



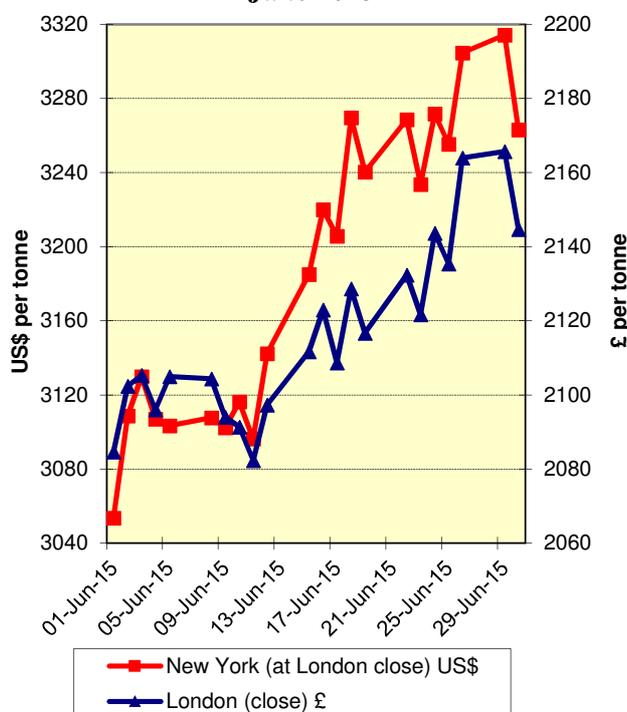
COCOA MARKET REVIEW

JUNE 2015

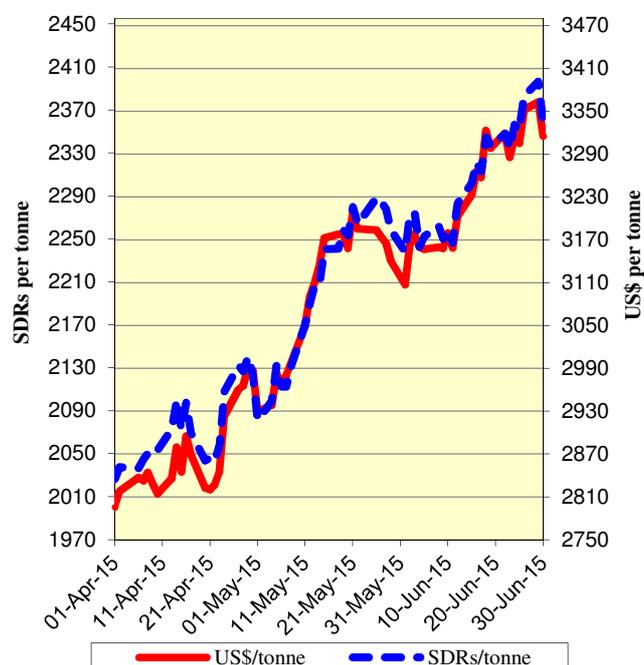
The current review reports on cocoa price movements on the international markets in June 2015. **Chart I** illustrates price movements on the London (ICE Futures Europe) and New York (ICE Futures U.S.) markets for the month under review. **Chart II** shows the evolution of the ICCO daily price, quoted in United States dollars and in SDRs, from April to June 2015. **Chart III** depicts the change in the ICCO daily price Index, the Dow Jones Commodity Index and the US Dollar Index in June, while **Chart IV** shows recent changes in warehouse stocks of cocoa beans and the price differential between the two cocoa futures markets.

Chart I:

**Cocoa bean prices on the London (ICE Futures Europe) and New York (ICE Futures US) markets
June 2015**



**Chart II: ICCO daily prices
April 2015 – June 2015**



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

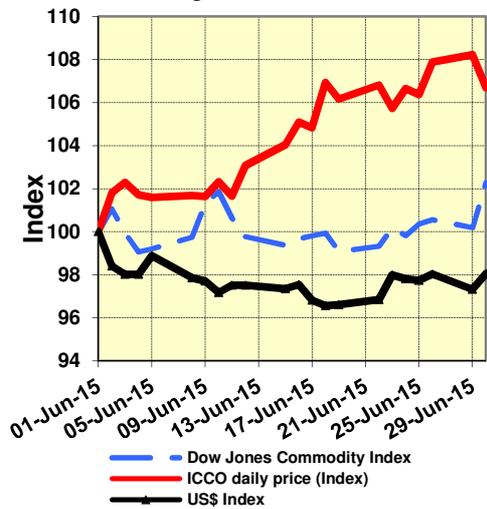
Price movements

In June, the ICCO daily price averaged US\$3,239 per tonne, up by US\$143 compared to the average price recorded in the previous month (US\$3,096), and ranged between US\$3,107 and US\$3,363 per tonne.

Cocoa futures prices experienced an uptick at the beginning of the month amid a continuation of the previous month's bullish factors. Persisting concerns related to Ghana's crop and the *El Niño* weather event affecting the upcoming cocoa season, were key elements behind this short-lived rise. As shown in **Chart I**, in the subsequent trading sessions, cocoa futures prices moved with no particular firm direction, as the crop outlook in West Africa was quite mixed. Indeed, while in Côte d'Ivoire, rain was seen as problematic in some areas, the setback on Ghana's crop was rather viewed as temporary by the Executive Director of the ICCO, pushing futures prices to move sideways. However, from the latter part of the second week towards the end of the month, cocoa futures followed an upward trend, with quotations attaining a four-year high of £2,166 per tonne in London and a nine-month high of US\$3,314 per tonne in New York. In addition to the bullish factors mentioned earlier, elements such as speculators' increasing net long positions, indicating expectations for higher prices, against the backdrop of a weakening US dollar, also supported the markets. The last trading session of the month witnessed profit-taking activities, as the market was due for correction after such a price surge experienced during the month.

As illustrated in **Chart III**, the weakening dollar, following the downward revision of the American GDP forecast for 2015, provided some support to US\$ denominated commodity markets. However, cocoa futures prices rose at a stronger pace than the broader commodity complex due to cocoa-specific bullish fundamentals.

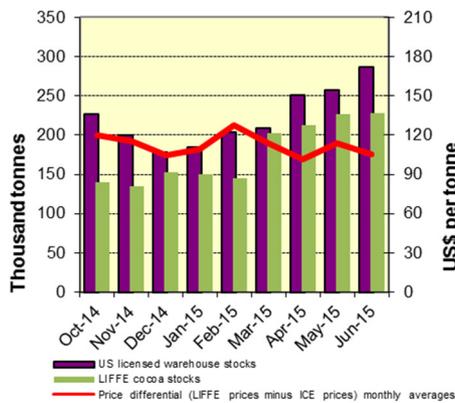
Chart III: ICCO daily price Index, Dow Jones commodity Index and U.S. Dollar Index June 2015



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 Index* tracks price movements across various commodities, including energy, precious metals, industrial metals, grains, livestock, softs and agriculture.

Chart IV: Arbitrage between ICE Europe and ICE U.S. Futures (Monthly average) and end-of-month cocoa stocks October 2014 – June 2015



As shown in **Chart IV**, both markets recorded an increase in the volume of certified warehouse stocks compared to the previous month. In New York, volumes rose from 257,367 tonnes to 286,443 tonnes and in London, from 226,400 tonnes to 228,540 tonnes. The arbitrage narrowed from an average of US\$ 114 to US\$ 105 in June 2015.

Supply & demand situation

Data from news agencies estimated that cocoa arrivals at ports in Côte d’Ivoire reached 1,575,000 tonnes by 5 July compared to 1,605,000 tonnes in the same period of the previous season. Heavy rains in some regions hindered the drying and transport of the remaining mid-crop and this also raised concerns in relation to the potential effects on the development of the 2015/2016 main crop. However, in other regions, rainfall levels which had been well below average earlier in the season have been beneficial to the on-going mid-crop.

In Ghana, cocoa purchases recorded by the *Ghana Cocoa Board* totalled 652,986 tonnes for the season as at 26 June. Despite the favourable weather conditions, there is cautious optimism among farmers in Ghana in relation to the development of the light harvest, following a disappointing main crop, and given that the official opening for the ongoing light crop had been delayed.

On the demand side, the second quarter European and North American grindings data are scheduled to be released in mid-July. They are anticipated to be quite disappointing as chocolate sales are not showing any signs of recovery. This is partly due to the slumping Asian demand.

