



COCOA MARKET REVIEW

NOVEMBER 2011

The current review focuses on cocoa price movements on international markets during the month of November 2011. **Chart I** illustrates price movements on the London (NYSE Liffe Futures and Options) and New York (ICE Futures US) markets in November. **Chart II** shows the evolution of the ICCO daily price, quoted in US dollars and in SDRs, from September to November 2011. **Chart III** depicts the change in the ICCO daily price Index, the Dow Jones-UBS Commodity Index and the US Dollar Index. **Chart IV** presents recent changes in warehouse stocks of cocoa beans and the price differential between the two cocoa futures markets.

Chart I: Cocoa bean prices on the London (LIFFE) and New York (ICE) futures markets
November 2011

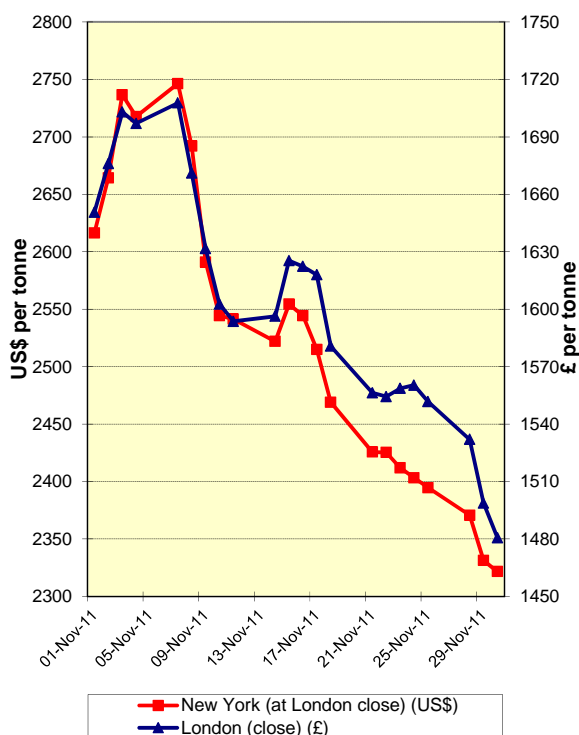
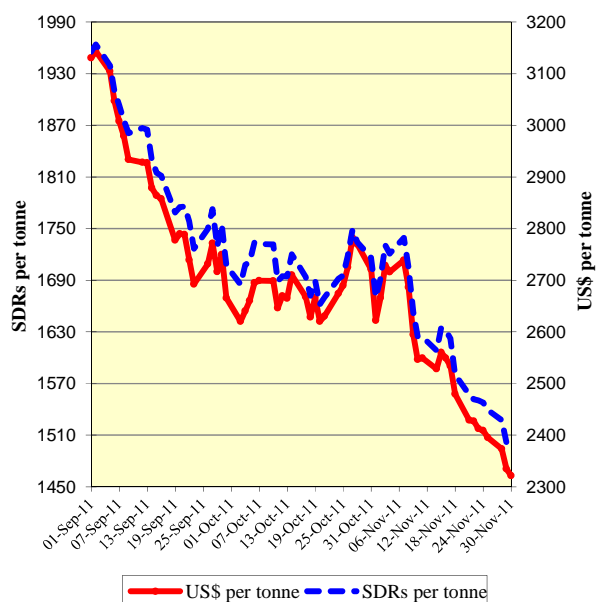


Chart II: ICCO daily prices
September - November 2011



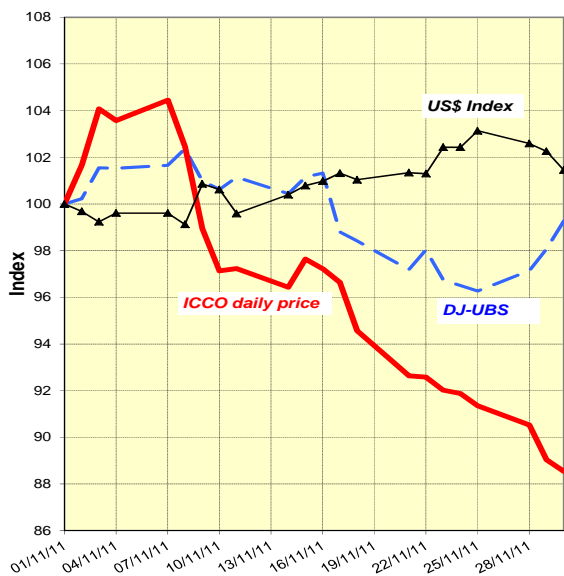
Note: The ICCO daily price for cocoa beans is the average of the quotations of the nearest three active futures trading months on NYSE Liffe and ICE Futures U.S. at the time of London close, converted into US\$ and SDRs using the appropriate exchange rates.

Price movements

In November, the ICCO daily price averaged US\$2,527 per tonne, down by US\$153 compared to the average price recorded in the previous month (US\$2,680). Prices ranged between US\$2,321 and US\$2,739.

Cocoa futures during the month under review continued the downward trend that the markets have been experiencing since the record prices reached in March 2011. However, as illustrated in **Chart 1**, during the first week of November, cocoa prices attained their highest levels for the month in London and New York at £1,708 per tonne and US\$2,746 per tonne respectively. The activities of investors in covering their short positions supported cocoa prices. Thereafter, cocoa prices drifted downwards. The unresolved macroeconomic crisis within the euro zone and bearish fundamental factors that included ample supplies from Côte d'Ivoire and Ghana, combined with the increase in the strength of the United States dollar and persistent origin selling, curbed any momentum in the cocoa futures market. In addition, the expectations of the forthcoming forward sales related to the new marketing system in Côte d'Ivoire probably had a bearish impact on prices, by increasing the availability of beans in the coming months.

Chart III: ICCO daily prices and Dow Jones-AIG commodity index (US\$ terms) November 2011



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.

Nevertheless, in view of the current low prices and other practical issues that need to be resolved, forward sales may occur at a later date.

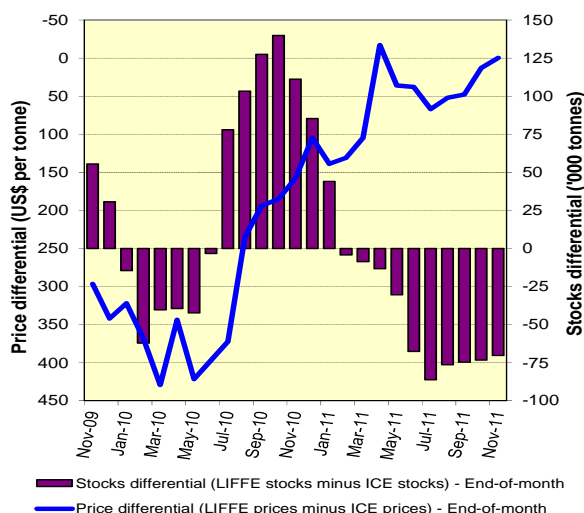
Compared to the highs attained at the beginning of the month, by the month end, prices of cocoa futures fell by 13% in London and by 18% in New York, settling at £1,481 per tonne and US\$2,322 per tonne respectively. As depicted in **Chart III**, although both the DJ-UBS commodity Index and the ICCO daily price index were pressured downwards by the strengthening of the United States dollar, cocoa's performance was worse than that of other commodities.

Certified warehouse stocks of cocoa beans

Compared to the previous month, both markets reported a fall in the volume of certified warehouse stocks. In New York and London, volumes fell from 233,376 tonnes to 219,969 tonnes and from 160,070 tonnes to 149,690 tonnes respectively. As shown in **Chart IV**, the arbitrage continued to narrow and was virtually zero by the end of the month, with New York having higher volumes than London. Compared to last year's data, LIFFE certified stocks during the month were down by 46%, while in New York, ICE certified stocks were up by 32%.

Chart IV:

Arbitrage spread between NYSE Liffe and ICE Futures and licensed warehouse stocks



Supply & demand situation

According to news agency data, cocoa arrivals at ports in Côte d'Ivoire were around 368,956 tonnes during the first two months of the current season. This represented an increase of about six per cent compared with 348,131 tonnes reported during the same period of the previous season.

In Ghana, cumulative cocoa purchases by the Cocobod from the beginning of the season to the last week of November were 376,485 tonnes. This was about 16% higher than for the same period of the last season.

With regard to grindings, industry reports indicate that low prices in cocoa futures have fuelled the purchase of cocoa butter and powder. In view of the economic gloom in Europe, chocolate industries took advantage of low prices in the cocoa market during the month under review and extended their price coverage to about eight months as at the end of November.

