

Cocoa Climbs the Most in Seven Months After Ivory Coast Violence

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By Isis Almeida

Aug. 28 (Bloomberg) -- Cocoa climbed the most in seven months in London, after gains in New York yesterday, as violence added to speculation of supply disruptions in Ivory Coast, the world's largest producer.

The chocolate ingredient rose as much as 4.2 percent in New York yesterday as speculators bought the futures, pushing prices up in the absence of producer selling, according to Drew Geraghty, a broker at ICAP Futures LLC in Jersey City, New Jersey. Laurent Akoun, the second-ranking official in Ivory Coast ex-president Laurent Gbagbo's opposition political party, was arrested, a party spokesman said on Aug. 26. A civil war in Ivory Coast last year resulted in a ban on cocoa shipments.

"There are worries about the situation in Ivory Coast," Jerome Jourquin, head of agricultural commodities derivatives at Aurel BGC, a broker in Paris, said by e-mail today. "If we have a civil war again, it will be very bullish for cocoa again. At this stage, it is pure speculation."

Cocoa for December delivery rose as much as 5.3 percent to 1,669 pounds (\$2,638) a metric ton, the most since Jan. 24, and was up 4.7 percent at 1,660 pounds by 2:47 p.m. on NYSE Liffe in London. Cocoa for December delivery rose 2 percent to \$2,522 a ton on ICE Futures U.S. in New York.

“London is catching up with the New York rally yesterday,” Eric Sivry, head of agriculture options brokerage at broker Marex Spectron Group in London, said by e-mail today.

“Funds are obviously buying the market.”

London Hedging

West African producers usually hedge their crop on the London market, which was closed yesterday for a holiday. The absence of producer selling “allowed the speculators to run the market higher as short-covering as well as new buying pushed the price higher,” Geraghty said in a report e-mailed yesterday.

Short-covering means buying to close out bets on lower prices.

Ivory Coast is making changes to its cocoa industry which include selling 70 percent of the 2012-13 crop before the season starts in October. About 910,000 tons of the next crop were sold, the International Cocoa Organization said in a report e-mailed today. There is speculation shipments will be delayed when cocoa from the next season already sold needs to be delivered, Jonathan Parkman, co-head of agriculture at Marex Spectron, said in April.

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