

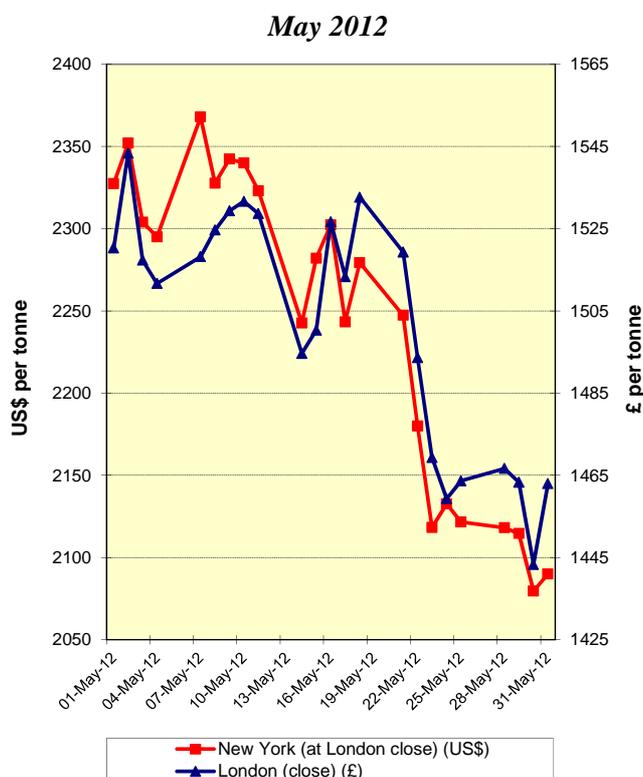


## MONTHLY REVIEW OF THE COCOA MARKET SITUATION

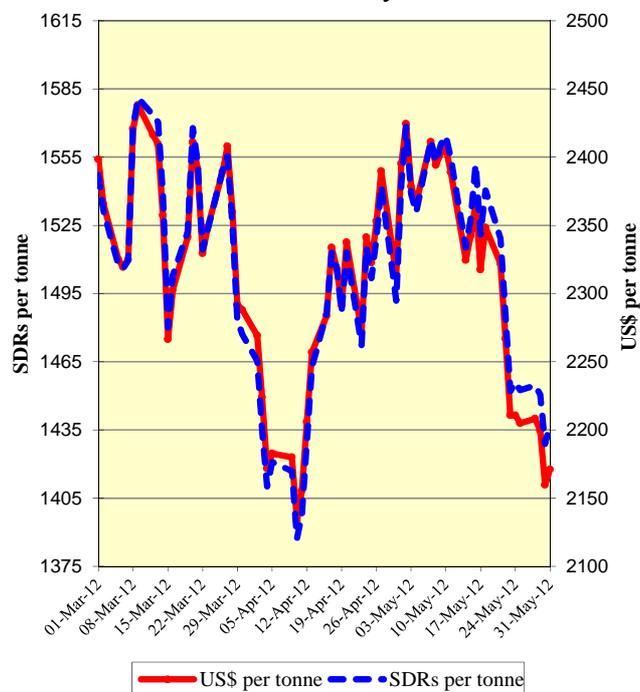
MAY 2012

The current review of the cocoa market situation reports on price movements on the international markets during the month of May 2012. **Chart I** illustrates price movements on the London (NYSE Liffe Futures and Options) and New York (ICE Futures US) markets in May. **Chart II** shows the evolution of the ICCO daily price, quoted in US dollars and in SDRs, from March to May 2012. **Chart III** depicts the change in the ICCO daily price Index, the Dow Jones-UBS Commodity Index and the US Dollar Index.

**Chart I:**  
Cocoa bean prices on the London (LIFFE)  
and New York (ICE) futures markets



**Chart II: ICCO daily prices**  
*March – May 2012*



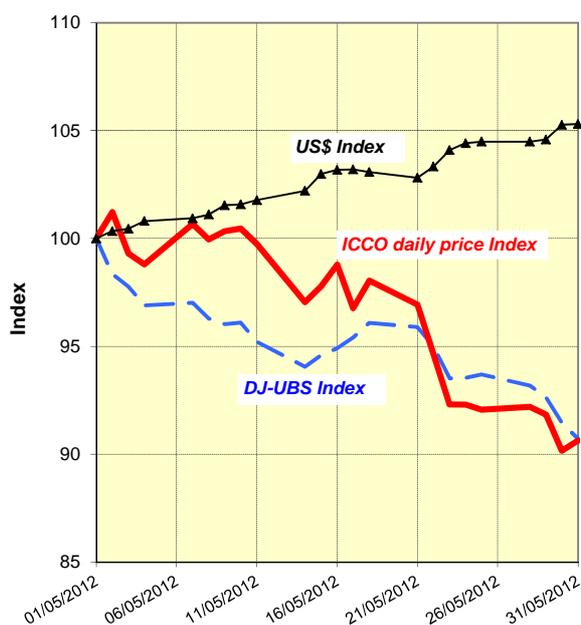
**Note:** The ICCO daily price for cocoa beans is the average of the quotations of the nearest three active futures trading months on NYSE Liffe and ICE Futures U.S. at the time of London close, converted into US\$ and SDRs using the appropriate exchange rates.

### Price movements

In May, the ICCO daily price averaged US\$2,314, up by US\$47 compared to the average price recorded in the previous month (US\$2,267) and ranged between US\$2,159 and US\$2,425.

After a price decrease recorded in both NYSE Liffe and ICE cocoa futures markets at the end of April, cocoa futures made a corrective move at the beginning of May. As shown in **Chart I**, prices rose to their highest levels for the month to £1,543 in London and to US\$2,368 per tonne in New York. Thereafter cocoa futures moved sideways and remained in the range of £1,494 and £1,543 per tonne in London and US\$2,242 and US\$2,368 per tonne in New York. Indeed, reports of positive prospects from West Africa's midcrop and origin selling from the region restrained any further rally. From the middle of the month onwards, cocoa futures drifted downwards, almost losing the gains experienced in the previous month. During this period, cocoa prices fell to their lowest levels for the month at £1,445 in London and US\$2,080 in New York. Europe's unresolved debt crisis and its effect on cocoa consumption as well as the strengthening of the United States dollar were among the factors that pressured prices.

**Chart III: ICCO daily price Index, Dow Jones-UBS 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-UBS Index tracks price movements across various commodities, including energy, precious metals, industrial metals, grains, livestock, softs (cocoa being excluded) and agriculture.

As depicted in **Chart III**, the US dollar index followed an upward trend during the period under review, weighing on cocoa prices and on the wider commodity markets, as measured by the movement of the DJ-UBS Commodity Index.

**Supply & demand situation**

As recently published in the *Quarterly Bulletin of Cocoa Statistics*, the ICCO Secretariat revised its production deficit forecast for the current 2011/2012 cocoa year from 71,000 tonnes to 43,000 tonnes. This reflected mainly an upward adjustment to the crop forecasts for Côte d’Ivoire to 1.410 million tonnes, mainly due to the revision of cumulative cocoa arrivals to ports as at the end of February 2012 by the *Conseil du Café-Cacao*, the institution in charge of the regulation and development of the cocoa sector in Côte d’Ivoire. By contrast, Ghana’s expected output was revised downwards to 890,000 tonnes. Global production is expected to fall by over seven per cent compared to the previous season, to 3.990 million tonnes.

Despite an unfavourable economic environment, the outlook for grindings for the current season still seems encouraging, mainly thanks to relatively strong demand growth originating from emerging markets. Indeed, while in Europe, the industry showed strong concerns over the impact of the Eurozone crises related to cocoa and chocolate product consumption, demand for cocoa powder remains strong in the Asian markets. Nevertheless, the ICCO Secretariat expects world grindings of cocoa beans to progress at a lower rate, of 1.8%, compared with the long term trend.

**Conclusions**

There is a general consensus of a production deficit among major cocoa market analysts in relation to the current 2011/2012 cocoa season. Market participants will continue to monitor closely the pace of cocoa bean arrivals/purchases for the mid-crops during the coming months in Côte d’Ivoire and Ghana, the two major producing countries, as well as the development of their forthcoming main crops. These will be decisive determinants for price direction in the coming weeks. In addition, it should be noted that should *El Niño* weather conditions develop at the end of 2012, this could exacerbate a potential global cocoa deficit in the coming 2012/2013 season. The *Climate Prediction Center (CPC)* of the US *National Oceanic and Atmospheric Administration (NOAA)* reported a 50% chance that *El Niño* conditions will develop during the second half of 2012. Should the supply deficit of the current 2011/2012 season be confirmed and should the 2012/2013 season experience another supply deficit, this would have a bullish impact on cocoa prices.

