

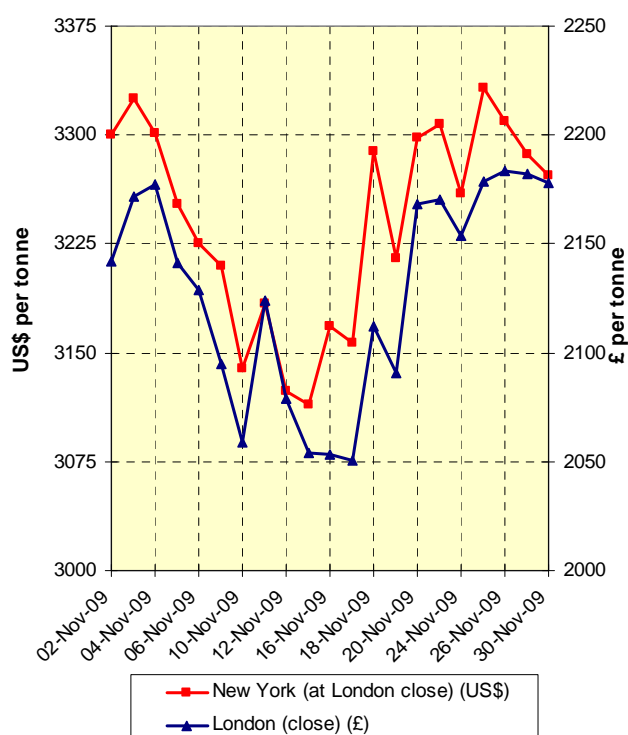


## COCOA MARKET REVIEW

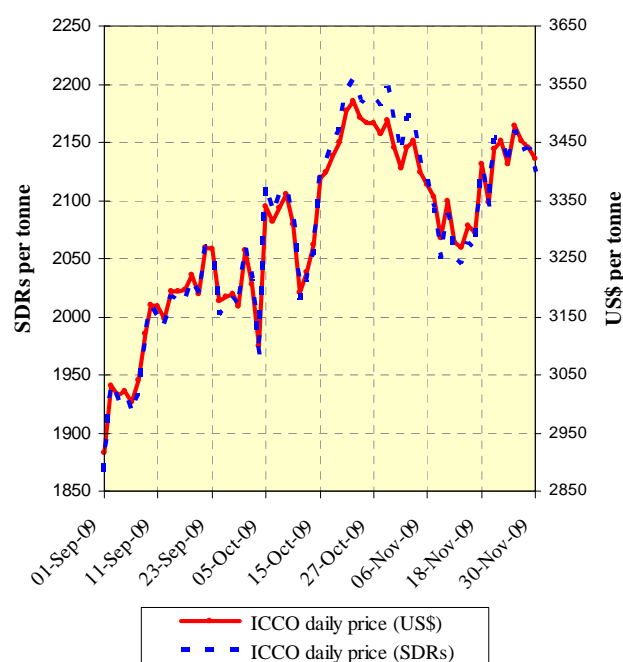
### NOVEMBER 2009

The current review reports on cocoa price movements on international markets during November 2009. **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 2009. **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 (NYSE Liffe) and New York (ICE) futures markets**  
November 2009



**Chart II: ICCO daily prices**  
September – November 2009



**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.

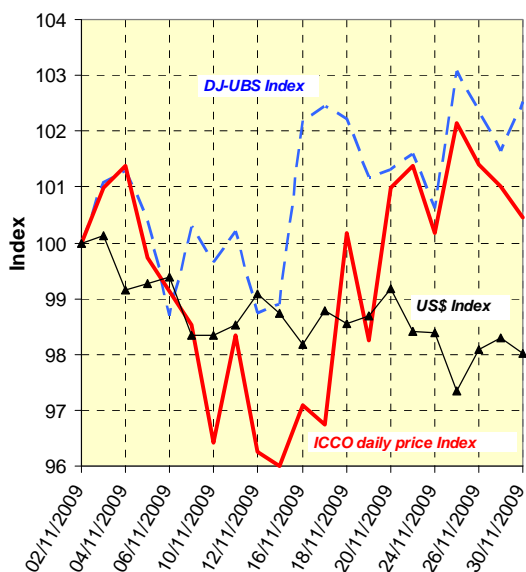
### Price movements

In November, the ICCO daily price averaged US\$3,384 per tonne, up by US\$11 compared to the average price recorded in the previous month (US\$3,373), and ranged between US\$3,269 and US\$3,480.

After reaching a peak in the fourth week of October, cocoa futures prices moved sideways with a downward trend, falling to £2,177 per tonne in London and to US\$3,301 per tonne in New York in the middle of the first week of November. Indeed, as prices had reached new record highs in the fourth week of October, at that point, market participants were uncertain about the potential for any further rise and, at such relatively high prices, the markets became vulnerable to profit-taking. Finally, prices tumbled from the middle of the first week of November to levels five per cent lower in London, to £2,054 and, in the middle of the month, six per cent lower in New York, to US\$3,114. The bearish factors included:

- The continuous report of large weekly cocoa arrivals in Côte d'Ivoire by news agencies, confirming a strong start of the main crop in this major cocoa producing country. According to reports from exporters, cumulative cocoa arrivals reached around 378,000 tonnes at the end of the month, which was 56% above the level recorded at the same period in the previous year.
- The return of rainfall in the West African cocoa belt in November, which brought hopes of a limitation to the detrimental effects of the lack of rain recorded in the previous months on the second half of the main

**Chart III: ICCO daily price Index, Dow Jones-UBS commodity index and U.S. Dollar Index**



**Notes:**

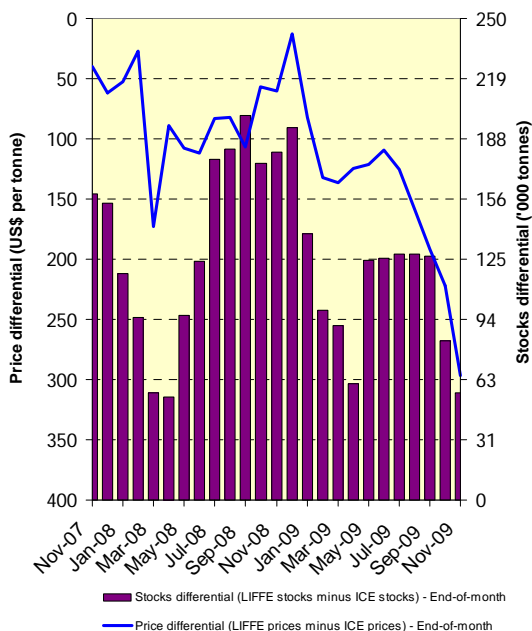
The *US Dollar Index* is a measure of the value of the United States dollar relative to a basket of six major foreign currencies. The *Dow Jones Commodity-UBS Index* tracks price movements across various commodities, including energy, precious metals, industrial metals, grains, livestock, softs (cocoa being excluded) and agriculture.

harvest (January – March 2010) and the coming mid crop. Indeed, the August – October period (just before the start of the dry season, in winter) is estimated to have recorded less than half of the normal volume of rainfall in the cocoa areas of Côte d’Ivoire.

- Increased concerns that demand for cocoa beans might not recover in the fourth quarter of 2009, as expected earlier, leading the European cocoa butter ratio (the price of cocoa butter to cocoa beans being used as a proxy for processing margins) to decline further, to below 2.0.

The markets subsequently found some fresh impetus which allowed futures prices to bounce back in mid-November, reaching £2,183 in London and US\$3,332 in New York in the fourth week of the month. The renewed optimism about the global economic recovery benefited most commodities, as shown in **Chart III**. Furthermore, cocoa markets were supported by the perception among participants that cocoa processors and chocolate manufacturers might have a substantially below average forward fixed price coverage and, as a result, might have to increase cocoa buying in the coming months. Finally, prices were also supported by concerns that the second part of the main crop in Côte d’Ivoire may prove to be very poor.

**Chart IV: Arbitrage spread between NYSE Liffe and ICE Futures and licensed warehouse stocks**



**Certified warehouse stocks of cocoa beans**

As depicted in **Chart IV**, the price premium fetched by the London cocoa futures market against the New York market continued to widen in November, reaching almost US\$300 at the end of the month.

This was mainly the result of the reduction of certified warehouse stocks in Europe during the month, by 18,000 tonnes to 240,000 tonnes at the end of November while, in the United States, the level of stocks increased by 10,000 tonnes to 185,000 tonnes.

**Supply and demand situation in 2008/2009**

The ICCO Secretariat’s revised estimates for the 2008/2009 cocoa year, published in the latest issue of the *Quarterly Bulletin of Cocoa Statistics*, envisage a third year of production deficit, of 28,000 tonnes. World cocoa bean production is estimated to have declined by 5.8% (down by 216,000 tonnes) over the previous season, to 3.515 million tonnes. Grindings are estimated to have decreased by 6.6% to 3.508 million tonnes (down by 247,000 tonnes). Global statistical stocks of cocoa beans as at the end of the 2008/2009 cocoa year are estimated at 1.556 million tonnes, equivalent to 44.4% of annual grindings in 2008/2009.

