



COCOA MARKET REVIEW

AUGUST 2009

The current review reports on cocoa price movements on the international markets during August 2009. **Chart I** illustrates price movements on the London (Liffe.Euronext) and New York (ICE Futures US) markets in August. **Chart II** shows the evolution of the ICCO daily price, quoted in US dollars and in SDRs, from June to August 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** presents recent changes in daily price volatility of cocoa compared to coffee.

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

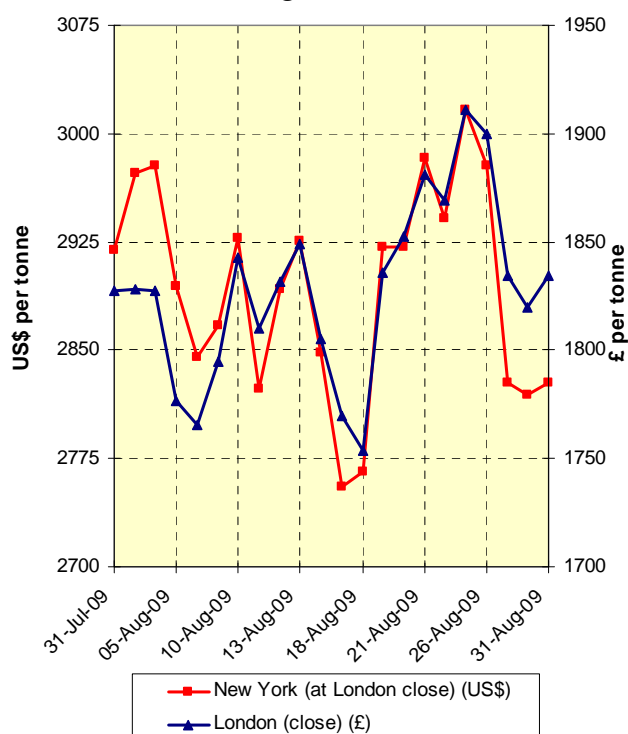
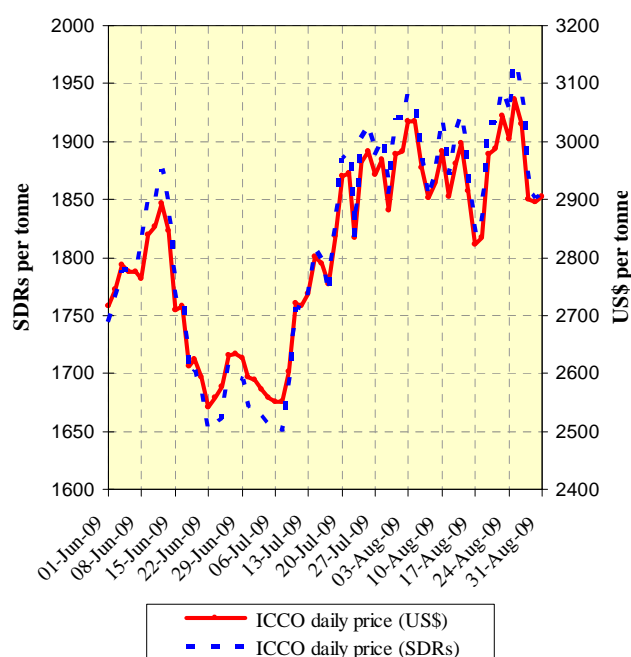


Chart II: ICCO daily prices June – August 2009



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

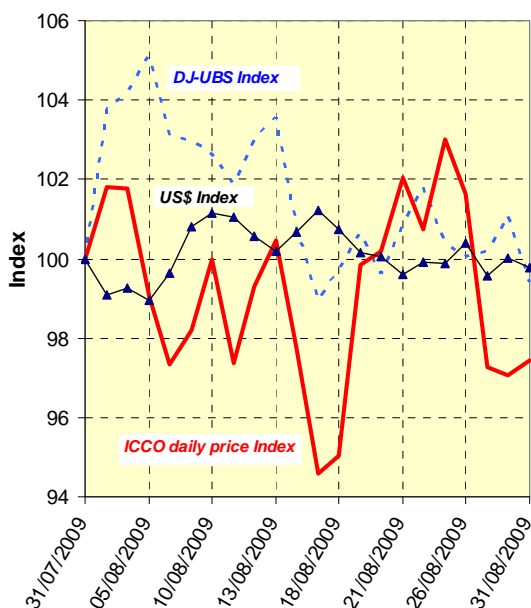
In August, the ICCO daily price averaged US\$2,957 per tonne, up by US\$166 compared to the average price recorded in the previous month (US\$2,791), and ranged between US\$2,821 and US\$3,072.

Cocoa trading during the month was characterized by relatively strong volatility (*cf.* **Chart IV**) and low liquidity. On the London market, daily volumes traded failed to reach 10,000 lots in any session of the month. Many commercial participants were reported to have remained mostly on the sidelines. The liquidity situation was however slightly better in New York.

In the first trading session, cocoa futures prices rose by 1.8% on the New York market to US\$2,973 per tonne, supported by a weak US Dollar. As depicted in **Chart III**, other commodities followed the same pattern. However, the London market remained stable, at £1,828 per tonne, with a very limited volume traded during the session.

During the three following sessions, cocoa futures prices experienced a strong downward correction, mainly due to profit-taking and to the strengthening of the US Dollar. Prices fell by 3.4% in London to £1,765 and by 4.3% in New York to US\$2,845.

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



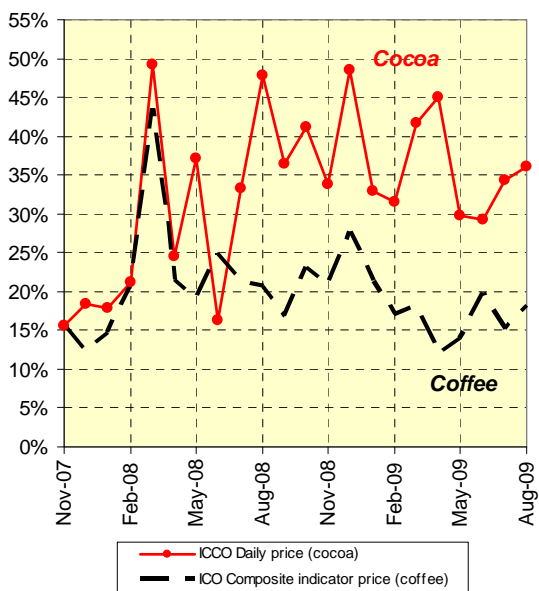
Notes:

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.

Chart IV: Cocoa and coffee daily price volatility

(values expressed in annual terms)



Mixed sentiment about the state of the global economic and financial environment, uncertainty about the cocoa supply and demand situation for the coming new season and illiquidity of the cocoa market led cocoa prices to move sideways with no clear direction until the middle of the month.

After reaching a low of £1,753 in London and US\$2,755 in New York, cocoa prices bounced back, gaining 7.3% in London and 7.8% in New York in three trading sessions at the end of the third week of the month. The extreme volatility during the period was brought to light when the New York market experienced a price hike of six per cent within one minute on 19 August.

After a short-lived downward correction, cocoa futures prices found some fresh impetus and climbed to their highest level for over four months in London, to £1,911 and for over 12 months in New York, to US\$3,016. Again, this strong performance should be seen against the backdrop of the relatively low volumes traded on the cocoa markets.

This price surge was short-lived and cocoa prices retracted from their highs and lost, at the end of the month, most of the gains realized during the previous two weeks.

Supply and demand situation

On the supply side, news agency data showed that cocoa bean arrivals to ports in Côte d'Ivoire reached 1.126 million tonnes at the end of August, down by 193,000 tonnes compared to the previous season. In Ghana, similarly, cocoa purchases recorded by the *Ghana Cocoa Board* totalled 671,000 tonnes at the end of the month, down by 9,000 tonnes.

The ICCO Secretariat's revised forecasts for the current 2008/2009 cocoa year, published in the latest issue of the *Quarterly Bulletin of Cocoa Statistics*, envisage a third year of production deficit, of 73,000 tonnes. World cocoa bean production is expected to decline by 7.0% (down by 262,000 tonnes) over the previous season, to 3.456 million tonnes. Grindings are forecast to decrease by 6.7% to 3.494 million tonnes (down by 249,000 tonnes). If realized, this would reduce the total statistical stocks of cocoa beans as at the end of the 2008/2009 cocoa year to 1.490 million tonnes, equivalent to 42.6% of projected annual grindings in 2008/2009.

