



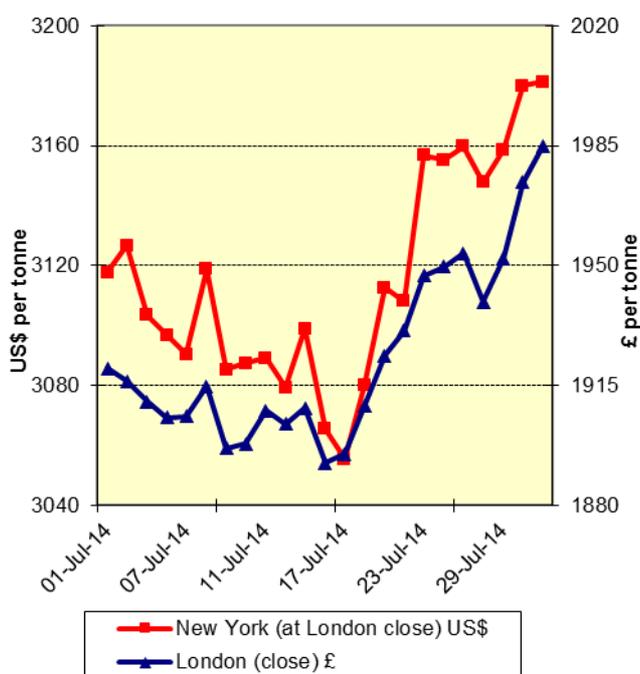
## COCOA MARKET REVIEW

JULY 2014

The current review focuses on cocoa price movements on the international markets during July 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 May to July 2014. **Chart III** illustrates the end-of-month stocks in licensed warehouses in Europe and in the United States and the arbitrage between the LIFFE and ICE futures markets while **Chart IV** presents the prices of European cocoa products from the beginning of the current cocoa year to the present.

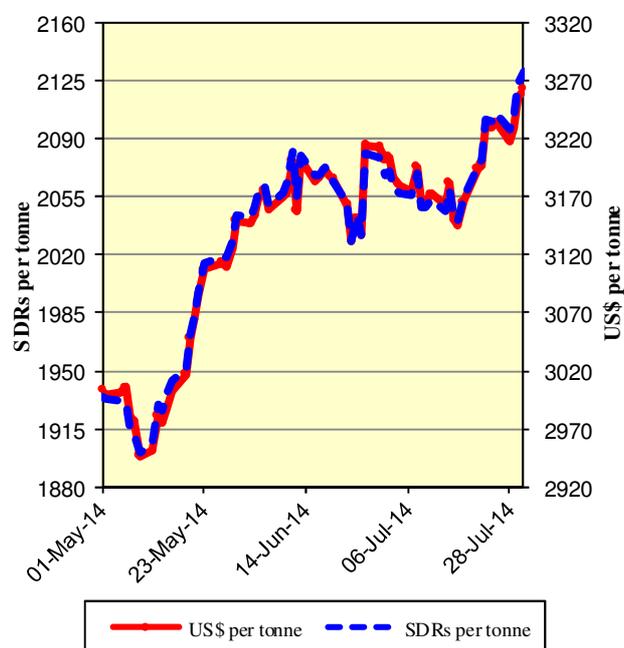
**Chart I:**

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



**Chart II:**

**ICCO daily prices**  
May - July 2014



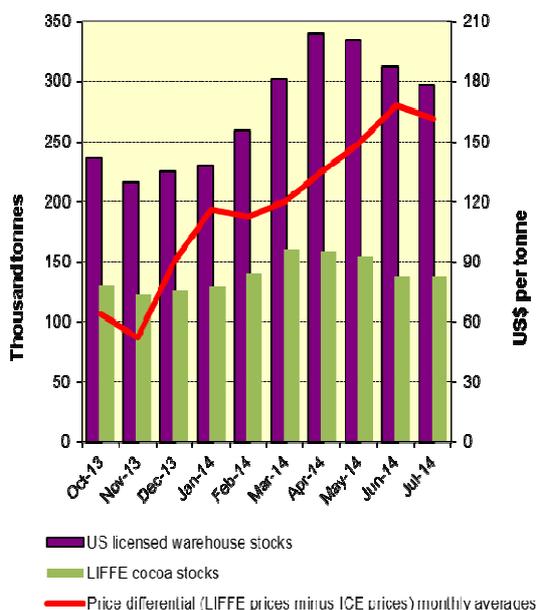
**Note:** The ICCO daily price for cocoa beans is the average of the quotations of the nearest three active futures trading months on NYSE Liffe and ICE Futures U.S. at the time of London close, converted into US\$ and SDRs using the appropriate exchange rates.

### Price movements

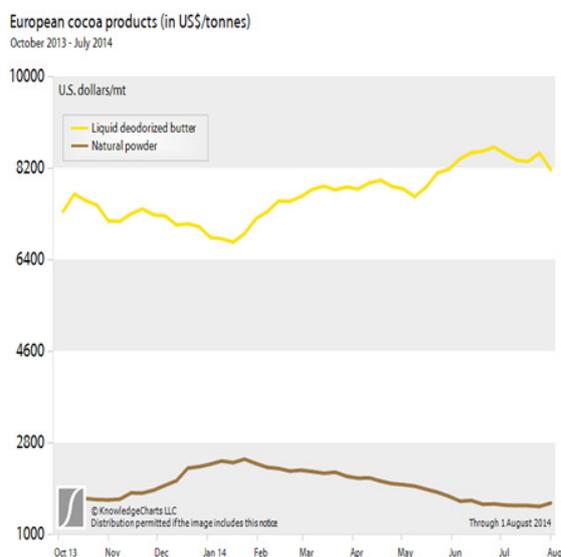
In July 2014, the ICCO daily price averaged US\$3,196 per tonne, up by US\$22 compared to the average price recorded in the previous month (US\$3,174), and ranged between US\$3,144 and US\$3,264 per tonne.

From the end of June through to mid-July, cocoa futures followed a gradual downward slope. Better than expected cocoa arrivals and purchases from West Africa contributed to this fall in cocoa prices. Weaker grindings data from Europe and Malaysia for the second quarter of 2014 may have also accounted to an extent for this trend during that period. London hit £1,892 per tonne, the lowest price for the month under review while New York grazed US\$3,055 per tonne, as seen in **Chart I**. However, in the middle of the month, cocoa futures reversed direction and climbed unabatedly. This price rally was underpinned by reports of strong second quarter grindings from Asia and North America which outweighed the impact of the European grindings figures published earlier. It should be noted that a price rise occurred against a backdrop of stronger-than-expected cocoa production figures for Côte d'Ivoire and Ghana. During the last part of the month under review, cocoa prices continued to rally, hitting a renewed three-year high on the last trading day of the month, at £1,985 in London and at US\$3,181 in New York, amid speculation of a production deficit for the upcoming 2014/2015 season.

**Chart III: Arbitrage between LIFFE and ICE Futures (Monthly average) End-of-month cocoa stocks: October 2013 - July 2014**



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



### Certified warehouse stocks of cocoa beans

As illustrated in **Chart III**, compared to the beginning of the 2013/2014 cocoa season, both markets reported an increase in the volume of certified warehouse stocks: up by 25% to 296,843 tonnes in New York, and up by five per cent, to 137,110 tonnes in London. Moreover, the arbitrage spread (difference in price) between the LIFFE and ICE cocoa futures widened from an average of US\$64 in October 2013 to US\$161 in July 2014.

### Supply and demand situation

On the supply side, news agency data showed that, as at 3 August 2014, cumulative cocoa bean arrivals at ports in Côte d'Ivoire reached 1.707 million tonnes, compared with 1.388 million tonnes recorded for the corresponding period of the previous season. In Ghana, there is, as yet, no report of data for the light crop. A larger than previously estimated main crop in both Côte d'Ivoire and Ghana, combined with a stronger anticipated mid-crop in Côte d'Ivoire have changed expectations in the market situation in recent months, ranging from a limited supply deficit to a surplus. At the end of August, the ICCO Secretariat will release its revised crop and grindings forecasts for the current cocoa year in its *Quarterly Bulletin of Cocoa Statistics*.

On the demand side, the dismal second quarter grindings (down by 0.7% year-on-year) reported by the *ECA* for Europe were more than offset by the positive figures from the *NCA* for North America (up by 4.5% compared with the corresponding period for the previous year) and *CAA* for Asia (up by 4.2% year-on-year). Indeed world grindings are expected to grow during the current cocoa season, with strong demand for cocoa butter coming from confectionery manufacturers. This upward trend in cocoa and chocolate product consumption in Asia has been the main contributor to the demand, as chocolate companies expand their processing capacity in the Asia-Pacific area.

As seen in **Chart IV**, cocoa butter prices remain at high levels, above US\$8,000 per tonne. On the other hand, the price of cocoa powder which is used in baked goods, chocolate drinks and ice cream, has been weak in the past months.



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