# COCOA MARKET REVIEW

## JUNE 2009

The current review reports on cocoa price movements on the international markets during June 2009. **Chart I** illustrates price movements on the London (Liffe.Euronext) and New York (ICE Futures US) markets in June. **Chart II** shows the evolution of the ICCO daily price, quoted in US dollars and in SDRs, from April to June 2009. **Chart III** depicts the change in the ICCO daily price Index, the Dow Jones-UBS Commodity Index and the US Dollar Index. Finally, **Chart IV** illustrates movements of the cocoa butter ratio in Western Europe.

**Chart I: Cocoa bean prices on the London (LIFFE) and New York (ICE) futures markets**
***June 2009***

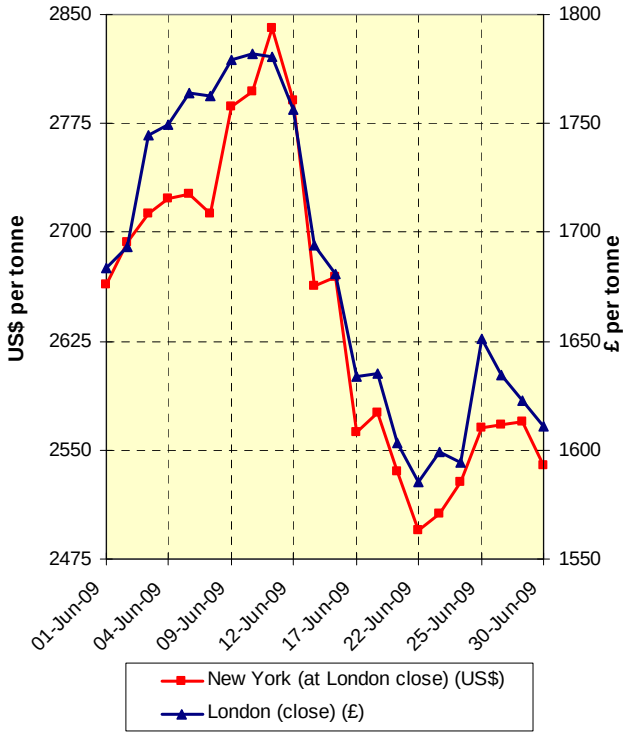
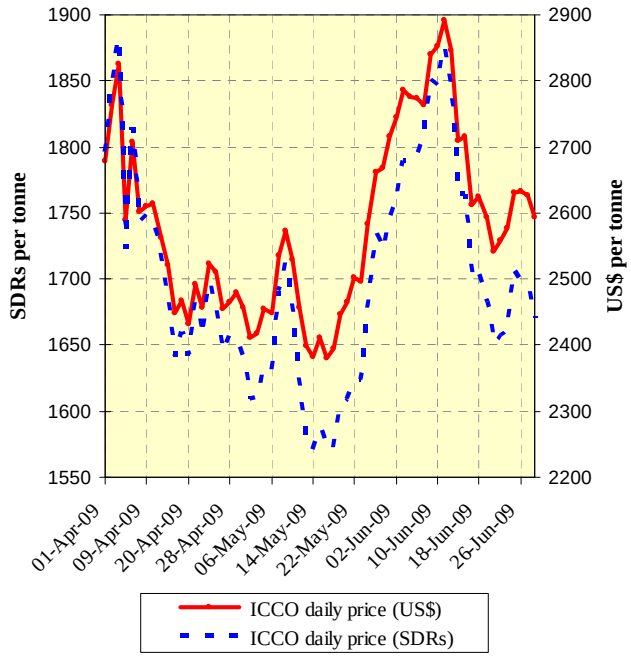



**Chart II: ICCO daily prices**
***April – June 2009***




**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 June, the ICCO daily price averaged US$2,700 per tonne, up by US$219 compared to the average price recorded in the previous month (US$2,481), and ranged between US$2,543 and US$2,892.

The sharp rise in cocoa futures prices initiated in the middle of the previous month continued during the first two weeks of June, with quotations climbing to their highest level for over seven weeks in London (to £1,782 per tonne) and for ten months in New York (to US$2,841 per tonne). The increase was partly attributed to strong buying interest from non-commercial buyers; indeed their net long position on the New York market increased from less than 10,000 lots at the end of May to over 20,000 lots in the second week of June, according to data published in the Commitment of Traders reports by the CFTC. However, the rise of cocoa prices under-performed the surge experienced by the broader commodity market during the same period, as shown in **Chart III**. Unlike 2008, in the past few months, cocoa has not been one of the best performers among commodities.

Thereafter, in the third week of the month, both London and New York futures prices fell by over 10% to reach £1,585 (down by £197) in London and US$2,494 (down by US$347) in New York at the beginning of the fourth week. This pull-back was largely anticipated by many traders and was not specific to the cocoa market. During the same period, equity and other commodity prices plummeted, with the DJ-UBS Commodity Index (ex. DJ-AIG Commodity Index) losing 12%.

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

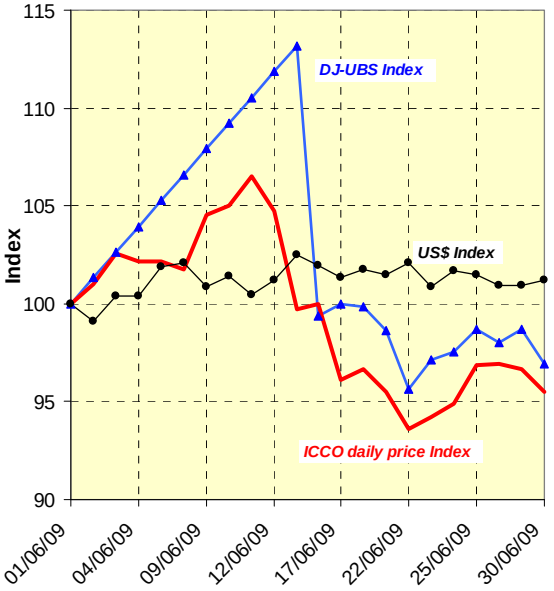
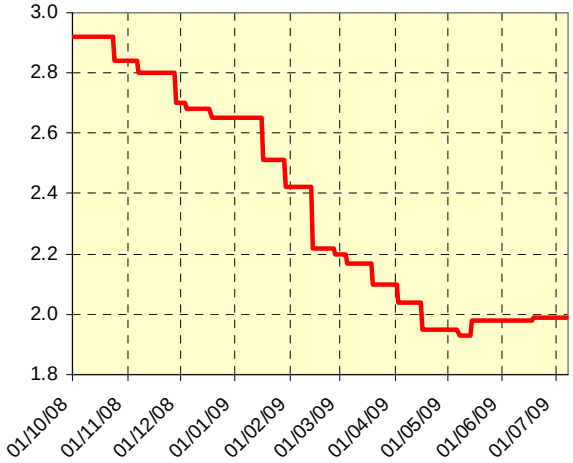



**Chart IV: Cocoa butter ratio - Western Europe – 1st position -**




**Note**: The cocoa butter ratio is defined as the ratio between the price of cocoa butter and the price of cocoa beans. This ratio is commonly used as a proxy for cocoa processing margins.

In the fourth week of the month, the cocoa market recovered part of the losses experienced in the previous days, with relatively light volumes traded.

***Supply and demand situation***

On the supply side, news agency data showed that cocoa bean arrivals to ports in Côte d'Ivoire reached 1.058 million tonnes at the end of June, down by 190,000 tonnes compared to the previous season. The disappointing mid crop arrivals provided some support to cocoa prices.

In Ghana, cocoa purchases recorded by the *Ghana Cocoa Board* totalled 634,000 tonnes at the end of the main crop season, which was officially closed on the 4th of June; this was down by 30,000 tonnes compared to the previous season.

In Indonesia, cocoa beans exports from Sulawesi dropped by 23% in June compared to the same month a year earlier, according to data from the *Indonesian Cocoa Association* (*Askindo*). For the first six months of 2009, the fall in cocoa beans exports from Sulawesi reached 25% from the same period last year.

Reflecting the current decline in demand for cocoa beans, data published by the *German Confectionery Association* revealed that grindings in Germany fell by 15% in the second quarter of 2009 compared with the corresponding figure in the previous season. Similarly, statistics published by the *European Cocoa Association* (ECA) showed that grindings in Western Europe fell by 11% during the same period.

The declining demand for cocoa and chocolate products was mirrored by the decrease of the cocoa butter ratio. However, as shown in **Chart IV**, a low was reached in the middle of May and a slight improvement of the ratio has occurred since then.

***Development of El Niño weather conditions***

According to the US *Climate Prediction Center*, *El Niño* conditions will continue to develop during the summer of 2009 and are expected to last until the 2009/10 winter. This will be a detrimental factor to the development of the 2009/10 cocoa output. Indeed, the *El Niño/La Niña* weather phenomena have proved to be one of the determinant factors for changes in cocoa production levels over the years; *La Niña* events are associated with higher cocoa production while *El Niño* events are often associated with lower production levels.

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