



INTERNATIONAL SEMINAR ON TERMINAL MARKETS AND ECONOMETRIC MODELLING OF THE COCOA MARKET

- ANNOUNCEMENT -

24 - 28 February 2014, IVOTEL, Abidjan, Côte d'Ivoire

Introduction

The main objective of the seminar is to strengthen the capacity of policy makers and cocoa stakeholders in their decision-making process through an improved understanding of the cocoa terminal markets and econometric models. The seminar comprises two modules: the first consists of reviewing the role and functioning of cocoa terminal markets, and the second introduces issues and technical aspects related to the econometric modelling of the world cocoa economy.

The module on terminal markets is intended for policy makers and their advisors, mainly from the Africa region, with either an economic or a financial background. The module on econometric modelling is intended for quantitative economists, econometricians and statisticians. Interested parties with the relevant background / knowledge can participate in one or both modules.

The Seminar training will be delivered by ICCO staff and international experts with an in-depth knowledge of the topics involved. In relation to the module on cocoa terminal markets, the ICCO Secretariat has published several studies over the years on cocoa price determination and the functioning of cocoa terminal markets.

The ICCO Secretariat organized, in Ecuador in July 2013, a well-received international seminar on terminal markets and econometric modelling of the cocoa market. In addition, a seminar on cocoa terminal market was previously held in London in June 2011; and an earlier seminar on econometric modelling took place in London in 2007.

Module I: Cocoa Terminal Markets (24 to 26 February)

Cocoa terminal markets, also commonly referred to as futures markets, play an important role in the world cocoa economy. They facilitate the shifting of price risk, also called hedging, and provide valuable information on storage decisions. Furthermore, they act as a centre for the collection and dissemination of information on world prices.

Four distinct sections constitute the proposed module. On its completion, participants are expected to be able to: a) assess the operational and market risks faced by participants in the cocoa supply chain; b) draw the

major distinctions between forward and futures contracts; c) use the concept of arbitrage to evaluate the spot-futures prices spread; d) understand the role of speculation in futures markets. Its detailed programme follows.

Origin of Futures Markets: Various types of contractual arrangements to trade cocoa will be reviewed and analysed. Emphasis will be on forward contracts, which can be considered to be the natural precursor of futures contracts. This will be followed by an introduction on the nature of futures contracts and on the institutions that facilitate their trading.

Futures Exchanges: The structure of futures markets will be explored in more detail. To begin with, the forces that shape the competitive structure of the futures industry will be described. This will include a description of the way futures exchanges compete, both with each other and with services provided in related markets. Next, the role of brokers, trading advisors and other professionals within the futures industry will be described. The final section will be devoted to market manipulation and the rules in place to deter it.

Futures Contract Prices: After covering the basic institutional features of futures markets, the fundamental factors affecting futures prices will be discussed. First, the relationship between futures prices and spot prices will be discussed. Particular emphasis will be placed on the basis, that is, price difference between the cocoa spot and futures prices. Then, the concept of storage costs will be introduced to enable an understanding of the relationship between prices of futures contracts with different delivery months, also called spreads. Finally, the connections between basis, spreads, expected spot prices and storage costs will be stressed, as they form a system of related concepts in the understanding of how futures markets work.

Hedging strategies: Hedging strategies can be thought of as the financial operations by which cocoa stakeholders can offset the risk of an adverse cocoa price movement. For example, cocoa warehouses face the risk of a devaluation of their cocoa stocks if prices fall. In this circumstance, a hedging strategy based on cocoa futures and/or option contracts can mitigate the impact of a decline in cocoa prices. At the conclusion of the session, the basic principles underlying the functioning of a hedging strategy using futures contracts will be illustrated.

Case Studies: At the conclusion of this first module, the findings of two ICCO documents on cocoa futures trading will be illustrated. The first of these documents analyses whether speculative trading does have any impact on cocoa futures prices and volatility; the second assesses the alleged trading activities underlying the price rally of the July 2010 cocoa futures contract on the LIFFE exchange, and the lessons learned from these events.

Module II: Econometric modelling of the cocoa market (27 to 28 February)

An econometric model is a quantitative measurement of economic relationships. In general, it can be used to improve the understanding of how markets function, forecast market development and assess the likely effects of alternative courses of action. In the context of the world cocoa economy, an econometric model is extremely useful in evaluating the economic implications of the strategic and policy decisions made by the authorities of the countries concerned with production management.

The specific objectives of the seminar are to provide an overview of the issues and technical aspects relating to the econometric modelling of the world cocoa economy and the modelling of the cocoa economy in individual cocoa producing countries. During the theoretical and tutorial sessions, each participant will be directly involved in the specification, estimation and validation aspects of econometric models on the cocoa

economy. Participants will be expected to work using their own laptops and to perform simulations on the world cocoa market.

On completion of the seminar, participants should have the basic understanding required to be able to: a) specify a cocoa econometric model; b) estimate a cocoa econometric model; c) validate a cocoa econometric model; and d) use a cocoa econometric model for planning and forecasting purposes. The seminar's detailed programme will be provided shortly.

Registration Fees

	1 module	2 modules
ICCO government representatives, non-commercial participants & cocoa farmers:		
- Early bird – until 22/01/2014:	€ 500	€ 600
Standard rate:	€ 600	€ 700
Others:		
- Early bird – until 22/01/2014:	€ 700	€ 900
Standard rate:	€ 800	€ 1000

Practical arrangements

Both modules will be conducted over a five-day period, back to back. The seminar will be held at the Ivotel, Rue Gourgas, Abidjan, Côte d'Ivoire. 40 rooms have been pre-booked for the event at a preferential rate of 65,000 CFAF (incl. tax and VAT) per night with breakfast. The code for reservation is "ICCO".

Participants wishing to reserve their rooms at discounted rate should contact Mr. Eba: tel. +225 09 47 74 77 / +225 20 25 66 66. – Email: ebamathieu@yahoo.fr / ivotel@ivotel.com

Please use the attached form for registration. For more information about registration and practical arrangements, please contact Mr. Philippe Pestelle – Email: assist.wcc@icco.org – Phone: +44 (0)20 8991 6019 / 00.

For more information about the programme: please contact Dr. Michele Nardella - Email: econ@icco.org - Phone: +44 (0)20 8991 6009 / 00.

REGISTRATION FORM

SEMINAR ON COCOA TERMINAL MARKETS AND ECONOMETRIC MODELLING OF THE COCOA MARKET

Abidjan, Côte d'Ivoire, 24 -28 February 2014

Title (Prof./Dr./Mr./Ms) : _____
First name : _____
Middle initial : _____
Last name : _____
Organization : _____
Mailing address : _____
Tel : _____ Fax : _____
E-mail : _____

MODULES TO BE ATTENDED

Module on Terminal Markets

Module on Econometric Modelling:

PRICING DETAILS

	1 module	2 modules
<u>For ICCO government representatives, civil society & cocoa farmers:</u>		
- <i>Early bird – until 22/01/2014:</i>	€ 500 <input type="checkbox"/>	€ 600 <input type="checkbox"/>
- <i>Standard rate:</i>	€ 600 <input type="checkbox"/>	€ 700 <input type="checkbox"/>
<u>For other participants:</u>		
- <i>Early bird – until 22/01/2014:</i>	€ 700 <input type="checkbox"/>	€ 900 <input type="checkbox"/>
- <i>Standard rate:</i>	€ 800 <input type="checkbox"/>	€ 1000 <input type="checkbox"/>

The registration fee covers conference materials, lunches and refreshments. No refund will be made to registered participants who fail to turn up, but the conference materials will be mailed to them.

PAYMENT METHOD

Bank Transfer to Organization's account:

(All bank charges must be charged to purchaser's account)

Account Name: International Cocoa Organization Special Project Account
Bank name: Bank of Scotland Plc
Account Number: 86460228
IBAN No: GB83.BOFS.1201.0386.4602.28
SWIFT/BIC code: BOFSGB21254
ACCOUNT CURRENCY: EUROS

When transferring the payment, it is important to request the **bank to quote:** "Côte d'Ivoire" plus your name (if payment is made for you only) or the name of your institution (if payment is made for several participants) as your reference, as this will enable us to identify your payment when it is received

Please email or scan and send your completed Registration Form to:

Mr Philippe Pestelle, International Cocoa Organization, Westgate House (5th Floor), Westgate Road, Ealing, London W5 1YY (U.K); Email: assist.wcc@icco.org - Phone: +44 (0)20 8991 6019 / 00 - Fax: + 44 (0)20 8997 4372 - <http://www.icco.org>

For other methods of payment and further information, please contact us.

International Cocoa Organization
<http://www.icco.org>

