



COCOA MARKET REVIEW

AUGUST 2014

The current review focuses on cocoa price movements on the international markets during the month of August 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 June to August 2014, while **Chart III** depicts the prices of European cocoa products from the beginning of the current cocoa year to the present.

Chart I:

**Cocoa bean prices on the London (NYSE Liffe)
and New York (ICE) futures markets
August 2014**

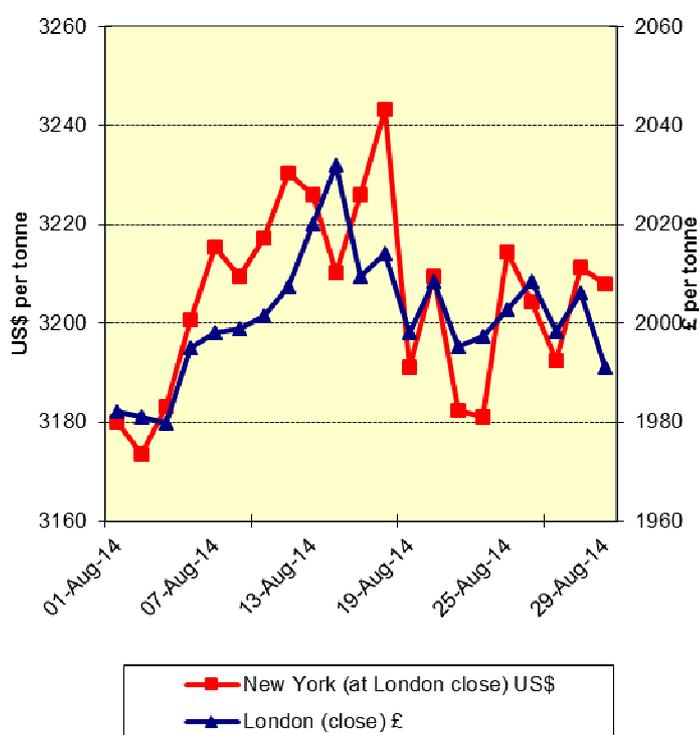
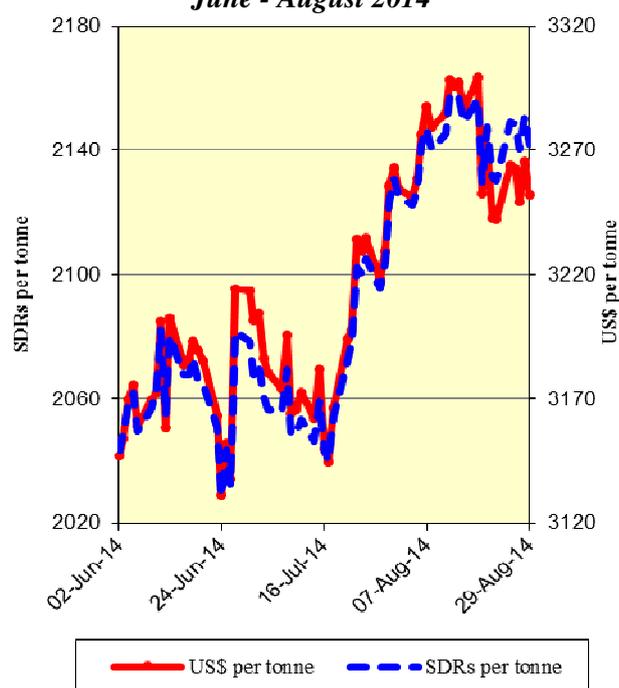


Chart II:

**ICCO daily prices
June - August 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.

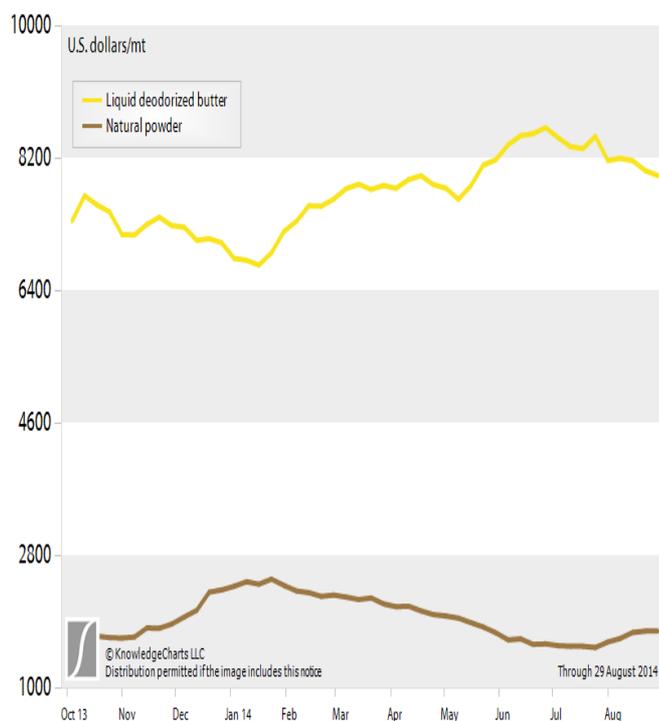
Price movements

In August 2014, the ICCO daily price averaged US\$3,270 per tonne, up by US\$74 compared to the average price recorded in the previous month (US\$3,196), and ranged between US\$3,242 and US\$3,300 per tonne.

Following the steady increase from mid-July, cocoa prices rose to a three-year high on the last trading day of the month, at £1,985 per tonne in London and at US\$3,181 per tonne in New York. However, news of strong supplies from major producing countries during the first trading sessions of August led to a dip in cocoa futures prices. Thereafter, as seen in **Chart I**, cocoa futures prices changed course, pursuing an upward trend. Indeed, expectations of strong demand further prompted traders to bet on a global deficit in the upcoming 2014/2015 crop year. Thus, around the middle of the month, cocoa futures prices on both the London and New York markets attained a new three-year high, at £2,032 and US\$3,243 per tonne respectively. Thereafter, having steadily climbed since the start of the year on expectations of a third consecutive global deficit, cocoa futures on both markets shed their gains as a result of the strengthening of the US dollar. From the third week of the month onwards, cocoa prices moved sideways. As shown by the ICCO daily prices in **Chart II**, cocoa prices ranged between US\$3,242 and US\$3,272 per tonne. Major fundamental factors that influenced cocoa prices during this period of the month included good growing conditions for the upcoming 2014/15 crop in most of the principal cocoa countries in West Africa, forecast revisions of a surplus by most analysts for the current 2013/14 season and the potential threat of an Ebola outbreak spreading to Côte d'Ivoire.

**Chart III:
European cocoa products in US\$/tonne
October 2013 – August 2014**

European cocoa products (in US\$/tonnes)
October 2013 - August 2014



Supply and demand situation

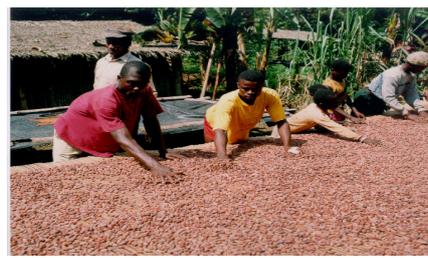
According to the ICCO's latest issue of the *Quarterly Bulletin of Cocoa Statistics*, published in August, world cocoa production for the current season is expected to increase by 10% to 4.345 million tonnes, compared with the previous season's revised estimates of 3.942 million tonnes. The ICCO Secretariat now projects a production surplus of 40,000 tonnes. News agency data showed that cocoa bean arrivals since the start of the season at ports in Côte d'Ivoire reached 1.749 million tonnes as at 31 August 2014, compared to 1.417 million tonnes in the same period of the previous season. Although

Côte d'Ivoire is on track to produce a new record output, larger than the previous record of 1.511 million tonnes in the 2010/11 cocoa season, it should be noted that the 2010/11 figure significantly underestimates the size of the harvest due to smuggling to neighbouring countries, while the figure for 2013/14 may overestimate the current harvest due to smuggling from neighbouring countries. Taking these factors into account, cocoa harvested in the 2010/11 season may still remain the largest on record.

In Ghana, although there is still no data report on the status of the on-going light crop, similar to Côte d'Ivoire, the country's cocoa production has benefitted from conducive weather conditions and cocoa bean supplies are envisaged to be higher than those of the previous season. However, the higher cocoa prices being offered in neighbouring countries have encouraged the smuggling of cocoa beans across the country's borders. The price received by cocoa farmers is being progressively eroded by the depreciation of the Ghana cedi which has lost 64.3% of its value against the US dollar this year, coupled with soaring inflation. These factors have combined to severely erode farmer incomes which are tied to a fixed farm-gate price.

On the demand side, the strengthening of the global economy in general, and the improving economic conditions in major consuming countries, particularly in Asia, have continued to support the demand by chocolate manufacturers for butter. As seen in **Chart III**, while cocoa butter ratios still traded at high levels, between \$8,000 and \$8,200 a tonne, those for powder remained at low levels.

Copies of the *Quarterly Bulletin of Cocoa Statistics* can be ordered from the website. (<http://www.icco.org/statistics/quarterly-bulletin-cocoa-statistics.html>) or alternatively by contacting the ICCO Secretariat.



International Cocoa Organization
Westgate House, Westgate Road, Ealing, London W5 1YY - United Kingdom
Tel.: +44 (0)20 8991 6000 – Fax: +44 (0)20 8997 4372 – <http://www.icco.org>