



COCOA MARKET REVIEW

NOVEMBER 2008

The current review reports on cocoa price movements on the international markets during November 2008. **Chart I** illustrates price movements on the London (Liffe.Euronext) 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 2008. **Chart III** depicts the link between the ICCO daily price, the *Dow Jones* commodity index and the US dollar exchange rate against other major currencies. Finally, **Chart IV** presents recent changes in cocoa price volatility.

Chart I: Cocoa bean prices on the London (LIFFE) and New York (ICE) futures markets
November 2008

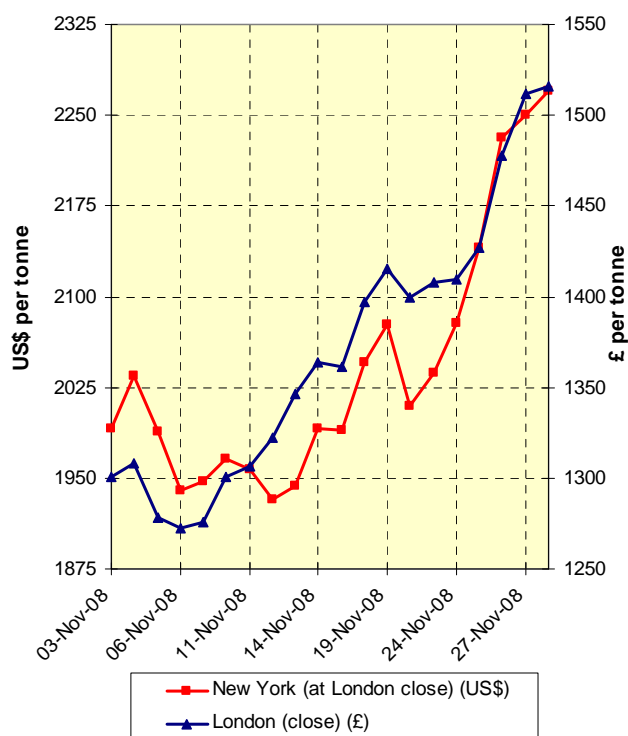
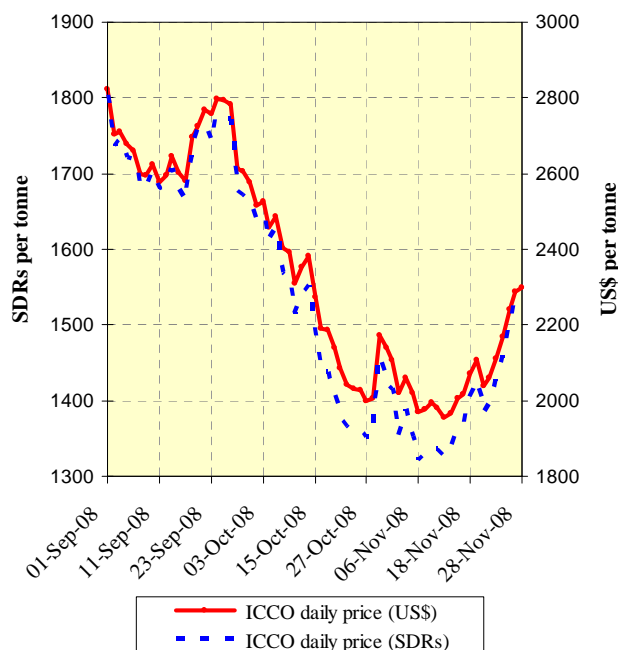


Chart II: ICCO daily prices
September – November 2008



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

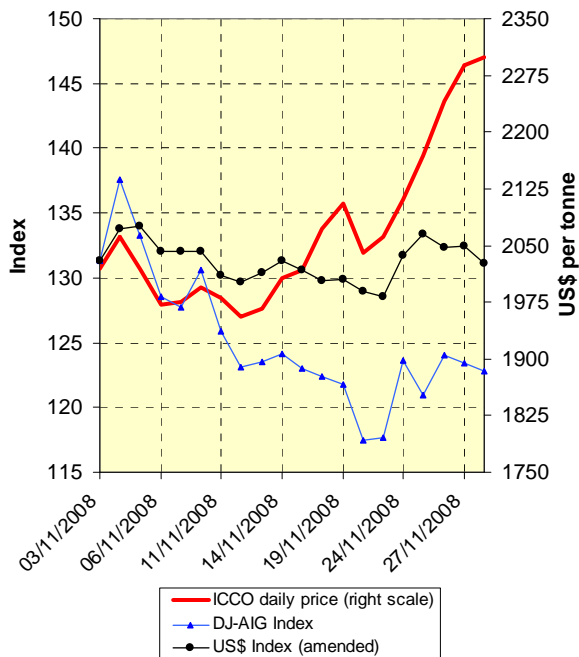
Price movements

In November, the ICCO daily price averaged US\$2,068 per tonne, down by US\$184 compared to the average price recorded in the previous month (US\$2,252), and ranged between US\$1,956 and US\$2,300.

Despite recording a lower monthly average compared to the previous month, when cocoa prices showed a steady decline, cocoa futures prices bounced back in November. Prices increased by 14% on the New York market to US\$2,270 and by 17% in London to £1,516, recovering totally in London and partially in New York at the end of the month, from the losses experienced in the previous month. Confirmation of deterioration in the cocoa supply outlook during the 2008/09 cocoa season as well as a low level of warehouses' certified stocks of cocoa beans in the United States (reaching the lowest level in almost four years) and in Europe, provided some support to the markets. This bullish situation led non-commercial participants (speculators) to cover partially their short positions, after their net long position had reached a two-year low in the preceding month.

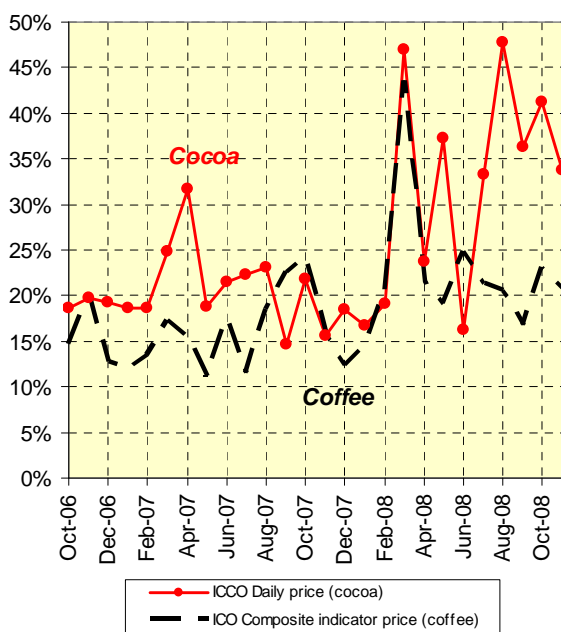
In the last months, the ICCO Secretariat reported that cocoa prices had been following the same pattern as most commodities, despite the fact that the cocoa market had shown a stronger growth than other commodities

Chart III: ICCO daily price, DJ-AIG commodity index and US\$ index



Note: The US\$ index represents here an index of the value of a basket of major currencies relative to the US\$. Therefore, for instance, a decline of the index corresponds to a strengthening of the US\$.

Chart IV: Cocoa and coffee price volatility (values expressed in annual terms)



in periods of upward movements and more resilience in periods of downward movements. However, as shown in *Chart III*, cocoa prices and the Dow Jones commodity-AIG index, which tracks price movements across various commodities (cocoa not included), decoupled. While the cocoa market experienced strong gains during the month, most commodities suffered losses. Overall, the fluctuation of the US dollar did not have any significant impact on commodity trading during the month. Indeed its value remained globally at a stable level relative to other major currencies, as depicted by the movement of the US\$ index in *Chart III*.

Price volatility

Market participants have had particularly conflicting views on the outlook for cocoa prices in the last months, depending on which factors influencing prices they predominantly based their judgement upon. These factors included the impact of speculators' activity in the markets, the macroeconomic environment, and the situation related purely to cocoa supply and demand. This uncertainty was reflected by the high level of volatility in the cocoa market in recent months, as shown in *Chart IV*.

Supply & demand situation

Concerns about the supply of cocoa beans rose in November. News agency data showed that cocoa bean arrivals to ports in Côte d'Ivoire, the major cocoa producing country, were the slowest in years. Only 251,000 tonnes of beans are estimated to have reached the local ports during the first two months of the current season, a level around 40% below average for the four preceding seasons. Most analysts are expecting that this year's main crop in Côte d'Ivoire will be significantly lower than in the last season.

The recent addition of grindings capacity in the United States (by *ADM*) and in Ghana (by *Cargill*) as well as the opening of two new plants in Côte d'Ivoire in 2009 (by *Ivoire-Cacao* and *Choco-Ivoire*) are expected to support demand for cocoa beans. However, processing margins have been declining in recent months, probably reflecting a worsening outlook for chocolate consumption. Indeed, uncertainty prevails on the degree of resilience on the chocolate market to the deterioration of the global economic environment.

