



Robin Dand Commodities Ltd

Recent Developments

Robin Dand

Abidjan
February 2014



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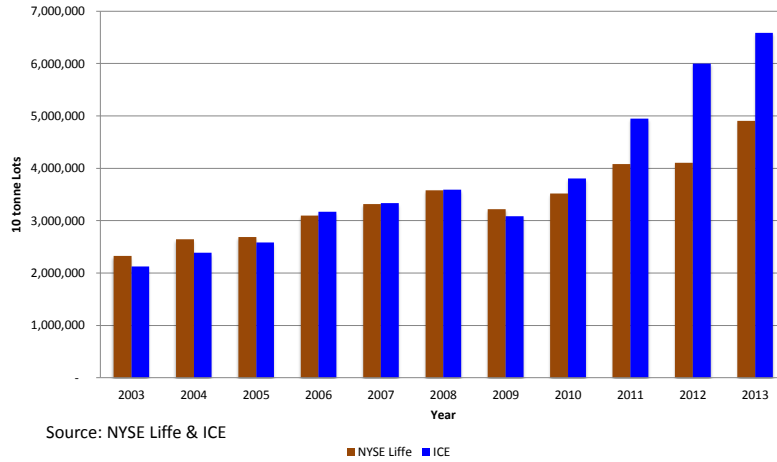
Introduction

- Exchange volumes (NYSE Liffe and ICE) of business over recent years
 - Futures
 - Options
 - Futures and Options – volume compared to crop
- Evolution of recent Open Interest in Futures and Options
- Evolution of reported stock levels
- Recent changes to the contract terms
- The future of Futures and Options...



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Cocoa Futures Volumes 2003 to 2013



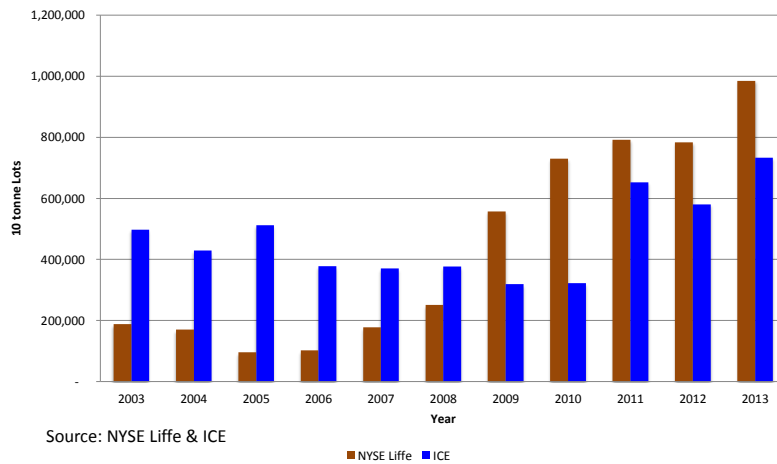
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Cocoa Options Volumes 2003 to 2013



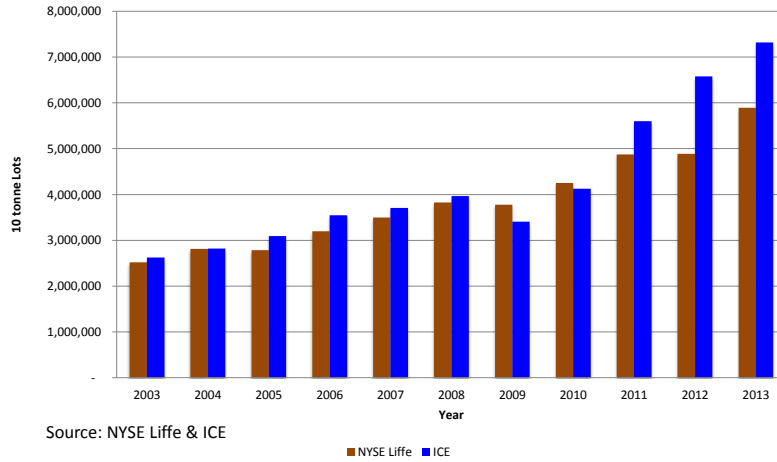
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Cocoa Futures and Options Volumes 2003 to 2013



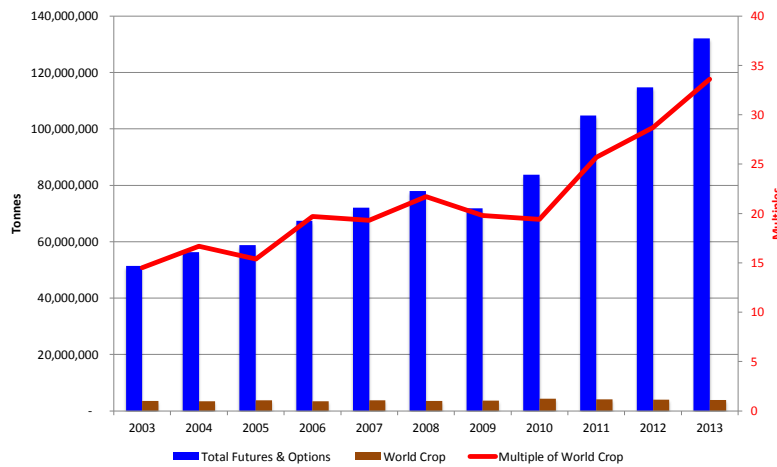
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Comparison of World Crop and Futures & Options Activity



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Open Interest

- The total number of options and/or futures contracts that are not closed or delivered on a particular day
- May be used as a measure of market strength or weakness
- May be seen as a degree of confidence in the market

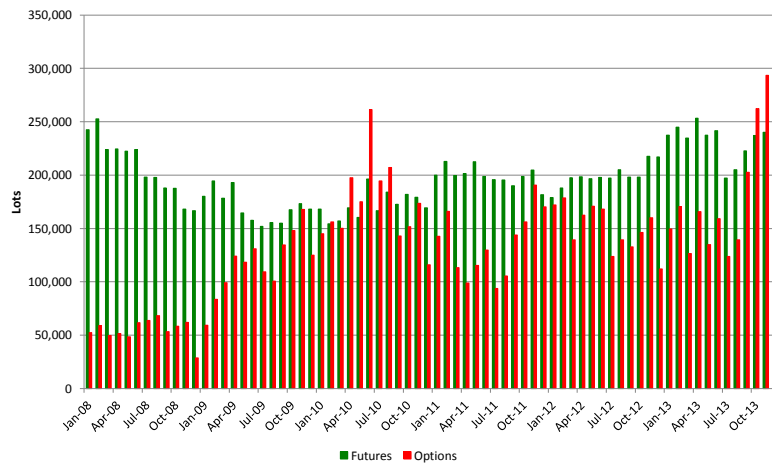
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NYSE Liffe Cocoa Open Interest



Source: NYSE Liffe

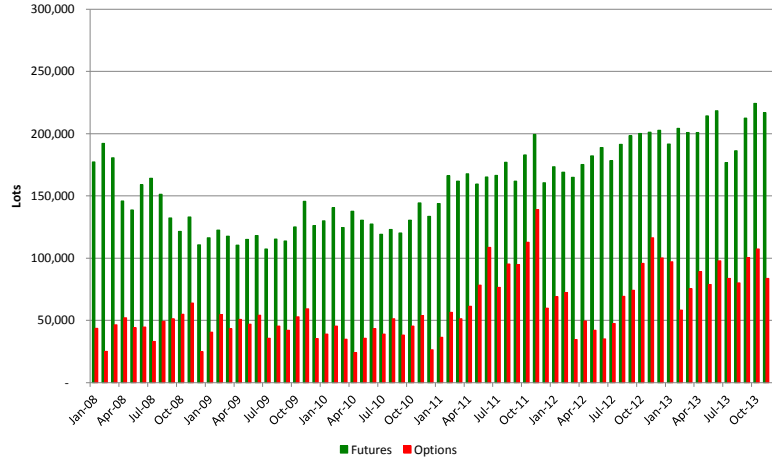
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ICE Cocoa Open Interest



Source: ICE

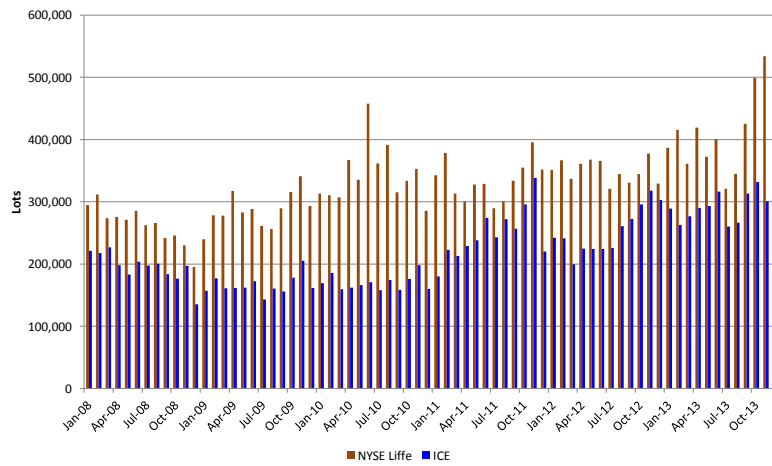
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NYSE Liffe and ICE Cocoa Open Interest, Futures and Options



Source: NYSE Liffe & ICE

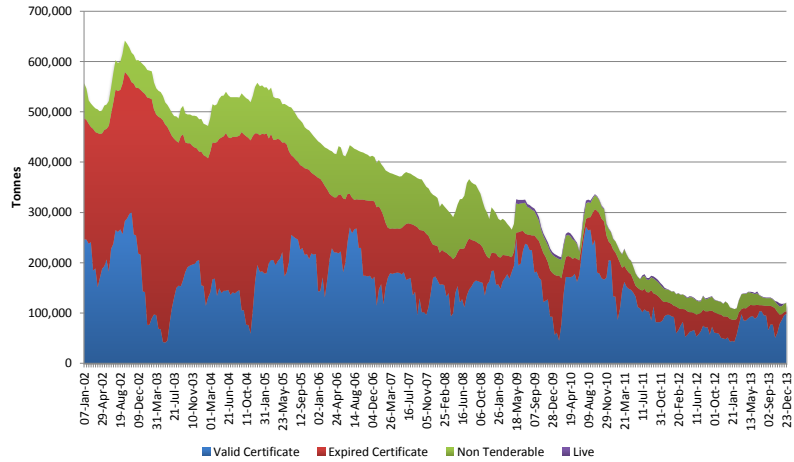
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Evolution of NYSE Liffe reported Cocoa Stocks



Source: NYSE Liffe

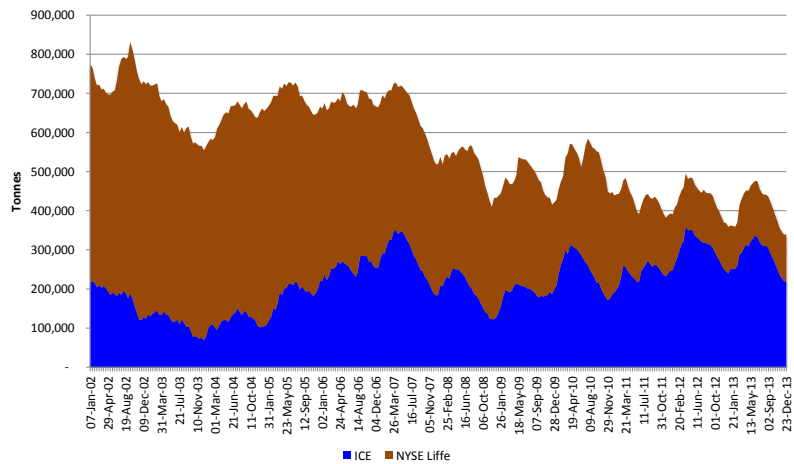
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Evolution of ICE and NYSE Liffe reported Cocoa Stocks



Source: NYSE Liffe & ICE

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Recent Events

Take-over!

- Intercontinental Exchange (ICE) buys NYSE Euronext (includes NYSE Liffe) for \$8.2 billion
 - Gives ICE control of London-based Liffe, which means both cocoa futures markets are operated by the same company

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NYSE Liffe – Recent Changes

- Position Management
 - Introduced September 2012
- Commitments of Traders Report
 - Introduced October 2011
- Warrant Management System
 - Introduced April 2010

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NYSE Liffe Position and Delivery Limits

- From December 2012 position and subsequent delivery months
 - Limit on number of contracts on:
 - Spot month - 7,500
 - Deferred Delivery Month - 15,000
 - Delivery limit - 7,500
 - Maximum Delivery Limit Exemption Level 15,000

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NYSE Liffe Commitments of Traders Report

- Shows breakdown of Open Interest across pre-defined categories of position
- Similar format to the U.S. Commodity Futures Trading Commission Report, published weekly
 - Producer/Merchant/Processor/User
 - E.g. Traders, exporters, cocoa processors etc.
 - Swap Dealer/Index Trader
 - E.g. Those using the market to hedge swap deals or other Over The Counter (OTC) deals and index traders
 - Money Manager
 - E.g. Those conducting futures trading on behalf of financial clients and investment firms
 - Other Reportables
 - E.g. Proprietary traders, algorithmic traders and local traders
- Note that this report is produced by the Exchange and is not issued by the Regulator, as is the case with ICE

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NYSE Liffe NYSE Liffe Guardian

- Warrant management and grading administration system
 - Constructed to electronically manage warrants issued under any legal jurisdiction by using the Sale of Goods Act according to the Law of England
 - Some legal jurisdictions are unclear on allowing the transfer of ownership of goods represented by **dematerialised** warrants
 - Requires physical warrants to be **immobilised** by being lodged in a licenced depository in England
 - Administers the sampling and grading of cocoa (and Robusta Coffee)

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ICE – Recent Changes

- Contract change made in February 2010, effective for March 2012 delivery onwards
 - Waste to be assessed in the grading procedure
 - Flat beans,
 - Pieces of shell,
 - Dust,
 - Dried cocoa pulp
 - Dried cocoa placenta
 - All non-cocoa material

| Waste | |
|----------------|-------------------------|
| % Waste | Allowance |
| 0.00% to 1.00% | 0 |
| 1.01% to 2.50% | % waste - 1.0 |
| 2.51% to 5.00% | 1.5+1.5*(% waste - 2.5) |

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Future of Soft Commodities? Chicago Mercantile Exchange (CME)

- Annual volumes of softs and agricultural products traded on NYSE Liffe approximates to 3 weeks volumes on CME agricultural products
- CME in London (CME Europe) is assessing market interest in their launching soft commodity futures and options, including Cocoa
- Assessment will be complete during 2014
- Philosophy of CME contract design involves;
 - Futures (and options) must follow the physical market
 - Close attention is paid to the views of physical market users

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Thank You!



Overview of Cocoa Supply Chain and associated Risks

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