



COCOA MARKET REVIEW

APRIL 2010

The current review reports on cocoa price movements on international markets during the month of April 2010. **Chart I** illustrates price movements on the London (NYSE Liffe Futures and Options) and New York (ICE Futures US) markets in April. **Chart II** shows the evolution of the ICCO daily price, quoted in US dollars and in SDRs, from February to April 2010. **Chart III** depicts the ICCO Secretariat's estimates of world grindings by quarter. **Chart IV** presents the change in the ICCO daily price Index, the Dow Jones – UBS Commodity Index and the US Dollar Index.

Chart I: Cocoa bean prices on the London (NYSE Liffe) and New York (ICE) futures markets
April 2010

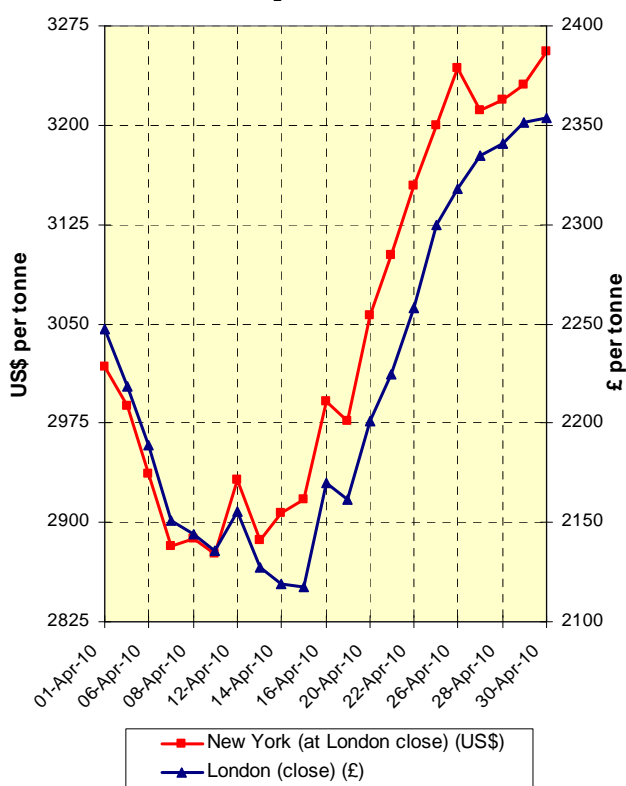
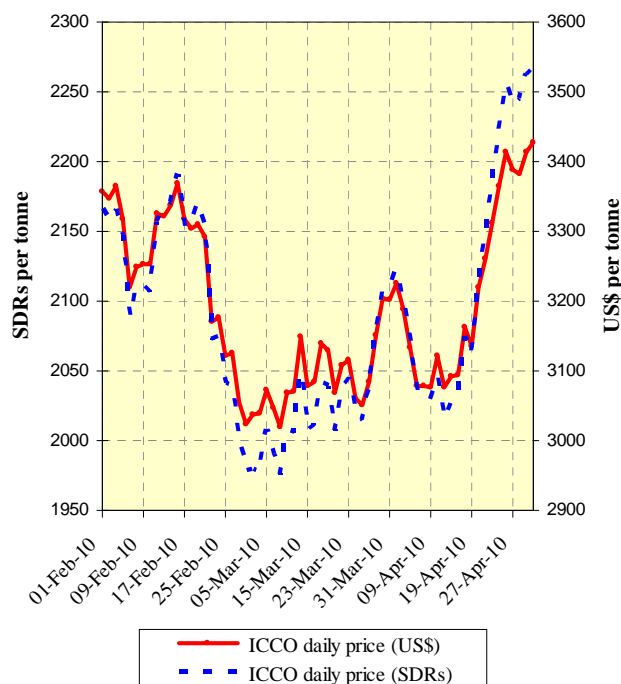


Chart II: ICCO daily prices
February – April 2010



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.

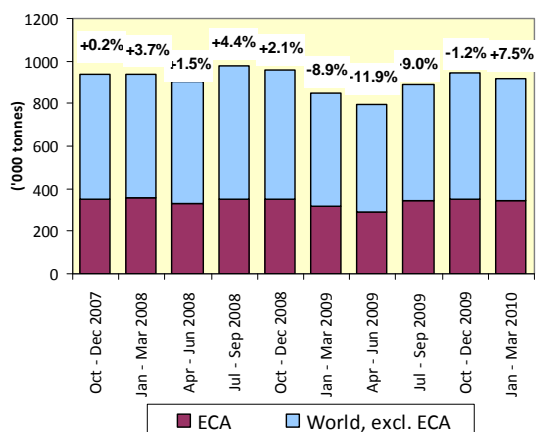
Price movements

In April, the ICCO daily price averaged US\$3,221 per tonne, up by US\$132 compared to the average price recorded in the previous month (US\$3,090), and ranged between US\$3,076 and US\$3,428.

After recording an upward trend in March, cocoa futures markets changed direction at the beginning of April, with prices falling to US\$2,876 per tonne in New York in the second week of the month and to £2,117 per tonne in London. The earlier end of the decline in New York resulted mainly from the support provided to the market by the depreciation of the US dollar.

Both futures markets subsequently found some fresh impetus in the middle of the month, allowing cocoa prices to climb to their highest level for 32 years in London (to £2,353) and to their highest level for three months in New York (US\$3,256) at the end of April. This increase coincided with the publication by the *European Cocoa Association* (ECA) of data on processing activity by its members (the 15 European Union countries prior to the 2004 enlargement plus Switzerland) showing an increase by 8.1% during the first quarter of 2010 compared to the same quarter one year earlier. While this expansion was in line with expectations, the surge by 16.2% in total processing activity in North America (Canada, Mexico and the United States) provided some fresh support to both cocoa markets.

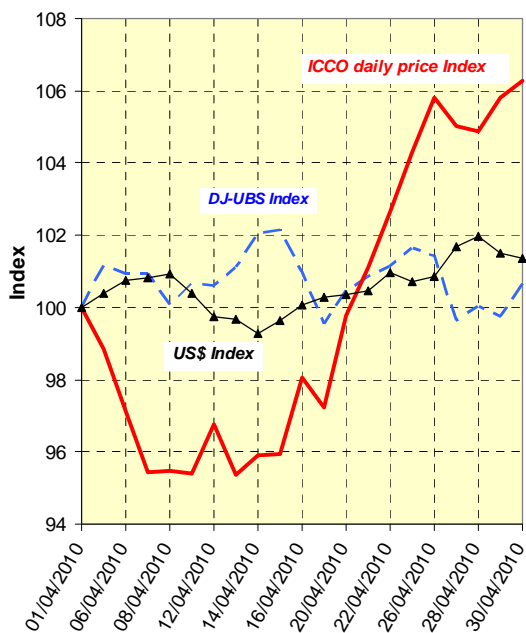
Chart III: Quarterly grindings, European Cocoa Association (ECA) and the rest of the world



Note:

The percentages presented in the above chart show the change in quarterly world grindings against the corresponding quarter a year earlier.

Chart IV: 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. Both indexes are rebased.

After four consecutive quarters recording declining processing activity (compared to the corresponding quarters one year earlier), the ICCO Secretariat estimates that world grindings rose for the first time in the first quarter of 2010 by 7.5%, as shown in **Chart III**. It should be noted that the sharpest decline was recorded in the second quarter of 2009, which saw quarterly processing activity at its lowest level since 2004.

As cocoa prices rose in the second half of the month by over 11%, most participants from the cocoa and chocolate industry remained on the sidelines. They had already extended their forward fixed price cover in previous weeks and, indeed, were not willing to be active at such price levels. Conversely, non-commercial participants increased their investment in cocoa in the last two weeks of April, with their net long position soaring by over 10,000 lots in New York to 33,265 lots by the end of April.

As depicted in **Chart IV**, the price increase in cocoa exceeded by far the rise of the average price of other commodities, as measured by the DJ-UBS Index.

Supply and demand

On the supply side, according to data from the *CGFCC*, less than 40,000 tonnes of cocoa beans reached Ivorian ports in April, thus bringing the total from the beginning of the season to 921,198 tonnes (as at 2 May). This was about 32,000 tonnes lower than for the same period of the previous season.

In Ghana, cumulative cocoa purchases by the *Cocobod* from the beginning of the season to 22 April reached 527,885 tonnes, a decline of 60,000 tonnes compared to the same period one year earlier.

In Indonesia, cocoa bean exports from Sulawesi, the country's main cocoa growing area, reached only 6,500 tonnes in April, bringing the total for the season to almost 146,000 tonnes, an increase, however, by about 15,000 tonnes compared with the previous year.

On the demand side, the ICCO Secretariat estimates that world cocoa processing activity rose by 5.2% in the first half of the season. The current April – June quarter is expected to show a strong increase compared to the second quarter of 2009.

At the end of May, the ICCO Secretariat will release its revised crop and grindings forecasts for the current cocoa year in its *Quarterly Bulletin of Cocoa Statistics*.

