



COCOA MARKET REVIEW

DECEMBER 2009

The current review reports on cocoa price movements on international markets during the month of December 2009. **Chart I** illustrates price movements on the London (NYSE Liffe Futures and Options) and New York (ICE Futures US) markets in December. **Chart II** shows the evolution of the ICCO daily price, quoted in US dollars and in SDRs, from October to December 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
December 2009

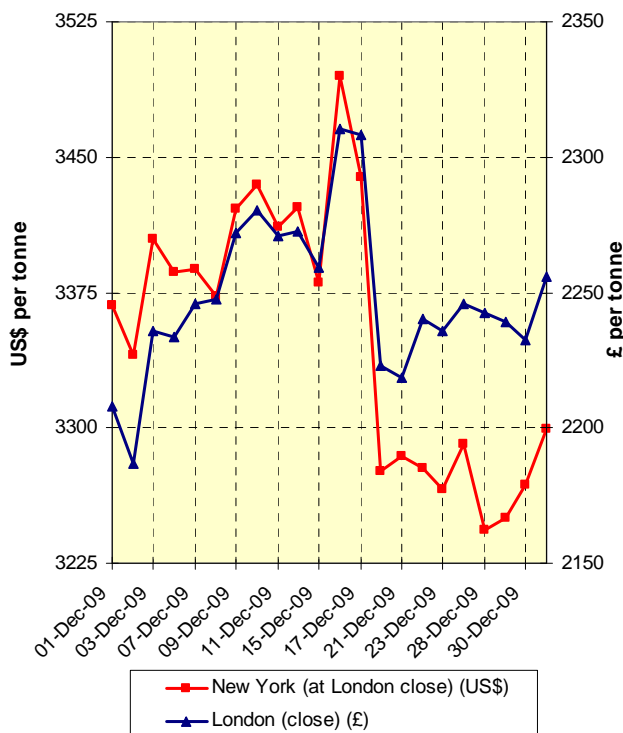
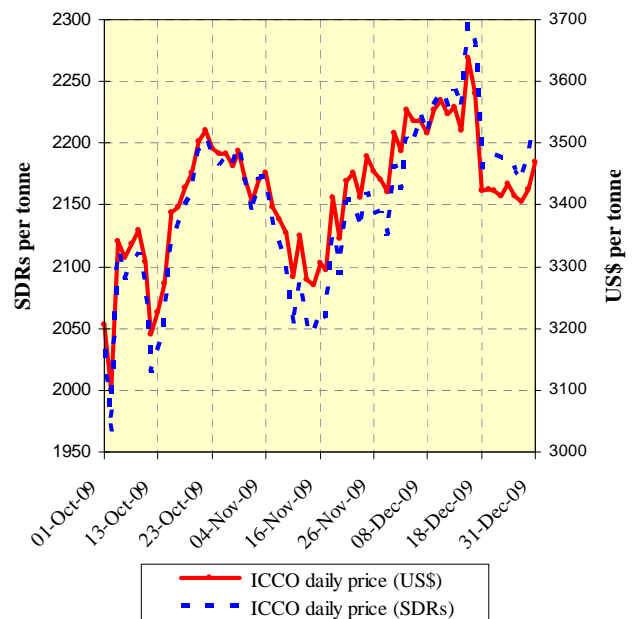


Chart II: ICCO daily prices
October – December 2009



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 December, the ICCO daily price averaged US\$3,498 per tonne, up by US\$114 compared to the average price recorded in the previous month (US\$3,384), and ranged between US\$3,404 and US\$3,637.

The sharp rise in cocoa futures prices initiated in the middle of November continued in December, with prices reaching £2,311 per tonne in London and US\$3,495 per tonne in New York in the middle of the month. The major bullish factor arose from the expectation that weekly cocoa arrivals in Côte d'Ivoire would start to wane earlier than usual, and that consequently, the 2009/10 season might experience another supply deficit, which, if realized, would be the fourth consecutive supply deficit in a row. Indeed, according to data published by news agencies, weekly cocoa arrivals declined in the last two weeks of the month. At the end of the year, a total of 565,000 tonnes of cocoa had reached Ivorian ports since the beginning of the season.

As shown in **Table 1**, both cocoa markets experienced new record prices on that occasion, surging to their highest level for 32 years in London and 30 years in New York.

Cocoa decoupled from the wider commodity market at the beginning of the month, as shown by the decline of the Dow Jones-UBS commodity index depicted in **Chart III**.

Thereafter, pressure caused by the steady strengthening of the US dollar and the vulnerability of the cocoa markets to profit-taking due to the relatively high prices reached, led both markets to plummet at the end of the third week of the month. However, in the last few sessions of December, they recovered slightly in light volume.

Table 1: Prices for cocoa beans on the futures markets, record levels and growth rates

Cocoa bean prices	Unit	2009 high (date)	Date previous high	% increase as at 31 Dec 2009 (past year) a/
ICCO daily prices	SDRs/tonne	2,298 (16 Dec)	03 Oct 1985	+ 30%
ICCO daily prices	US\$/tonne	3,637 (16 Dec)	16 Jan 1979	+ 33%
ICCO daily prices	Euro/tonne	2,500 (17 Dec)	c/	+ 29%
London futures b/	£/tonne	2,311 (16 Dec)	03 Oct 1977	+ 27%
New York futures b/	US\$/tonne	3,495 (16 Dec)	28 Feb 1979	+ 25%
Dow Jones-UBS Commodity Index	Index	143 (15 Jun)	14 Oct 2008	+ 19%

Notes:

- a/ Percentage increase from 31 December 2008 to 31 December 2009
- b/ Average of the quotations of the nearest three active futures trading months
- c/ No higher cocoa prices were recorded since the introduction of the euro currency

At the end of the 2009 year, the New York market recorded a 25% increase over the previous year while the London market rose by 27%. However, it should be noted that, in US dollar terms, cocoa prices in the London market increased by 41% following the depreciation of the American currency in 2009 against the Pound sterling. The major factor behind this stronger rise compared to the New York market was the opposite development in certified warehouse stocks of cocoa beans in the two continents, as presented hereunder.

Chart III: ICCO daily price Index, Dow Jones-UBS commodity index and US Dollar Index

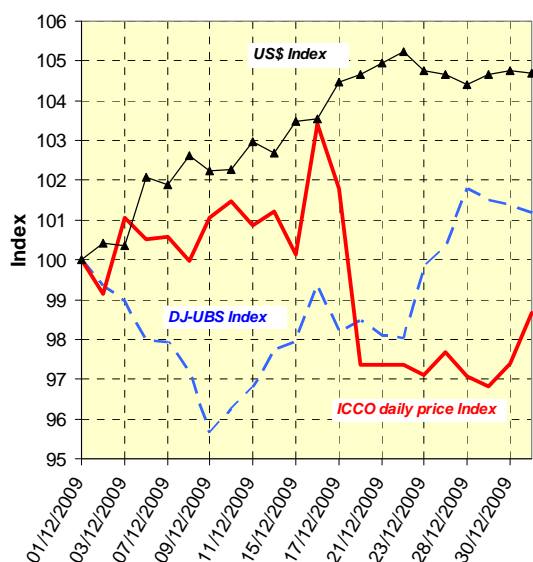
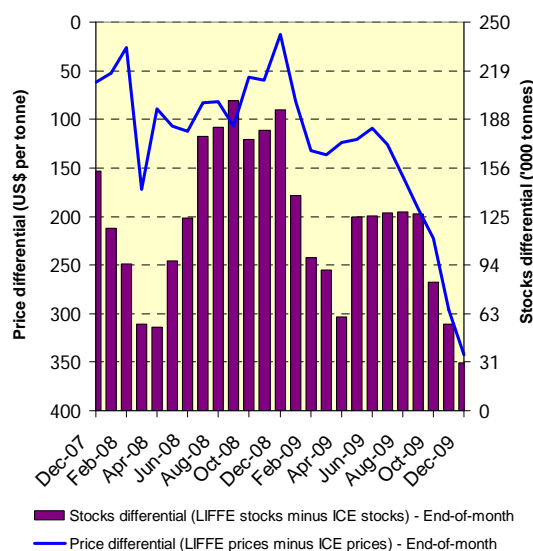


Chart IV: Arbitrage spread between NYSE Liffe and ICE Futures and licensed warehouse stocks



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 December, reaching US\$342 at the end of the month, a 32-year high. This was mainly the result of the depletion of certified warehouse stocks in Europe in the past few months, to 221,000 tonnes at the end of December while, in the United States, the level of stocks increased, reaching 191,000 tonnes at the end of the month.

