



MONTHLY REVIEW OF THE COCOA MARKET SITUATION

JULY 2015

The current review reports on cocoa price movements on the international markets in July 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 US dollars and in SDRs, from May to July 2015. **Chart III** depicts the change in the ICCO daily price Index, the Dow Jones Commodity Index and the US Dollar Index. **Table I** summarizes cocoa bean grindings from Europe, North America and Asia.

Chart I: Cocoa bean prices on the London (ICE Futures Europe) and New York (ICE Futures US) markets July 2015

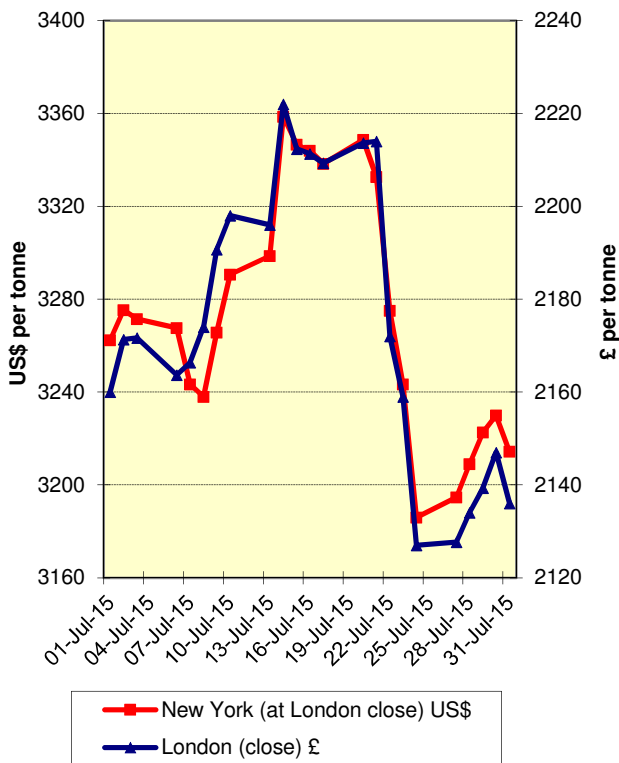
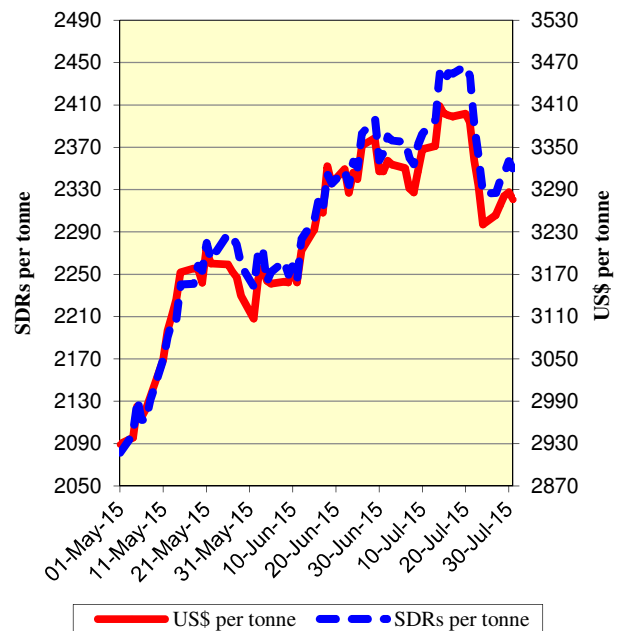


Chart II: ICCO daily prices May – July 2015



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.

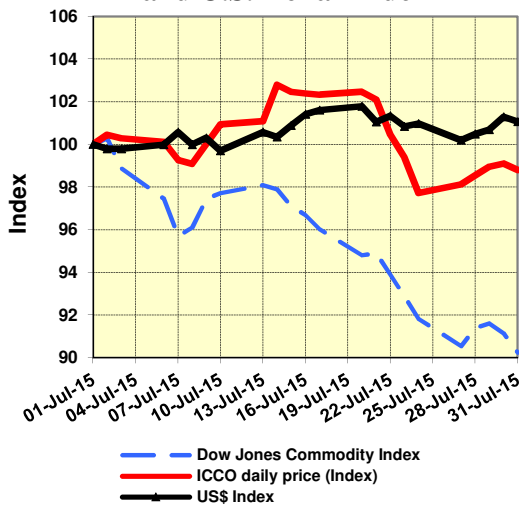
Price movements

In July, the ICCO daily price averaged US\$3,326 per tonne, up by US\$87 compared with the average price recorded in the previous month (US\$3,239) and ranged between US\$3,240 and US\$3,409 per tonne.

At the beginning of July, cocoa futures prices on both ICE futures Europe and ICE futures U.S. markets continued to follow the upward trend initiated in the second week of the previous month. As seen in **Chart I**, cocoa futures quotations further increased in both London and New York by the second week of July, attaining a more than 4-year high, at £2,222 per tonne in London and at US\$3,359 per tonne in New York. Indeed, in addition to the same fundamentals which triggered a price rally in the previous month, stronger than expected second quarter grindings figures from Europe played a major role in this upward momentum. Thereafter, as poor second quarter grindings data were released from North America and Asia, coupled with a strong dollar in the light of the prospects of a rise in interest rates by the United States Federal Reserve (FED), cocoa futures prices lost ground, along with the broader commodity complex, as illustrated in **Chart III**. Compared to the

aforementioned highs obtained in the earlier part of the month, cocoa futures prices fell by 4.3% to £2,127 per tonne in London and by 5.2% to US\$3,186 per tonne in New York, thus attaining in the third week their lowest level for the month under review.

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



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.

Nevertheless, at the start of the final week of the month, cocoa futures prices changed course. Having shed their earlier gains, uncertainties in the market led to a recovery in cocoa futures prices. Questions about the extent of the very disappointing Ghana crop, the *El Niño* weather event affecting the upcoming cocoa season, combined with early forecasts of a deficit for the 2015/2016 season, contributed to this price recovery.

Supply and demand

On the supply side, according to news agency data, cocoa arrivals at ports in Côte d’Ivoire reached 1,673,000 tonnes by 2 August as compared with 1,668,000 tonnes in the same period of the previous season. Although the weather conditions have remained favourable for the next main crop, some areas have reported a lack of sunshine.

In Ghana, as at the time of writing, no new data on cocoa purchases are available but reports indicate that plans are underway by the *Ghana Cocoa Board* to achieve a crop recovery in the next season.

Table 1

Period/Region	Cocoa grindings (tonnes)						Year-on-year % change	
	2014	2014	2014	2014	2015	2015	2015	2015
	Jan-March	Apr-June	July-Aug	Oct-Dec	Jan-March	Apr-June	Jan-March	Apr-June
Europe a/	343,062	307,938	327,866	323,061	337,706	309,677	-1.56%	0.56%
North America b/	129,007	131,737	138,027	122,886	121,508	120,359	-5.81%	-8.64%
Asia c/	159,617	161,805	151,643	141,396	144,738	142,325	-9.32%	-12.04%

Sources:

- a/ European Cocoa Association
- b/ National Confectioners’ Association
- c/ Cocoa Association of Asia

On the demand side, as shown in **Table 1**, North American grindings fell by almost nine per cent in the second quarter of the year. This was the third subsequent fall following previous quarterly increases. Similarly, second quarter grindings data from Asia were weak. By contrast, European cocoa grindings data beat market expectations and registered a slight increase of 0.6%. However, while analysts are overall of the view that cocoa demand will remain weak, the declining stocks of semi-finished products provide some grounds for improving processing activities in the coming months.

At the end of August, the ICCO Secretariat will release its revised supply and demand forecasts for the current year in its *Quarterly Bulletin of Cocoa Statistics*.

