rallied to a two and a half year high at £1,896 per tonne in London and US\$3,031 per tonne in New York.

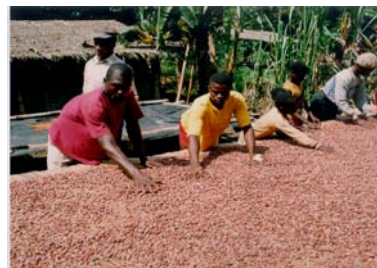
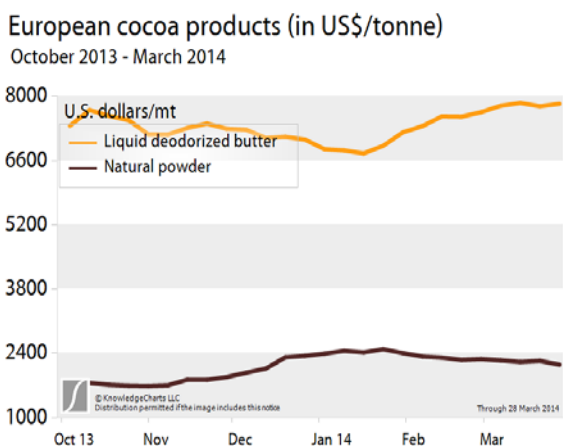
Chart III: ICCO daily price Index, Dow Jones-UBS commodity index and U.S. Dollar Index March 2014



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.

Chart IV: European cocoa products in US\$/tonne October 2013 – March 2014



Thereafter, with positive evaluations for the upcoming mid-crop in West Africa causing bearish sentiments within the markets, cocoa futures drifted downwards. The fall in prices was short-lived and by the end of the month cocoa futures prices moved sideways.

Supply and demand situation

On the supply side, news agency data showed that as at 30 March 2014, cocoa bean arrivals to ports in Côte d'Ivoire reached 1.165 million tonnes, up by 88,000 tonnes compared to the previous season. In Ghana, cocoa purchases recorded by the *Ghana Cocoa Board* totalled 673,215 tonnes as at 13 March 2014, up by almost 13% from the previous season. A good mid-crop production is expected from the West African region, as favourable weather conditions have aided crop development. Despite the mid-crop harvest being normally sold at a discount, in Côte d'Ivoire, the Government has maintained the same main crop price of 750 CFAF per kilo for the mid-crop.

In Indonesia, exports of cocoa beans from *Sulawesi*, the largest cocoa producing region in the country, have been significantly lower than average. Meeting cocoa production targets in the country has been hindered by heavy rains which have increased the spread of diseases.

On the demand side, as seen in **Chart IV**, cocoa butter ratios remained steady during the month under review. With the Easter festivities approaching, the increased buying activities by chocolate manufacturers have supported cocoa butter prices. By contrast, ample stocks of cocoa powder continue to weigh down the price of cocoa powder.

As demand recovers in the traditional markets of Europe and North America, plans are also being undertaken in cocoa producing countries to boost local processing activities. In Indonesia, with investment in cocoa processing industries growing at a fast rate, the Government is considering cancelling tax on cocoa bean imports as production levels have fallen short in fuelling the country's domestic grinding requirements.

Market participants are currently awaiting the release scheduled in mid-April of grindings data for the first quarter of 2014 for Europe and North America by the *European Cocoa Association* and by the *National Confectioners' Association*.

International Cocoa Organization

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