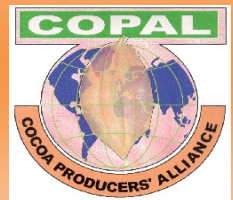


# COPAL COCOA *Info*

*A Weekly Newsletter of Cocoa Producers' Alliance*



Issue No. 397

19<sup>th</sup> – 23<sup>rd</sup> July 2010

Cocoa Producers' Alliance



## UP-COMING EVENTS

- 73<sup>rd</sup> General Assembly and Council of Ministers Meetings, 20<sup>th</sup> – 24<sup>th</sup> September, Kuala Lumpur, Malaysia.

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- LONDON (LIFFE) FUTURES MARKET UPDATE
- NEW YORK (ICE) FUTURES MARKET UPDATE
- FROM THE NEWS MEDIA

Do your health a favour, drink Cocoa everyday  
'It's nature's miracle food'

## In the News (from Newspapers worldwide)

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## ICCO Daily Cocoa Prices

	ICCO daily price (SDR/tonne)	ICCO daily price (\$US/tonne)	London futures (£/tonne)	New York futures (\$US/tonne)
19-Jul-10	2,113.11	3,195.91	2,227.00	3,003.67
20-Jul-10	2,115.51	3,193.70	2,224.67	2,996.33
21-Jul-10	2,090.70	3,148.97	2,198.33	2,959.00
22-Jul-10	2,083.52	3,144.88	2,188.67	2,948.00
23-Jul	2,113.63	3,197.82	2,209.00	2,993.00
<b>Average</b>	<b>2,103.29</b>	<b>3,176.26</b>	<b>2,209.53</b>	<b>2,980.00</b>

**International Financial Futures and Options Exchange (LIFFE)**  
**London Futures Market – Summary of Trading Activities**  
 (£ per tonne)

**Monday 19-Jul 2010**

Month	Opening Trans	Settle	Change	Daily High	Daily Low	Volume
Sep-10	2433	2345	-100	2503	1579	9,392
Dec-10	2261	2183	-93	2360	1590	7,501
Mar 11	2234	2153	-78	2322	1610	2,652
May 11	2199	2152	-78	2312	1965S	1,001
Jul 11	2227	2152	-80	2316S	2061S	73
Sep 11		2153	-79	2321S	2062S	0
Dec 11		2153	-79	2283	2058S	0
Mar 12		2147	-80	2325	2101	0
May 12		2159	-80			0
Jul 12		2160	-79			0
<b>Totals</b>		<b>2176</b>				<b>20,619</b>

**Tuesday 20-Jul 2010**

Month	Opening Trans	Settle	Change	High	Low	Volume
Sep-10	2350	2319	-26	2386	2314	7,916
Dec-10	2186	2193	10	2230	2184	6,475
Mar 11	2152	2162	9	2201	2152	4,490
May 11	2168	2161	9	2193	2156	543
Jul 11	2155	2159	7	2190S	2155	862
Sep 11	2192	2159	6	2192	2162	7
Dec 11	2150	2152	-1	2175S	2150S	173
Mar 12		2146	-1			0
May 12		2156	-3			0
Jul 12		2159	-1			0
<b>Totals</b>		<b>2177</b>				<b>20,466</b>

**Wednesday 21-Jul 2010**

Month	Opening Trans	Settle	Change	High	Low	Volume
Sep-10	2320	2286	-33	2335	2280	5,764
Dec-10	2192	2168	-25	2207	2165	4,147
Mar 11	2162	2141	-21	2182S	2140	1,743
May 11	2154	2140	-21	2184	2140	539
Jul 11	2150	2142	-17	2185	2141	167
Sep 11		2144	-15			0
Dec 11	2152	2137	-15	2179S	2152	17
Mar 12		2131	-15			0
May 12		2141	-15			0
Jul 12		2144	-15			0
<b>Totals</b>		<b>2157</b>				<b>12,377</b>

**Thursday 22-Jul 2009**

Month	Opening Trans	Settle	Change	High	Low	Volume
Sep-10	2283	2273	-13	2300	2251	5,552
Dec-10	2167	2157	-11	2180	2144S	5,626
Mar 11	2141	2136	-5	2151	2118S	1,655
May 11	2138	2141	1	2150	2124	527
Jul 11	2147	2142	0	2153	2126S	148
Sep 11	2155	2133	-11	2155	2130	14
Dec 11	2148	2123	-14	2148	2117S	1,111
Mar 12		2117	-14			0
May 12		2126	-15			0
Jul 12		2130	-14			0
<b>Totals</b>		<b>2148</b>				<b>14,633</b>

**Friday 23-Jul 2009**

Month	Opening Trans	Settle	Change	High	Low	Volume
Sep-10	2270	2297	24	2305	2254	4,577
Dec-10	2157	2178	21	2183S	2139	4,558
Mar 11	2133	2152	16	2160S	2121	2,019
May 11	2137	2154	13	2161	2126	453
Jul 11	2137	2155	13	2166	2128S	150
Sep 11	2136	2154	21	2165	2132S	154
Dec 11	2164	2151	28	2165	2161S	182
Mar 12		2146	29			0
May 12		2155	29			0
Jul 12		2159	29			0
<b>Totals</b>		<b>2170</b>				<b>12,093</b>

<b>Average for the week</b>		<b>2,166</b>				<b>16,038</b>
<b>Total for the week</b>						<b>80,188</b>

**New York Board of Trade**  
**(New York Futures Market – Summary of Trading Activities)**  
**(US\$ per tonne)**

**Monday 19-Jul 2010**

Month	Open	Price	Change	High	Low	Volume
10-Jul	0	0	0	0	0	0
10-Sep	3180	2981	-184	3185	2946	19,508
10-Dec	3179	3004	-174	3192	2970	5,630
11-Mar	3160	3025	-167	3202	3000	759
11-May	3184	3036	-165	3200	3012	162
11-Jul	3165	3046	-159	3165	3046	85
11-Sep	3096	3052	-158	3100	3050	129
11-Dec	3105	3063	-148	3107	3075	232
12-Mar	3181	3163	-116	3181	3181	269
12-May	3142	3145	-129	3142	3142	12
<b>Totals</b>		<b>2752</b>				<b>26,786</b>

**Tuesday 20-Jul 2010**

Month	Open	Price	Change	High	Low	Volume
10-Sep	2997	2977	-4	3025	2932	9,864
10-Dec	3005	3002	-2	3031	2958	3,879
11-Mar	3036	3025	0	3041	2980	894
11-May	3051	3042	6	3060	2996	437
11-Jul	3042	3056	10	3068	3021	194
11-Sep	3074	3065	13	3076	3073	12
11-Dec	3055	3072	9	3080	3055	162
12-Mar	0	3152	-11	0	0	140
12-May	0	3159	14	0	0	0
<b>Totals</b>		<b>3061</b>				<b>15,582</b>

**Wednesday 21-Jul 2010**

Month	Open	Price	Change	High	Low	Volume
10-Sep	2990	2935	-42	3007	2924	6,619
10-Dec	3010	2960	-42	3030	2950	3,361
11-Mar	3030	2981	-44	3037	2972	188
11-May	3049	2999	-43	3049	2998	32
11-Jul	3054	3012	-44	3056	3054	52
11-Sep	0	3021	-44	0	0	0
11-Dec	0	3030	-42	0	0	0
12-Mar	0	3110	-42	0	0	0
12-May	0	3117	-42	0	0	0
<b>Totals</b>		<b>3018</b>				<b>10,252</b>

**Thursday 22-Jul 2009**

Month	Open	Price	Change	High	Low	Volume
10-Sep	2943	2916	-19	2970	2902	8,496
10-Dec	2962	2942	-18	2991	2928	4,512
11-Mar	2986	2965	-16	3004	2953	333
11-May	2984	2985	-14	3029	2984	16
11-Jul	3006	2998	-14	3006	3006	3
11-Sep	3015	3007	-14	3015	3015	1
11-Dec	0	3015	-15	0	0	5
12-Mar	0	3098	-12	0	0	5
12-May	0	3105	-12	0	0	0
<b>Totals</b>		<b>3003</b>				<b>13,371</b>

**Friday 23-Jul 2009**

Month	Open	Price	Change	High	Low	Volume
10-Sep	2932	2966	50	2973	2916	7,710
10-Dec	2950	2993	51	2999	2949	4,445
11-Mar	2977	3018	53	3024	2969	958
11-May	2999	3038	53	3041	2999	215
11-Jul	3049	3049	51	3049	3045	44
11-Sep	0	3058	51	0	0	12
11-Dec	0	3065	50	0	0	1
12-Mar	0	3128	30	0	0	1
12-May	0	3137	32	0	0	0
Jul 12						
<b>Totals</b>		<b>3050</b>				<b>13,386</b>

<b>Average for the week</b>		<b>2,977</b>				<b>15,875</b>
<b>Total for the week</b>						<b>95,252</b>

# News

## ***Production & Quality***

### **Ivorian Cocoa Output to See Growth in 4 yrs - ICCO**

Source: Reuters

19/07/2010

July 16 - Cocoa output by top producer Ivory Coast could grow again in four years, reversing its long-term decline, Jan Vingerhoets, executive director of the International Cocoa Organisation (ICCO) forecast on Friday.

"We think that in about four years the growth (of cocoa production) will come back to Ivory Coast," Vingerhoets told a news conference in Abidjan.

Vingerhoets said he expected global grindings to grow by 2.5 percent in the 2010/11 season.

### **Jonathan Raises C'ttee on Cocoa Production**

THISDAY - Hammied Shittu - Jul 24, 2010

President Goodluck Jonathan yesterday constituted an inter-ministerial committee on Cocoa production and processing as a way of increasing the nation's Gross Domestic Product (GDP) earnings through cocoa production. Jonathan said the committee has been given a six-week ultimatum to submit its report to the government for 'effective' implementation. Jonathan di...

## **The Market**

### **Commodities Firm Armajaro Behind Big Cocoa Bet**

Source: Reuters

19/07/2010

London, July 19 - Commodities firm Armajaro is behind a 600 million pound (\$920 million) bet placed on the cocoa market, the Sunday Times newspaper said.

Armajaro, co-founded by Anthony Ward, took delivery of 240,100 tonnes of cocoa beans last week, betting that a steep rise in prices is set to continue, the newspaper said, without citing sources.

At Friday's closing price, the investment was worth just under 600 million pounds, it added.

Ward declined to comment when contacted by Reuters.

The 240,100 tonne delivery was the largest in nearly 14 years and represented almost all the physical stocks registered with the Liffe exchange, fuelling fears of a supply crunch for the September contract.

It follows weeks when open interest or outstanding positions for the July contract was very high, prompting some market participants to complain to Liffe about the extent of speculation in the market and the lack of transparency on who was doing what.

Cocoa prices hit 32-year highs last week. The July and September futures contracts are always vulnerable to a shortage of fresh cocoa supplies prior to the harvest in the largest producing region, West Africa, in September.



## **Liffe Letter Says it Saw No Abuse in July Cocoa**

Source: Reuters

21/07/2010

London, July 20 - London NYSE Liffe saw no evidence of abusive trading behaviour on the July cocoa contract that expired last week with the physical delivery of almost all London's cocoa stocks, it said in a letter to a group complaining of excessive speculation in cocoa futures.

"From our investigations there is no evidence of abusive behaviour or that any market participant is trading with the specific purpose of distorting the price of the July 2010 delivery month," said the letter from the exchange, dated July 8.

Liffe declined to comment when asked by Reuters about its letter.

Reuters reported on July 2 that 16 European cocoa industry participants had complained to the exchange saying the extent of speculation in London cocoa futures could drive them towards using the rival U.S.-based Intercontinental Exchange and urging more transparency in London cocoa futures.

In the July 8 letter to the group, obtained by Reuters, Liffe said it is in "engagement with open position holders about their intentions, to ensure that business is conducted in an orderly manner."

The letter referred to efforts Liffe was making on regulation and said on the question of trading position limits: "Whilst there was some support from market participants for the introduction of position limits, there were also many views expressed against the introduction of such a policy."

Last week's 240,100 tonne cocoa delivery from the July cocoa contract was the largest in nearly 14 years and represented almost all the physical stocks registered with the Liffe exchange, fuelling fears of a supply crunch for the September contract.

British commodities firm Armajaro was reported by UK newspapers to be the main receiver of the 240,100 tonnes of cocoa. Armajaro declined to comment.

Armajaro was the subject of similar speculation in 2002 when newspapers reported it took a large delivery of cocoa beans against Liffe's July contract and was investigated by Britain's financial regulator the Financial Services Authority (FSA). The FSA did not take any action against Armajaro at the time.

European trade and industry sources told Reuters on Monday that Switzerland's Barry Callebaut, the world's largest chocolate maker, was the end user of about 100,000 tonnes of cocoa that will be delivered on the July contract.

Dealers said the more heavily regulated New York Intercontinental Exchange would require evidence of off-take sales contracts from anyone wishing to take a large delivery of cocoa like the one on the London market last week.

The group of European cocoa trade and industry representatives which complained to Liffe had pointed to unusually large open interest on the July cocoa contract as an indication of excessive speculation.

In its letter replying to the group, Liffe said: "We note your assertion that the current price activity is due to speculation. We are unclear on what factual basis that conclusion can be reached."

Liffe cocoa prices touched 32-year highs last week driven in part by a long-term decline in output from the world's biggest producing region, West Africa.

## **TRADING COMMITMENT REPORT IN Q3 2010**

New York's Intercontinental Exchange provides a weekly position report.

Liffe also told Reuters this month it was finalising plans to launch a commitment of traders report in the near future, possibly detailing positions held in London's cocoa, sugar and coffee markets.



"The timetable for the completion of all related preparations is expected to facilitate implementation of the published reports during the third quarter of 2010," the July 8 letter said. "Further details on this are expected to be announced during the coming month."

This would mean an announcement was possible by early August.

The commitment of traders report had required development of new systems within the exchange and changes in technology for back office systems, it said.

Liffe said it had also sent a copy of its letter to Britain's FSA financial regulator.

### **Trader eats up the cocoa market**

By Julia Werdigier and Julie Creswell

New York Times

Posted: Sunday, Jul. 25, 2010

LONDON To some, he's a real-life Willy Wonka. To others, he's a Bond-style villain bent on taking over the world's supply of chocolate.

In a stroke, a hedge fund manager named Anthony Ward has all but cornered the market in cocoa. By one estimate, he has bought enough to make more than 5 billion chocolate bars.

Chocolate lovers in London are crying into their Cadbury wrappers - and rival traders are crying foul, saying Ward is stockpiling cocoa in a bid to drive up already high prices so he can sell later at a big profit. His activities have helped drive cocoa prices on the London market to a 30-year high.

Ward, 50, is not some rabid chocoholic, former employees say. He simply has a head for cocoa. And, through his private investment firm, Armajaro, he now controls a cache equal to 7 percent of annual cocoa production worldwide, a big enough chunk to sway prices.

"Globally, he is unmatched in his knowledge of cocoa," said Tim Spencer, a former Armajaro executive.

Armajaro maintains offices in West Africa, helping Ward keep tabs on major cocoa crops. "We even have our own weather stations - our very own that no one else has in some parts of the world," Ward, soft-spoken and tan, said in a video interview this year with a financial news service.

Now, traders are buzzing that Ward has placed an audacious \$1 billion bet in the London market for cocoa futures. This month, he bought 241,100 metric tons of beans, they say.

His play has some people up in arms. While some see it as a simple bet that cocoa prices will rise on falling supply, others say Ward has created a shortage of cocoa simply to drive up the price himself.

The German Cocoa Trade Association and others wrote an angry letter to the London exchange on which cocoa is traded, demanding that it take action against what the association characterized as a "manipulation."

The British news media has christened Ward "Chocolate Finger," a nod to the Bond villain Auric Goldfinger. And on Facebook, someone has created a "Choc Finger" page featuring Ward's face superimposed on a pig that is bellying up to the trough.

The fear is that Ward will become the go-to source until the annual cocoa harvest, which starts in October. With candy makers starting to stock up for the holiday season, they may be forced to pay him ever-higher prices - and cocoa has already jumped 150 percent since 2008.

Ward and his firm, which has not acknowledged buying the cocoa contracts, declined to comment for this article.

## ***Processing & Manufacturing***

### **Singapore's ADM to Invest in Indonesia Cocoa Grinding**

Source: Reuters

19/07/2010

Jakarta, July 19 - ADM Cocoa Pte Ltd, a Singapore-based cocoa products manufacturer, plans to invest \$500 million in Indonesia's cocoa processing industry, Indonesia's deputy agriculture minister said on Monday.

The move follows the government's imposition in April of an export tax on cocoa aimed at boosting the domestic grinding industry in the world's third largest producer of cocoa.

It was not clear whether the firm plans to develop a new factory or upgrade its existing plant, but it expects to process 80,000-100,000 tonnes of cocoa a year, said Bayu Krisnamurthi.

"We haven't received any details on their investment plan including the location of the plant. But they are interested to invest \$500 million in the cocoa processing industry here," Krisnamurthi said in a text message.

ADM was not immediately reachable for comment.

Indonesia introduced an export tax on cocoa beans with effect from April 1, because it wanted to encourage production of high value goods, despite protests from exporters who have since held back export volumes.

The move is likely to lure more companies to invest in the country's cocoa grinding industry.

Indonesian state-owned retail firm PT Sarinah said in an interview in June that it plans to invest between \$20-25 million to set up a cocoa grinder by 2013.

Indonesia expects to produce 540,000 tonnes of cocoa beans this year, up from 500,000 tonnes in 2009, the Indonesian Cocoa Association has forecast.

### **Brazil June Cocoa Grind Down 5 pct on Year**

Source: Reuters

22/07/2010

July 21 - Brazil's cocoa grind totaled 17,803 tonnes (296,708 60-kg bags) in June 2010, down 5 percent from the 18,705 tonnes (311,749 bags) processed in the same month a year ago, cocoa analyst Thomas Hartmann said on Wednesday.

June's grind was 9 percent lower than the May figure.

Brazil is the world's sixth largest cocoa producer with six cocoa processing plants, four of which are in the northeastern state of Bahia. The other two are in Sao Paulo state.

Below is a table listing monthly cocoa grind data since October 2009 in metric tonnes and the equivalent in 60-kg bags.

	TONNES	BAGS (60-kg)
JUN '10	17,803	296,708
MAY '10	19,578	326,306
APR '10	17,690	294,839
MAR '10	19,257	320,955
FEB '10	18,289	326,722
JAN '10	20,072	334,542
DEC '09	16,384	273,080
NOV '09	19,962	332,700
OCT '09	19,652	327,528

## ***Business and Economy***

### **Callebaut to Take 100,000 T of London Cocoa -Trade**

Source: Reuters

20/07/2010

Hamburg, July 19 - Switzerland's Barry Callebaut, the world's largest chocolate maker, is the end user of about 100,000 tonnes of cocoa that will be delivered on the London July cocoa contract, European trade and industry sources said on Monday.

Barry Callebaut declined to comment on its cocoa purchasing activities.

British commodities firm Armajaro was reported by UK newspapers to be the main receiver of 240,100 tonnes of cocoa beans delivered on the NYSE Liffe London contract which expired last week.

Armajaro has also declined comment.

Armajaro was the subject of similar speculation in 2002 when newspapers reported it took a large delivery of cocoa beans against Liffe's July contract and was investigated by Britain's Financial Services Authority (FSA). The FSA did not take any action against Armajaro at the time.

The FSA has declined to comment on whether it is currently investigating the cocoa market and its participants.

Dealers said the more heavily regulated New-York Intercontinental Exchange would require evidence of off-take sales contracts from anyone wishing to take a large delivery of cocoa like the one on the London market last week.

"There are no requirements like that on Liffe," said the London-based trader.

Liffe declined to comment on whether it will intervene on the market.

On Friday the head of the International Cocoa Association urged Liffe to improve the transparency of its cocoa contracts.

### **WHO'S GOT THE COCOA?**

Some trade and industry sources said Barry Callebaut would be the end user of about 100,000 tonnes of the total said to be received by Armajaro. But others speculated that the trade house may hold onto the cocoa and not sell it, in anticipation of rising prices.

Liffe cocoa prices are around 32-year highs driven in part by a long-term decline in output from the world's biggest producing region, West Africa.

Last week's 240,100 tonne delivery was the largest in nearly 14 years and represented almost all the physical stocks registered with the Liffe exchange, fuelling fears of a supply crunch for the September contract.

It follows weeks when open interest or outstanding positions for the July contract was very high, prompting some market participants to complain to Liffe about the extent of speculation in the market and the lack of transparency on who was doing what.

"The fact that cocoa is going to an end user is a genuine use of the cocoa, so I'm not really sure Liffe is under huge pressure (to take any action) at this stage," a London-based trader said.

## **Cocoa Rumpus Raises Chance of Commodities Crackdown**

Source: Reuters

22/07/2010

London, July 21 - Accusations of excessive speculation in London's cocoa market have come at the worst possible time for the NYSE Liffe exchange, and could lead to the introduction of tougher rules, lawyers and analysts said.

London's commodity markets are under pressure to tighten regulation as the United States pushes forward with plans to tame speculative activity that was blamed by some for pushing food and energy prices to record highs in 2008.

The issue surfaced in cocoa when 16 European industry players wrote to Liffe threatening to move to the rival U.S. IntercontinentalExchange, complaining of the amount of speculation and lack of transparency in the London market.

David Hufton, head of oil brokers PVM, said in a note to clients on Wednesday the cocoa market spat had shone an unwelcome spotlight back on commodities in London.

"In a world with its regulatory racing shoes firmly in place it is suicidal to provide market sceptics with such ammunition.

"The whole debate about the morality of allowing speculation in strategic resources, especially food, is unfortunately back."

The physical delivery of almost all of London's graded cocoa stocks on the expiry of the July futures contract last week -- the equivalent of almost 7 percent of world production -- has attracted widespread press coverage. There have been suggestions this cocoa went to just one or two parties.

Liffe said in a letter earlier this month that it saw no evidence of abusive trading behaviour on the July cocoa contract.

Liffe cocoa prices touched 32-year highs last week, and many have argued the rise was driven in part by a long-term decline in output from the world's biggest producing region, West Africa, rather than by speculation.

### **CHANGING POLITICAL CLIMATE**

Michael Lewis, head of commodity research at Deutsche Bank in London said there was a long history of attempts to corner commodities that have never attracted much attention in the past, but now the political climate had changed.

"This kind of thing has been going on for at least 90 years, but there will inevitably be more focus on the market as there are already ongoing attempts to curb excessive speculative activity," Lewis said.

Liffe told Reuters it will launch a weekly report of trader positions later this year after consultation with its members.

A spokesman at Liffe said it would mirror those provided by the Commodities Futures Trading Commission (CFTC) in the United States, but said they were still working on the details. The New York ICE Exchange already provides a weekly position report.

So far the exchange has not moved to impose limits on the number of contracts that any one investor can hold.

Liffe's letter to the cocoa protest group said that "Whilst there was some support from market participants for the introduction of position limits, there were also many views expressed against the introduction of such a policy."

Lawyer Jonathan Herbst, a partner at Norton Rose in London, said the cocoa market dispute increased the likelihood European law will fall into line with the United States. The European Union's executive Commission is working on a bill governing over-the-counter derivatives.

"There is clearly a chance we will end up with position limits through the European Commission's OTC derivatives bill. There could be a copycat element where the European Parliament says in the U.S. they have mandatory position limits and we should do the same.

"If it becomes European law it will trump whatever the (British) Financial Services Authority or exchanges might want."

#### FSA TO ACT?

The FSA, the UK regulator, declined to comment when asked if it was working with Liffe on future regulatory plans, but in a paper in late 2009 the FSA argued against the need for hard position limits in derivative markets.

"We do not believe that limiting one class of market participant by imposing specific limits is a desirable or warranted response."

However, in recent months the FSA has been attempting to portray itself as a tougher regulator of commodities than previously perceived, landing a series of high profile market abuse cases.

Speculation by UK newspapers that Armajaro, a British commodities and hedge fund firm, was the main recipient of the July cocoa stocks has stoked debate over transparency at Liffe. The company was the subject of similar speculation in 2002 when newspapers reported it took a large delivery of cocoa beans and was investigated by the FSA.

The FSA did not take any action against Armajaro at the time. Both the authority and Armajaro have so far declined to comment.

Trade sources said Armajaro's commodity focused hedge funds have around \$500 million in assets under management and have earned investors around 17 percent between January and June.

European trade and industry sources told Reuters on Monday that Switzerland's Barry Callebaut, the world's largest chocolate maker, was the end user of about 100,000 tonnes of cocoa that will be delivered against the July contract.