

COCOA MARKET REVIEW

JANUARY 2010

The current review reports on cocoa price movements on international markets during the month of January 2010. **Chart I** illustrates price movements on the London (NYSE Liffe Futures and Options) and New York (ICE Futures US) markets in January. **Chart II** shows the evolution of the ICCO daily price, quoted in US dollars and in SDRs, from November 2009 to January 2010. **Chart II** 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 daily price volatility of cocoa compared to coffee.

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

January 2010

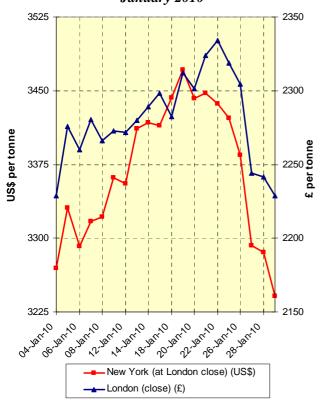
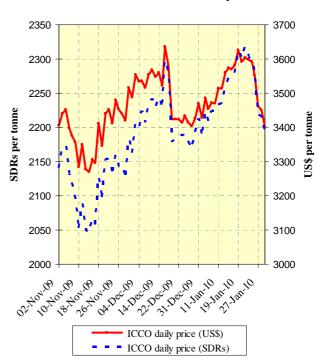


Chart II: ICCO daily prices

November 2009 – January 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.

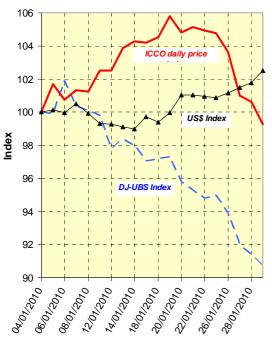
Price movements

In January, the ICCO daily price averaged US\$3,525 per tonne, up by US\$27 compared to the average price recorded in the previous month (US\$3,498), and ranged between US\$3,402 and US\$3,626.

The cocoa futures markets followed an upward trend in January right through to the third week of the month when the London futures market experienced a new record price, surging to its highest level for over 32 years to £2,334 per tonne while in New York, prices reached US\$3,472 per tonne.

The major bullish factor arose from waning weekly cocoa arrivals in Côte d'Ivoire. Contrary to the previous season, the main crop (October – March) in Côte d'Ivoire witnessed an early and strong start with port arrivals figures indicating that production in the first three months was 17% higher than during the same period of the previous year, reaching 595,000 tonnes as at the end of December 2009. However, since the beginning of January, despite the fact that Côte d'Ivoire has been spared a strong *harmattan* (a dry wind that usually sweeps down from the Sahara between December and March, negatively affecting cocoa output), weekly arrivals have declined significantly, a sign that the main crop has been tailing off. The decrease would have been more acute without the smuggling of cocoa beans originating from Ghana, due to the significantly lower fixed price paid to Ghanaian farmers for their cocoa of Gh¢2,400 (US\$1,655) per tonne, compared to the fluctuating price offered to farmers in Côte d'Ivoire of about US\$2,200 per tonne on average in January.

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

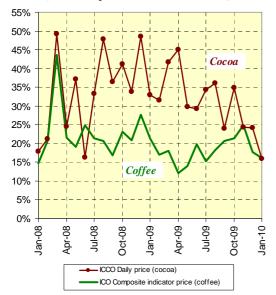


Notes:

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)



While cocoa prices followed an upward trend in the first weeks of the month, the wider commodity market experienced a price decline, as shown by the movement of the Dow Jones-UBS commodity index in **Chart III**.

However, in the third week of January, cocoa prices reversed to a downward trend until the end of the month, recoupling with the wider commodity market.

While, as widely anticipated, the grindings figures published for Europe by the *European Cocoa Association* in the middle of the month showed an increase of only 0.6% during the October – December 2009 quarter compared to the same quarter for the previous year, the release in the third week of the month of data on cocoa processing activity in North America (Canada, Mexico and the United States) by the *National Confectioners' Association* showed a disappointing contraction of 1.5% during the same period.

Moreover, as depicted in **Chart III**, the steady strengthening of the US dollar against other major currencies was another key factor in the decline of cocoa prices as well as of other commodities.

Price volatility

The relatively high level of uncertainty on the extent of the impact of the adverse economic environment on the demand for cocoa beans and the concern about the size of the crops in West Africa had led to a high level of price volatility in the past months, as shown in **Chart IV**. However, a recent feature of the cocoa market has been the shrinking cocoa price volatility, reaching levels comparable to those of coffee prices from November 2009 onwards.

Supply and demand situation in 2009/2010

At the beginning of March, the ICCO Secretariat will release its first crop forecasts for the current year in its *Quarterly Bulletin of Cocoa Statistics*.





