ANNUAL REPORT
FOR
2001/02

International Cocoa Organization
22 Berners Street, London W1P 3DB
In the English version of the Annual Report for the 2001/2002 cocoa year, an error occurred in the section on “Projects” (pages 7-9 of the Report). The text of the project on "The use of biology techniques in a search for varieties resistant to witches' broom disease of cocoa" was inadvertently repeated for the project "Project to establish the physical, chemical and organoleptic parameters to differentiate between fine and bulk cocoa". We very much regret this mistake and any inconvenience this may have caused.

The report on the “Project to establish the physical, chemical and organoleptic parameters to differentiate between fine and bulk cocoa” (page 8, left column) should read as follows:

"The project aims to identify the characteristic features of fine or flavour cocoa that differentiate it from bulk cocoa, thus improving the market of fine cocoa. The project is being implemented in Ecuador, Papua New Guinea, Trinidad and Tobago and Venezuela. Progress reports of the project indicated that the project was progressing satisfactorily. Considerable achievement has been recorded in all the four participating countries in the areas of fermentation and drying trials, chemical assessment of quality parameters, cocoa liquor preparation and chemical analysis. Other activities still to be implemented include organoleptic assessment of sensory characteristics, DNA profiling and spectral image analysis. Discussions have now been finalized on the conclusion of a Memorandum of Understanding (MOU) and a Letter of Agreement (LOA) between INIAP, the PEA in Ecuador, and Plant Research International (PRI) in the Netherlands, the institution selected to carry out the spectral image analysis and the DNA profiling."

Jan Vingerhoets
Acting Executive Director
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INTRODUCTION


The report is divided into two parts. Part I concerns the membership of the International Cocoa Organization and the work of the Council and its subsidiary bodies. Part II deals with a review of the world cocoa situation.

International Cocoa Council

Chairman: Mr. A. Frijlink (Netherlands)
First Vice-Chairman: Mr. T. Johansson (Sweden)
Second Vice-Chairman: Mr. A. Nkoghe Essingone (Gabon)
Executive Director: Mr. Edouard Kouamé (until 31 January 2002)
Officer-in-Charge: Dr. Jan Vingerhoets (from 1 February 2002)

Members of the International Cocoa Agreement, 1993, as at 30 September 2002 (full details are given in Annex I to this report):

Exporting members
Benin
Brazil
Cameroon
Côte d’Ivoire
Dominican Republic
Ecuador
Gabon
Ghana
Grenada
Jamaica
Malaysia
Nigeria
Papua New Guinea
Peru
Sao Tome and Principe
Sierra Leone
Togo
Trinidad and Tobago
Venezuela

Importing members
Austria
Belgium/Luxembourg
Czech Republic
Denmark
Egypt
Finland
France
Germany
Greece
Hungary
Ireland
Italy
Japan
Netherlands
Norway
Portugal
Russian Federation
Slovak Republic
Spain
Sweden
Switzerland
United Kingdom
European Union

Executive Committee

Chairman: Mr. J.A. Martinez (Dominican Republic)
Vice-Chairman: Mr. P. Etoa Abena (Cameroon)

The following members served on the Executive Committee for the 2001/2002 cocoa year:

Exporting members

Brazil
Cameroon
Côte d’Ivoire
Ecuador
Gabon
Ghana
Jamaica
Malaysia
Nigeria
Papua New Guinea

Importing members

Belgium/Luxembourg
France
Germany
Italy
Netherlands
Russian Federation
Spain
Sweden
Switzerland
United Kingdom

Credentials Committee

Chairman: Ms. J. Blondeel (Belgium/Luxembourg)

The following members were re-appointed to serve on the Credentials Committee for the 2001/2002 cocoa year:

Exporting members

Cameroon
Ecuador
Gabon
Ghana
Jamaica

Importing members

Belgium/Luxembourg
France
Finland
France
Japan
The following committees and working groups met during the 2001/2002 cocoa year and were open to all members.

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<tr>
<th>Committee</th>
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<tr>
<td><strong>Production Committee</strong></td>
<td>Dr. R. Tafani (Brazil)</td>
<td>Mr. P. Sigley (The Federation of Cocoa Commerce Ltd)</td>
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<tr>
<td><strong>Consumption Committee</strong></td>
<td>Mr. F. Massimo (Italy) until May 2002</td>
<td>Dr. T. Harrison (President, IOCCC)</td>
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<td><strong>Expert Working Group on Stocks</strong></td>
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PART I – ORGANIZATION AND ADMINISTRATION

MEMBERSHIP OF THE INTERNATIONAL COCOA ORGANIZATION

During the 2001/2002 cocoa year, the International Cocoa Organization (ICCO) under the International Cocoa Agreement, 1993, had forty-two members at the end of the year. The total membership comprised nineteen cocoa-exporting and twenty-two cocoa-importing countries and the European Union. Belgium/Luxembourg participated in the International Cocoa Agreement, 1993, as joint members although they signed and ratified the Agreement as separate states. The European Union participated in the Agreement as an intergovernmental organization under the provisions of Article 4.

Details of ratification, acceptance, approval and accession to the 1993 Agreement are contained in Annex I to this report.

INTERNATIONAL COCOA COUNCIL

The International Cocoa Council, ICCO’s highest authority, is composed of all the contracting parties to the International Cocoa Agreement. The Council held two regular and three special sessions during the 2001/2002 cocoa year.

Twenty-fourth special session


The Council noted progress on the signing of the International Cocoa Agreement 2001 and delays in the rent review due to the arbitration process.

On the subject of relocation of the headquarters of the Organization, the Council decided to fix a deadline of 15 February 2002 for the receipt of proposals from member countries or from the secretariat and to make a final decision on these proposals in March 2002.

The Council agreed the selection criteria for a new Executive Director and decided that applications for the post should be received by 31 March 2002 to enable the new Executive Director to take up the post by 1 October 2002. The Council nominated Dr Jan Vingerhoets to act as Officer-in-Charge of the International Cocoa Organization from 1 February to 30 September 2002.

The Council adopted the audited administrative accounts for the year ended 30 September 2001.

Sixty-fifth regular session

The Council held its sixty-fifth regular session from 18-20 March 2002 during which it dealt with a number of issues.


The Council accepted the offer from the Government of the Netherlands to host the September 2002 session of the Council in The Hague.

The Council agreed a withdrawal could be made from the Special Reserve Fund to finance extra rent costs for the period from 1 April 2001 to 30 September 2002. The Council considered the options available for the relocation of the headquarters of the Organization. The number of options was reduced to relocation to other premises in London or to Côte d’Ivoire and the Council agreed to hold a special session of the Council from 7-8 May 2002 to further review these options. The Chairman received a report from the Chairman of the Expert Working Group on Stocks.

Twenty-fifth special session

The Council held its twenty-fifth special session from 7-8 May 2002.

The Council decided to relocate the headquarters of the International Cocoa Organization to Abidjan, Côte d’Ivoire with effect from 1 January 2003 at the latest and to authorize the secretariat to take immediate steps to surrender the lease of 22, Berners Street. The Council also decided to hold at least one Council meeting in any cocoa year outside the headquarters of the Organization.

Twenty-sixth special session

The Council held its twenty-sixth special session from 10-12 June 2002.

In view of the International Cocoa Agreement, 2001, which has not yet entered into force, and the relocation...
of the secretariat to Abidjan and other unsettled issues, the Council decided to defer the selection of a new Executive Director to the September 2002 Council session.

The Council noted the progress reports on the relocation to Abidjan. It was agreed that a final draft Headquarters Agreement would be presented to the Council at its September session.

The Council approved the establishment of a Contact Group on Rules and Finances to look at the issue of surrendering the lease for 22, Berners Street, the issue of arrears in contributions and to revise the Rules and Regulations of the Organization. The Contact Group was to report to the Council at its September 2002 session.

Sixty-sixth regular session

The Council held its sixty-sixth regular session from 9-11 September 2002.

The Council received a progress report on preparations for the relocation of the Organization's headquarters to Abidjan, Côte d'Ivoire. The Council adopted the draft Headquarters Agreement for the relocation to Côte d'Ivoire.

The Council approved the draft Administrative Budget for the 2002/03 financial year.

The Council noted that six countries had signed the International Cocoa Agreement, 2001: Brazil, Cameroon, Côte d'Ivoire, Ghana, Malaysia and Togo. Indications had been received that the European Union and the Governments of Nigeria and Russia were intending to sign the International Cocoa Agreement, 2001.

The issue of selection criteria for a new Executive Director was deferred to the March 2003 Council session. The mandate of the Officer-in-Charge was extended to 30 September 2003.

The Council recommended that a project proposal, Cocoa Productivity and Quality Improvement: A Participatory Approach, be submitted to the Common Fund for Commodities for funding.

The Council received a presentation from Mr John Claringbould, Chairman of the Global Issues Group and Director Australasia and Asia at Mars Inc, entitled West African Cocoa and Children - a Global Response.

EXECUTIVE COMMITTEE

The Executive Committee is elected annually by the Council and is composed of ten exporting and ten importing members under the terms of the International Cocoa Agreement, 1993. The Committee is responsible to and works under the general direction of the Council. During the 2001/2002 cocoa year, the Executive Committee held the following meetings:

Hundredth and twelfth meeting 21-23 January 2002
Hundred and thirteenth meeting 18-20 March 2002
Hundred and fourteenth meeting 10-12 June 2002
Hundred and fifteenth meeting 9-11 September 2002

The Committee examined the world cocoa market situation, progress reports on projects, new project proposals and the finances and administration of the Organization. In addition, several matters were considered and recommendations were made to the Council accordingly.

The Committee received a communication from LIFFE on the subject of Cocoa Quality under the LIFFE Futures Contract and a communication from the Coffee and Cocoa Regulatory Authority of Côte d'Ivoire outlining recent developments in the coffee and cocoa sectors in Côte d'Ivoire.

PRODUCTION COMMITTEE

The Production Committee did not meet in the 2001/2002 cocoa year.

CONSUMPTION COMMITTEE

The Consumption Committee did not meet in the 2001/2002 cocoa year.

EXPERT WORKING GROUP ON STOCKS

The Expert Working Group on Stocks held its tenth meeting during the 18-20 March 2002 meetings.

The Group received a presentation from Mr R. Dand of LIFFE on the reporting and publication of cocoa stocks figures introduced in January 2002 by LIFFE as compiled under the Grading and Tendering System (GATS). He explained that the certified cocoa stocks figures represented cocoa beans owned by LIFFE members or their clients, and held in LIFFE nominated warehouses. He emphasized that the published data excluded origin stocks, pipeline stocks and all in-store stocks, which were not registered under GATS.

A progress report was received on the survey of cocoa stocks held in Western European warehouses. A report
giving an assessment of world stocks of cocoa beans as at 30 September 2001 was also received.

**EXPERT WORKING GROUP ON QUALITY**

The Expert Working Group on Quality held its thirteenth meeting on 22 January 2002 and its fourteenth meeting on 10 September 2002.

At its thirteenth meeting the Group received a status report on the implementation of the resolution on international standards for jute bags. Producing countries continued to put in place measures that conform to the standards, but further improvements towards 100% conformity were needed. The Group also received a progress report on the Cocoa Quality Improvement Project in which the study of farming practices had been completed. Mr T. Lass gave an update to his presentation in March 2001 on developments regarding Ochratoxin A in cocoa. LIFFE and CAOBISCO were invited to comment on the LIFFE changes to grading rules which were implemented in June 2001. The changes related to the occurrence of bean clusters and the system of tolerances and allowances applied.

At its fourteenth meeting Mr T. Lass gave a presentation updating the Group on the latest work regarding Ochratoxin A levels in cocoa and progress in the Cocoa Quality Improvement Project. The Group also received a status report on the implementation of the resolution on International Standard Specifications for jute bags

**GLOBAL COORDINATION GROUP ON SUSTAINABLE COCOA ECONOMY**

The Global Coordination Group on Sustainable Cocoa economy held two meetings, its fourth on 21 March 2002 and its fifth on 5-6 September 2002. Further details are given in the Progress Report on ICCO Projects below.

**PROGRESS REPORT ON ICCO/COMMON FUND FOR COMMODITIES (CFC) PROJECTS**

During the 2001/2002 cocoa year, ICCO continued to work with the Common Fund for Commodities and other organizations on projects aimed at improving the sustainable development of the cocoa economy, improving the structural conditions of cocoa markets and enhancing long-term competitiveness and prospects in the cocoa economy. A summary status of project implementation and project development at the end of the 2001/2002 cocoa year is given below:

**Pilot plants for the processing of cocoa by-products in Ghana**

This is a research and development project which aims to develop and transfer to interested parties the technology for the commercial processing of cocoa by-products and cocoa wastes, with a view to expanding the income-generating capacity of the cocoa industry in cocoa-producing countries. The immediate objectives of the Project are the commercial production and marketing of a range of by-products using material from the cocoa pod which is normally discarded and not utilized in the production of cocoa beans. Products investigated by the Project include animal feed and potash derived from cocoa-pod husk. Cocoa-pulp juice (sweatings) are used in the production of soft drinks, alcoholic drinks, industrial alcohol, pectin, marmalade and jams. Cocoa butter from sub-standard beans is used for the production of toilet soap and body creams. At the end of the 2001/2002 cocoa year, the technologies had been developed and a feasibility study on the commercial viability of the project had been drafted. The final international workshop of the project after which the results will be disseminated to interested parties is scheduled to take place in June 2003.

**Cocoa germplasm utilization and conservation: A global approach**

This is a research and development project aimed at making optimal use of cocoa germplasm to develop and distribute improved pest and disease resistant varieties of cocoa planting materials. The project, which is now in its fourth year of implementation, has been remarkably successful in international clone trials, internationally co-ordinated hybrid trials, germplasm enhancement, population breeding, as well as in germplasm conservation, characterization and preliminary evaluation. Other areas of success include the exchange of cocoa germplasm and verification of genetic identity, exchange of information and publications, co-ordination and technical backstopping, management, supervision and evaluation. It has also promoted increased collaboration and interactions between cocoa genebanks, intermediate quarantine and breeding programmes, and at a personal level increased collaboration between plant breeders and other researchers (pathologists, entomologists, agronomists), resulting in important transfers of technology and capacity building.

**The use of molecular biology techniques in a**
search for varieties resistant to witches’ broom disease of cocoa

The project is intended to address specifically the witches’ broom disease of cocoa using molecular biology techniques to develop more tolerant and resistant varieties to the disease that has caused serious damage to cocoa production in Brazil. At a technical level, good progress had been made in the areas of identification of microsatellites, DNA analysis of new clones, development of software applications and the scientific training programme. The project, which is in its third year of implementation, has achieved such considerable progress that the need for farmers to substitute cocoa with other crops and clear more forest reserves had been arrested, thus avoiding further environmental degradation.

Project to establish the physical, chemical and organoleptic parameters to differentiate between fine and bulk cocoa

The project is intended to address specifically the witches’ broom disease of cocoa using molecular biology techniques to develop more tolerant and resistant varieties to the disease that has caused serious damage to cocoa production in Brazil. At a technical level, good progress had been made in the areas of identification of microsatellites, DNA analysis of new clones, development of software applications and the scientific training programme. The project, which is in its third year of implementation, has achieved such considerable progress that the need for farmers to substitute cocoa with other crops and clear more forest reserves had been arrested, thus avoiding further environmental degradation.

Improvement of cocoa marketing and trade in liberalizing cocoa-producing countries

This project intends to address and correct the undesirable effects of liberalization of the cocoa market and to strengthen farmers’ organizations, so as to fill the vacuum left after the dismantling of the government marketing organizations. It aims to improve the functioning of cocoa markets, improve the quality of exported cocoa, facilitate financing of the trade, provide market information and address trade and price risks. The project which is now in its third year of implementation has promoted privately run warehousing systems in Cameroon, Côte d’Ivoire and Nigeria. Systems of warehouse warrants covering cocoa for financing purposes, field warehousing, institutional and legal aspects were being improved. The project has also started to institute, in the participating countries, the capacity to collect and distribute price data along the internal market chain.

To produce good quality export cocoa in the participating countries, the project reviewed existing quality assurance and certification systems, proposed necessary changes and strengthened existing institutions involved in monitoring cocoa quality and certification. The project assisted farmers’ cooperatives to secure financing of stocks of good quality cocoa, using warehouse warrants. However, due to negative experiences in the past, local banks proved to be reluctant to finance the cocoa trade, based on cocoa as collateral.

Cocoa productivity and quality improvement: A participatory approach

This project proposal was developed by the International Plant Genetic Resource Institute (IPGRI) with the close collaboration of the national institutions participating in the current CFC/ICCO/IPGRI Germplasm project. The project aims to develop more efficient and sustainable cocoa cropping systems through the accelerated selection of planting material with improved yielding capacity, disease resistance and quality traits. The Consultative Committee of the CFC had examined the proposal at its 29th meeting in January 2002, made technical comments and concluded that the proposal should focus on making available the results of the ongoing project to the farmers. IPGRI has since then revised the proposal addressing the concerns expressed by the Consultative Committee. The Committee at its 30th meeting in July 2002, agreed with the concept, technical approach and mechanisms incorporated in the proposal, including its global reach and larger involvement of farmers in validating and disseminating the promising cocoa varieties. The Committee agreed to the submission of a detailed budget by category, confirmation of co-financing and quantification of counterpart contributions. The ICCO Council approved the project proposal at its 26th regular session in The Hague in September 2002.

Pilot project on price risk management for cocoa farmers

The overall objective of this project is to reduce the exposure of smallholder cocoa farmers to risks arising from fluctuations in world market prices, thus securing better incomes from cocoa growing. The Common Fund for Commodities engaged consultants to analyze the potential for the introduction of a price risk management system for coffee, cocoa and cotton farmers and/or their co-operatives. The consultant for price risk management in cocoa has completed missions to Cameroon, Côte d’Ivoire and Nigeria. The report of the consultant is being finalized after which preparations will start for project implementation.
Project to improve the quality of exported cocoa beans

The project intends to improve the capacity of the farmers to produce good quality beans to the industry through training and by paying them a premium for the extra effort to be made. The Task Force for the project reviewed the report of the study on farming practices to identify and better understand the motivation and constraints farmers face in producing cocoa of liquor quality. Since then the report has been finalized and visual training material on “Recommended Practices for Cocoa of Good Quality” has been produced. Quality control equipment has been procured and training will begin soon in Côte d’Ivoire.

Feasibility study on the generic promotion of cocoa consumption in the Russian Federation

The aim of the feasibility study is to provide a basis for determining the feasibility, strategy and instruments for undertaking generic promotion for cocoa and chocolate consumption in the country. A consulting firm, “Megadesign 2000”, contracted by ICCO in conjunction with the cocoa industry in the Russian Federation, had completed and finalized the report of the feasibility study. The report had revealed that there was a sound basis for further development of the project and launching of a full-scale generic promotion campaign of cocoa and chocolate consumption in the Russian Federation. ICCO started developing further the project proposal for a full-scale generic promotion campaign for cocoa and chocolate in the Russian Federation. The implementation of the feasibility study had been made possible by a grant from the International Trade Centre UNCTAD/WTO

Global Coordination Group on Sustainable Cocoa Economy

The objective of the Group is to develop a coordination mechanism that will contribute to a more sustainable world cocoa economy. The Group will primarily stimulate international collaboration in research areas of common interest. ICCO is functioning as the secretariat of the Group and membership is drawn from across the stakeholders in the cocoa sector. The Group held its fourth meeting on 21 March 2002 in London when it considered the report of the nine working groups set up earlier to investigate topics in line with perceived needs of the cocoa sector. The fifth meeting of the group was held on 5 and 6 September 2002. At the meeting, the group considered the additional work of the working groups and discussed further work to arrive at project proposals that would be presented to donors for financial assistance.

ADMINISTRATIVE BUDGET AND ACCOUNTS FOR 2001/2002

At its sixty-fourth regular session, held in September 2001, the Council approved an administrative budget for 2001/2002. A total expenditure of £1,973,100 was projected for 2001/2002. This was to be financed by member’s contributions of £1,412,300 (representing a contribution per vote of £731.15), a transfer from the Special Reserve Fund (£380,000), interest on the Special Reserve Fund for the year (£96,000) and other income amounting to £34,000.

Actual expenditure for 2001/2002 cocoa year was £2,034,713. Member’s contributions amounted to £1,462,300, interest on Special Reserve Fund earned was £88,258 whilst other income was £37,261. With a transfer from the Special Reserve Fund of £527,658, income exceeded expenditure by £80,764.

The net assets of the Organization amounted to £2,467,594 at 30 September 2002. These have been financed by the Special Reserve Fund (£1,893,717) and the Revenue Reserve Fund (£573,877). The audited balance sheet as at 30 September 2002 and the audited income and expenditure amount for the year ended 30 September 2002 are shown in Annex II of this report.

The Organization has in place a Promotion Fund and Environment Fund. During the year ended 30 September 2002, no activity was undertaken in respect of the two funds. The only contributor to the Environment Fund, the Government of the Netherlands, withdrew its contribution. The accounts of the Environment Fund and the Promotion Fund are contained in Annex II of this report.

PERSONNEL

At the end of 2001/2002, the staff establishment stood at nine posts in the Professional and Higher categories and eleven in the General Services category, making a total of 20. Annex III of this report lists all the staff members as at 30 September 2002.

STATISTICAL INFORMATION AND ECONOMIC STUDIES

During the 2001/2002 cocoa year the ICCO secretariat prepared and distributed statistical information on cocoa in accordance with the provisions of the International Cocoa Agreement, 1993 and decisions taken by the International Cocoa Council.

The daily price figures, computed in accordance with
the provisions of Article 35 of the International Cocoa Agreement, 1993, were distributed to news agencies on each market day for publication.

The secretariat prepared reviews of the cocoa market situation, including estimates and forecasts of world production and grindings of cocoa, for consideration by the Council and the Executive Committee.

**ICCO PUBLICATIONS**

During the 2001/2002 cocoa year the following ICCO titles were published:

*Quarterly Bulletin of Cocoa Statistics: Volume XXVIII*
**PART II – REVIEW OF THE WORLD COCOA SITUATION**

**MARKET DEVELOPMENTS IN 2001/02**

The world cocoa market witnessed a period of irregular but sustained price rise during the 2001/02 cocoa year, with futures prices recording 16-year highs at the end of the year. The recovery signified a reversal of the period of low market prices, which had been a feature of most of the past decade. Chart II shows graphically the movement of the ICCO daily price (expressed in SDR’s per tonne), which is the average of the quotations of the nearest three active futures trading months on the London International Financial Futures and Options Exchange (LIFFE) and the New York Coffee, Sugar and Cocoa Exchange (CSCE), during the 2001/02 cocoa year. The upward pattern in market prices seen in 2001/02 was largely due to a tightening of the fundamental supply-demand situation in the world cocoa market. In addition, short-term technical and speculative factors influenced price movements, initiating a number of price rallies over the review period. Prospects of disruptions to the flow of cocoa following political unrest in Côte d’Ivoire also contributed to strong gains in prices towards the end of the review period.

The world cocoa market followed a downward trend from the beginning of October to the middle of November 2001, reversing the upward trend initiated in the last month of the previous season. Market prices eased as the cocoa campaigns in West Africa finally got under way in both Ghana and Côte d’Ivoire by mid-October and sizeable quantities of cocoa started to flow on to the world market.

From the second week of November until the end of the month, the world cocoa market staged a remarkable rally, which pushed futures prices to their highest levels for three years. The rally was underpinned by chart and technical buying and short-covering by investment funds and speculators, particularly in the New York market. In addition, fundamental support was provided by reports of losses in yields from relatively poor growing conditions and the spread of pests and diseases in leading cocoa-producing countries. This led market participants to sharply reduce their forecasts of global supply of cocoa for the current season. Consequently, earlier projections of a small production surplus for the season were seen to be over-optimistic. These were at first revised to a close balance between world cocoa supply and demand for the 2001/02 cocoa year but were later changed to perceptions of a sizeable deficit of some 150,000 to 200,000 tonnes. The rally pushed the ICCO daily price up by 35% from the low of SDR 812 recorded at the end of October to SDR 1,095 by the end of November 2001.

Following the exceptional increases in prices in November, prices declined sharply at the beginning of December in a downward technical correction. Thereafter, the markets remained very quiet over the Christmas and New Year holiday season.

A two-day rally at the beginning of January was not sustained and prices soon drifted downwards. In the second half of January, the market changed direction and moved steadily upwards until mid-February. This four-week price rally was attributed to a growing perception among market operators that there was not much main crop cocoa left in West Africa to come on the world markets. Reports indicated that harvesting of the 2001/02 crop had been virtually completed in January and trade estimates of arrivals apparently confirmed that the Côte d’Ivoire 2001/02 main crop had matured early. In Ghana, cocoa purchases had also dropped steadily in January 2002 indicating the main crop was tailing off. Prices were also supported by fund and industry-related buying during this period.

A short period of decline in prices during the third week of February 2002, attributed to a technical correction and profit taking, was followed by a resumption of the upward trend in prices until mid-March. Prospects of a smaller than usual mid-crop in Côte d’Ivoire, due to lack of rains in major cocoa-growing areas, and losses in yields from the spread of black pod disease in Ghana, generated further concerns about supplies. Thus, expectations of a larger production deficit in the current season and lack of origin selling, contributed to the London and New York markets recording 14-year highs in mid-March. As a consequence, the ICCO daily price recorded a 14-year high of over SDR 1,300 in mid-March.

Thereafter the market reversed, drifting slowly downwards from the second half of March until the end of April, prompted by long liquidation by funds and other speculators with limited support coming from trade and industry buying. Reports of beneficial rains and higher than anticipated arrivals in Côte d’Ivoire had eased supply concerns. Data published by the
cocoa-processing industry showed that grindings were much lower in Brazil, Germany, the United States and the Netherlands, confirming a significant slowdown in world demand for cocoa beans. As several leading cocoa-consuming countries reported an unexpectedly lower volume of grindings, the production deficit in the 2001/02 season was expected to be much smaller than earlier predictions.

Contrary to expectations, prices rallied dramatically in the summer months as the impact of the activities of investment funds and speculators apparently negated the fundamental supply and demand factors that were indicating weaker prices. Persistent buying by investment funds and speculators triggered price increases while the almost complete lack of origin selling enabled futures prices to rise with almost no resistance. This unexpected development caught the industry by surprise. For several months manufacturers had only been purchasing cocoa when urgently required, keeping inventories low to cut costs while anticipating lower prices. Consequently, some companies were caught short, facing the possibility of not having enough cocoa to cover their needs and they had to buy at higher prices in a rising market.

Thus, persistent fund buying triggered a speculative price rally in mid-May and again at the end of the month. Despite some origin selling, prices on both the London and New York markets reached new 14-year highs, slightly above the levels recorded earlier in March.

Market prices fell sharply in mid-June as investment funds liquidated their long positions. However, this downward correction was relatively short-lived and was followed by the resumption of an extremely strong upward trend, which lasted from the second half of June until mid-July. The rally pushed futures prices to 15½-year highs in the middle of July. In London, futures prices attained £1 315 per tonne and in New York prices reached US$1 805 per tonne, showing gains of £80 and of more than US$230 from the highs recorded in mid-May. The ICCO daily price rose to SDR 1 330.

During the second half of July 2002, futures prices were erratic, lacking a clear overall direction, but moved sharply downwards at the beginning of August in a nervous and uncertain market environment. Thereafter, the market reversed and started an extremely strong upward movement that lasted till the end of the month. The main factor behind this exceptional advance in prices was the growing belief in the market that, although the forthcoming 2002/03 crops in West Africa would be better than in the current season, they would not be big enough to prevent a third consecutive year of global supply shortfall. It was apparent that the sharp fall in grindings in the 2001/02 season did not reflect real consumption levels, which were still rising; cocoa-processors and chocolate manufacturers had been drawing down accumulated stocks of semi-finished cocoa products to satisfy their needs. However, this possibility had been nearly exhausted and it was expected that world grindings would increase substantially in the 2002/03 cocoa season, in line with the anticipated growth in total cocoa consumption.

Cocoa futures prices were boosted further following an attempted coup on 19 September 2002 in Côte d’Ivoire. Fears of potential disruptions to the flow of cocoa from a continuing political and social crisis in the world’s leading cocoa-producing country at the beginning of the new crop year pushed prices to 16-year highs on both markets. Prices climbed to their highest levels for the cocoa year on the last day of the 2001/02 cocoa season, having doubled from the lows recorded at the end of October 2001. Mirroring the futures market, the ICCO daily price climbed to SDR 1 732 at the end of September 2002, a rise of more than 100% compared to the low of SDR 812 recorded at the end October 2001.

A notable feature of the supply shortage during the summer months was the development of an inverted structure on both markets. In London, the three nearby quotations remained inverted, trading at a premium to more distant positions from the middle of April to mid-June; in New York, all quotations were traded with a premium to forward months between mid-November and June. Exceptional “backwardation” of the July and September 2002 positions in London, where premiums to the next contracts attained some £50 and £120 respectively, was by itself another supporting factor for the market.

This unusually strong backwardation was exploited with a “squeeze” on the London market by a major operator holding substantial futures contracts until delivery, bringing nervousness and uncertainty in a tight and fragile market. Strong arbitrage between the London and New York markets saw more cocoa being directed to London. In the middle of July two brokerage houses took delivery of a total of 204 380 tonnes of cocoa beans against the July 2002 contract on behalf of their clients on the London terminal market. This was an exceptional event and an unusually high volume, representing more than seven
per cent of world cocoa production in the current season. Reportedly, the same operators who benefited from the July “squeeze”, using a shortage of cocoa for nearby delivery, also held a large long position in the September contract. The market structure remained inverted with the September contract trading at a premium against December 2002 at the beginning of August.

However, the cocoa futures price-structure reverted to the more usual “contango” situation with forward contracts trading at a premium over nearby positions at the end of August. Consequently, the September / December premium, which for a long period of time exceeded $100, turned by the end of August into a discount of $20 and the market in general returned from “backwardation” to the normal “contango” structure.

Reflecting the general upward tendency during the 2001/02 cocoa season, the monthly average of the ICCO daily price rose sharply from SDR 848 per tonne in October 2001 to SDR 979 per tonne in November. Prices continued rising over the next four months, reaching SDR 1,273 per tonne in March before easing slightly to SDR 1,249 per tonne in April 2002. A resumption of the price recovery over the latter part of the 2001/02 cocoa year saw the monthly average price climbing to SDR 1,275 per tonne in June. Following price rallies in the summer months, the monthly average rose to SDR 1,405 in July, ending the year at SDR 1,637 per tonne in September 2002, the highest monthly average since July 1987.

Cocoa prices in 2001/02 averaged SDR 1,231 per tonne, representing an increase of almost 60 per cent over the previous season. Annual price increases of such magnitude had been recorded on only two previous occasions, once in 1972/73 when cocoa prices also rose by around 60 per cent and in 1976/77 when they increased by almost 120 per cent. Moreover, successive increases in monthly prices in 2001/02 (with the exception of April 2002 when average prices recorded a small decline) confirmed that the world cocoa economy had indeed entered a new period of higher price levels. Average prices doubled over the twelve month period - the monthly average rising to SDR 1,600 per tonne in September 2002, compared with SDR 790 per tonne recorded in the corresponding month of 2001, an increase of over 100 per cent.

**Production**

World production of cocoa beans in 2001/02 was estimated at 2,818,000 tonnes, representing a modest increase of 3,000 tonnes (0.1%) from the level of 2,815,000 tonnes achieved in the 2000/01 season (*Table 1*). The overall increase in world production of cocoa beans reflected an increase of 71,000 tonnes in Asia and Oceania. This increase was partially offset by reductions of 37,000 tonnes in the Americas and 31,000 tonnes in Africa.

At the country level, in Côte d’Ivoire, the leading world cocoa producer, the crop outturn amounted to 1,225,000 tonnes, representing an increase of 50,000 tonnes (4.3 per cent) over the previous season. Production in Indonesia rose by 65,000 to 450,000 tonnes, representing an increase of 16.9 per cent from the previous cocoa year. A comparatively smaller increase in production occurred in Papua New Guinea, up 6,000 to 45,000 tonnes. In contrast, production in Ghana amounted to 335,000 tonnes, showing a reduction of 60,000 tonnes (15.2 per cent) from the previous year’s level. In Brazil, production fell by 38,000 to 125,000 tonnes, representing a reduction of 23.3 per cent from its level in the previous season. Comparatively smaller reductions in production were recorded for Nigeria, down 15,000 to 165,000 tonnes, Cameroon, down 8,000 to 125,000 tonnes and Ecuador, down 4,000 to 85,000 tonnes.

The relative importance of the main cocoa-producing areas, measured in terms of their shares of total world production, is shown in brackets in *Table 1*. Compared with the previous cocoa year, the share of the African countries, the major world cocoa-producing region, fell by 1.2 percentage points in 2000/01 to 66.8% and by 1.3 percentage point in the Americas to 13.7% while the share of Asia and Oceania increased by 2.5 percentage points to 19.5%. Overall, the share of ICCO Member countries in the total world production of cocoa beans for the 1993/94 - 2001/02 period under the 1993 International Cocoa Agreement amounted to 82.5% compared to an average of 77.4% for the 1986/87 - 1992/93 period under the previous International Cocoa Agreement, 1986 (*Table 4*).

**Processing**

World grindings of cocoa beans in 2001/2002 are estimated at 2,850,000 tonnes, representing a reduction of 6.6% (203,000 tonnes) from the level in the previous cocoa year. The consuming countries continued to maintain their dominance of grindings of cocoa beans during the year. The share of cocoa-producing countries in world grindings increased slightly by 0.3 percentage points from the previous year’s level to 32.7% in 2001/02 (*Table 2*).
Among the main cocoa-importing countries, the largest volume reduction in grindings in 2001/2002 as compared to 2000/2001 occurred in the United States (down 55 000 to 390 000 tonnes), the Netherlands (down 34 000 to 418 000 tonnes) and Germany (down 32 000 to 195 000 tonnes). Relatively smaller decreases were recorded in the United Kingdom (down 10 000 to 150 000 tonnes), in the Russian Federation (down 7 000 to 65 000), in Belgium/Luxembourg (down 4 000 to 49 000 tonnes) and in Italy (down 4 000 to 65 000 tonnes). In contrast, higher grindings were reported in Austria (up 3 000 to 25 000 tonnes) and in Turkey (up 3 000 to 42 000 tonnes).

Among the major cocoa-producing countries, substantial decreases in grindings were recorded in Brazil (down 23 000 to 172 000 tonnes) and in Malaysia (down 20 000 to 108 000 tonnes), while relatively smaller decreases were recorded in Ecuador (down 7 000 to 25 000 tonnes), in Côte d’Ivoire and in Ghana, down 5 000 each to 280 000 tonnes and 65 000 tonnes respectively.

The regional distribution of cocoa-bean grindings, measured as the percentage share of total world grindings, is shown in brackets in Table 2. Europe, the largest grinding region, saw its share in world grindings in 2001/2002 remain unchanged at 45.4% compared to the previous cocoa year. The share of Africa and of Asia and Oceania increased by 0.7 and 0.3 percentage points to 14.4% and 13.8% respectively in 2001/2002 compared to the previous year’s level, while the shares of the Americas fell by 1.0 percentage point to 26.4%. In the aggregate, the share of ICCO Member countries in world grindings averaged 70.9% for the 1993/94 – 2001/02 period under the International Cocoa Agreement, 1993, compared to an average of 72.1% for the 1986/87 - 1992/93 period under the previous International Cocoa Agreement, 1986 (Table 4).

**STOCKS**

On the basis of the production and grindings estimates described above, the 2001/2002 cocoa year should have yielded a production deficit of 60 000 tonnes. The total stocks of cocoa beans at the end of the 2001/2002 cocoa year should, therefore, have amounted to 1 086 000 tonnes, which is equivalent to 38.1% or about four and a half months of estimated annual world grindings in 2001/02. Overall, the statistical situation shows production deficits in six of the past eight crop years, which have substantially reduced the world stocks of cocoa beans from 1.53 million tonnes at the start of the 1993/94 season to around 1.09 million tonnes at the end of the 2001/02 cocoa year. The stocks-to-grindings ratio, an approximate measure of supply tightness, is correspondingly estimated to have fallen from 63.2% to 38.1% over the same period.
CHART I

World cocoa-bean production, grindings, stocks and prices, 1960/61 to 2001/2002
CHART II
ICCO daily prices of cocoa beans: 2001/02

MONTHLY AVERAGES OF DAILY PRICES, 1994/95-2001/02
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<td>2 161 (70.3%)</td>
<td>1 914 (68.0%)</td>
<td>1 883 (66.8%)</td>
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<td>115</td>
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<td>1 409</td>
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<td>1 225</td>
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<td>31</td>
<td>33</td>
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<tr>
<td>NORTH, CENTRAL AND SOUTH AMERICA</td>
<td>459 (17.0%)</td>
<td>392 (12.7%)</td>
<td>422 (15.0%)</td>
<td>385 (13.7%)</td>
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<td>124</td>
<td>163</td>
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<td>20</td>
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<td>ASIA AND OCEANIA</td>
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<td>521 (17.0%)</td>
<td>479 (17.0%)</td>
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<tr>
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<td>Papua New Guinea</td>
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<td>2 815 (100.0%)</td>
<td>2 818 (100.0%)</td>
</tr>
</tbody>
</table>

**Notes:**

a/ Rounded to the nearest thousand tonnes.

b/ Countries which individually produce less than 10 000 tonnes per annum.

**Sources:**

### Table 2


(Thousand tonnes a)

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<td>40 (14.4%)</td>
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<td>285</td>
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<td>2 942 (100.0%)</td>
<td>3 053 (100.0%)</td>
<td>2 850 (100.0%)</td>
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Notes:

a/ Rounded to the nearest thousand tonnes.

b/ Countries which individually grind less than 10 000 tonnes per annum.
### TABLE 3

**Average, highest and lowest values of ICCO daily prices of cocoa beans, October 2001 - September 2002**

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<th>Period</th>
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<td>Highest</td>
<td>Lowest</td>
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<td></td>
<td>SDRs per tonne</td>
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<tr>
<td>2001</td>
<td></td>
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<td></td>
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<tr>
<td>October</td>
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<td>813.63</td>
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<td>1 089.26</td>
<td>1 003.48</td>
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<td>2002</td>
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<tr>
<td>January</td>
<td>1 105.14</td>
<td>1 144.91</td>
<td>1 056.40</td>
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<td>1 198.54</td>
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<td>1 301.72</td>
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<td>May</td>
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<td>June</td>
<td>1 274.96</td>
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<td>July</td>
<td>1 404.51</td>
<td>1 447.87</td>
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<td>August</td>
<td>1 484.18</td>
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<td>September</td>
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<tr>
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<td>September</td>
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<td>103.89</td>
<td>93.74</td>
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**Sources:** ICCO *Quarterly Bulletin of Cocoa Statistics*, Vol. XXVIII, No. 4 (Cocoa year 2001/02).
**TABLE 4**

**SHARE OF ICCO MEMBERS IN WORLD PRODUCTION AND GRINDINGS, 1976/77 - 2001/02**

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<tbody>
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<td>2 256</td>
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<td>1 273</td>
<td>1 570</td>
<td>1 956</td>
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<tr>
<td>Per cent</td>
<td>92.5</td>
<td>59.4</td>
<td>77.4</td>
<td>82.5</td>
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<tr>
<td>Thousand tonnes</td>
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<tr>
<td>Production</td>
<td>1 399</td>
<td>1 032</td>
<td>1 810</td>
<td>2 256</td>
</tr>
<tr>
<td>Grindings</td>
<td>1 185</td>
<td>1 273</td>
<td>1 570</td>
<td>1 956</td>
</tr>
<tr>
<td>Per cent</td>
<td>82.0</td>
<td>74.0</td>
<td>72.1</td>
<td>70.9</td>
</tr>
</tbody>
</table>

**Source:** ICCO Quarterly Bulletin of Cocoa Statistics (various issues)
## ANNEX I

**MEMBERSHIP OF THE INTERNATIONAL COCOA AGREEMENT, 1993**

**(AS AT 30 SEPTEMBER 2002)**

<table>
<thead>
<tr>
<th>Exporting members</th>
<th>Type of instrument</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benin</td>
<td>Ratification</td>
<td>13.07.98</td>
</tr>
<tr>
<td>Brazil</td>
<td>Ratification</td>
<td>10.12.96</td>
</tr>
<tr>
<td>Cameroon</td>
<td>Notification under Article 55</td>
<td>11.01.94</td>
</tr>
<tr>
<td>Côte d'Ivoire</td>
<td>Ratification</td>
<td>18.05.94</td>
</tr>
<tr>
<td>Dominican Republic</td>
<td>Notification under Article 55</td>
<td>06.02.97</td>
</tr>
<tr>
<td>Ecuador</td>
<td>Ratification</td>
<td>26.10.94</td>
</tr>
<tr>
<td>Gabon</td>
<td>Notification under Article 55</td>
<td>21.12.93</td>
</tr>
<tr>
<td>Ghana</td>
<td>Notification under Article 55</td>
<td>12.10.93</td>
</tr>
<tr>
<td>Grenada</td>
<td>Notification under Article 55</td>
<td>18.02.94</td>
</tr>
<tr>
<td>Jamaica</td>
<td>Ratification</td>
<td>28.02.94</td>
</tr>
<tr>
<td>Malaysia</td>
<td>Ratification</td>
<td>25.01.94</td>
</tr>
<tr>
<td>Nigeria</td>
<td>Ratification</td>
<td>02.12.94</td>
</tr>
<tr>
<td>Papua New Guinea</td>
<td>Accession</td>
<td>01.09.95</td>
</tr>
<tr>
<td>Peru</td>
<td>Accession</td>
<td>21.08.00</td>
</tr>
<tr>
<td>São Tomé and Principe</td>
<td>Notification under Article 55</td>
<td>06.03.95</td>
</tr>
<tr>
<td>Sierra Leone</td>
<td>Notification under Article 55</td>
<td>07.10.93</td>
</tr>
<tr>
<td>Togo</td>
<td>Notification under Article 55</td>
<td>12.10.93</td>
</tr>
<tr>
<td>Trinidad and Tobago</td>
<td>Ratification</td>
<td>30.09.93</td>
</tr>
<tr>
<td>Venezuela</td>
<td>Ratification</td>
<td>08.05.96</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Importing members</th>
<th>Type of instrument</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>Ratification</td>
<td>23.04.96</td>
</tr>
<tr>
<td>Belgium/Luxembourg</td>
<td>Notification under Article 55</td>
<td>16.02.94</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>Approval</td>
<td>23.06.94</td>
</tr>
<tr>
<td>Denmark</td>
<td>Approval</td>
<td>28.09.98</td>
</tr>
<tr>
<td>Egypt</td>
<td>Accession</td>
<td>20.07.00</td>
</tr>
<tr>
<td>Finland</td>
<td>Acceptance</td>
<td>01.10.93</td>
</tr>
<tr>
<td>France</td>
<td>Approval</td>
<td>16.05.96</td>
</tr>
<tr>
<td>Germany</td>
<td>Ratification</td>
<td>28.09.98</td>
</tr>
<tr>
<td>Greece</td>
<td>Ratification</td>
<td>28.09.98</td>
</tr>
<tr>
<td>Hungary</td>
<td>Approval</td>
<td>22.02.94</td>
</tr>
<tr>
<td>Ireland</td>
<td>Ratification</td>
<td>30.09.98</td>
</tr>
<tr>
<td>Italy</td>
<td>Ratification</td>
<td>28.09.98</td>
</tr>
<tr>
<td>Japan</td>
<td>Acceptance</td>
<td>18.01.95</td>
</tr>
<tr>
<td>Netherlands</td>
<td>Acceptance</td>
<td>21.07.98</td>
</tr>
<tr>
<td>Norway</td>
<td>Ratification</td>
<td>14.10.93</td>
</tr>
<tr>
<td>Portugal</td>
<td>Ratification</td>
<td>31.08.95</td>
</tr>
<tr>
<td>Russian Federation</td>
<td>Acceptance</td>
<td>02.11.94</td>
</tr>
<tr>
<td>Slovak Republic</td>
<td>Approval</td>
<td>26.04.94</td>
</tr>
<tr>
<td>Spain</td>
<td>Ratification</td>
<td>29.09.94</td>
</tr>
<tr>
<td>Sweden</td>
<td>Ratification</td>
<td>30.09.93</td>
</tr>
<tr>
<td>Switzerland</td>
<td>Ratification</td>
<td>17.06.94</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>Ratification</td>
<td>06.11.98</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Intergovernmental organization (under Article 4)</th>
<th>Type of instrument</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>European Community</td>
<td>Approval</td>
<td>28.09.98</td>
</tr>
</tbody>
</table>
## ANNEX II

### AUDITED ACCOUNTS

#### ADMINISTRATIVE ACCOUNT – BALANCE SHEET AS AT 30 SEPTEMBER 2002

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2,581,993 Balance with bankers and cash in hand</td>
<td></td>
<td>2,032,275</td>
</tr>
<tr>
<td>14,607 Debtors</td>
<td></td>
<td>54,792</td>
</tr>
<tr>
<td>1,725 Prepaid Expenses</td>
<td></td>
<td>6,130</td>
</tr>
<tr>
<td>Contributions to administrative budgets outstanding</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td>166,478 Year ended 30 September 2002 (Annex “B”)</td>
<td>87,007</td>
<td>426,852</td>
</tr>
<tr>
<td>3,061,962</td>
<td></td>
<td>2,520,049</td>
</tr>
</tbody>
</table>

**Less: CURRENT LIABILITIES**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>18,724 Creditors and provisions for accrued expenses</td>
<td>52,268</td>
</tr>
<tr>
<td>4,332 Deferred Expenditure Fund</td>
<td>-</td>
</tr>
<tr>
<td>130,333 Members’ contributions paid in advance (Annex “C”)</td>
<td>187</td>
</tr>
</tbody>
</table>

**TOTAL NET ASSETS**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2,908,573</td>
<td>2,467,594</td>
</tr>
</tbody>
</table>

Represented by:

**SPECIAL RESERVE FUND**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2,500,000 Principal</td>
<td>2,500,000</td>
</tr>
<tr>
<td>82,708 Less: Contributions outstanding (Annex “D”)</td>
<td>78,625</td>
</tr>
<tr>
<td>2,417,292</td>
<td>2,421,375</td>
</tr>
</tbody>
</table>

**Less: Transfer to Income and Expenditure Account**

<table>
<thead>
<tr>
<th></th>
<th>527,658</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,417,292</td>
<td>1,893,717</td>
</tr>
</tbody>
</table>

**REVENUE RESERVE FUND**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>27,644 Liquid Funds</td>
<td>147,025</td>
</tr>
<tr>
<td>463,637 Contributions in arrears</td>
<td>426,852</td>
</tr>
</tbody>
</table>

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2,908,573</td>
<td>2,467,594</td>
</tr>
</tbody>
</table>
**ADMINISTRATIVE ACCOUNT**

**INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 30 SEPTEMBER 2002**

*(expressed in £ Sterling)*

<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INCOME</strong></td>
<td></td>
</tr>
<tr>
<td>1,414,334</td>
<td>Contributions assessed on Members</td>
</tr>
<tr>
<td>11,391</td>
<td>Interest earned – general funds</td>
</tr>
<tr>
<td>144,602</td>
<td></td>
</tr>
<tr>
<td>9,575</td>
<td>Subscriptions to Quarterly Bulletin of Cocoa Statistics</td>
</tr>
<tr>
<td>1,661</td>
<td>Other document sales</td>
</tr>
<tr>
<td>42,697</td>
<td>Other income</td>
</tr>
<tr>
<td><strong>1,612,869</strong></td>
<td><strong>TOTAL INCOME</strong></td>
</tr>
<tr>
<td>113,733</td>
<td>Add: Transfer from capitalized interest on Special Reserve Fund</td>
</tr>
<tr>
<td><strong>1,726,602</strong></td>
<td><strong>Less:</strong></td>
</tr>
<tr>
<td><strong>ADMINISTRATIVE EXPENDITURE</strong></td>
<td>(Annex “F” – Column III)</td>
</tr>
<tr>
<td>1,730,685</td>
<td>Balance carried to Revenue Reserve Fund (Annex “E”)</td>
</tr>
<tr>
<td>(4,083)</td>
<td></td>
</tr>
</tbody>
</table>
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 30 SEPTEMBER 2002

1. ACCOUNTING POLICIES

Accounting Convention

These financial statements have been prepared under the Historical Cost Convention.

Fixed Assets

Expenditure on fixed assets is written off to the Income and Expenditure Account as incurred.

Deferred Expenditure

Expenditure which may be incurred and which has been included and authorized in the Annual Budget, but which has not raised any commitment before the end of the relevant financial year, is set aside under Rule 61 of the Administrative Rules of the Organization.

Recognition of Income

All assessments of contributions and adjustments thereof on members raised in the year are included in the Income and Expenditure Account.

Overdue Contributions

No provision has been made for possible irrecoverable overdue contributions from ICCO members.

2. Special Reserve Fund

A Special Reserve Fund of £2.5 million was established by the Council in 1997. At present, a total of £78,625 (2001: £82,708) is still to be received from members. The fund is to provide long-term security to the administrative budget. Interest earned on the fund is used to finance part of the expenditure for the year.

3. Transfer from the Special Reserve Fund to Income and Expenditure Account

This comprises:

Amount approved in 2001/2002 Administrative Budget  £380,800

Additional amounts approved during the year to meet the following expenses:

<table>
<thead>
<tr>
<th>Expense</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent Increase</td>
<td>124,039</td>
</tr>
<tr>
<td>Relocation Expenses</td>
<td>22,819</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>527,658</strong></td>
</tr>
</tbody>
</table>

4. Revenue Reserve Fund

The Revenue Reserve Fund has been split into two categories: liquid resources of £147,025 (2001: £27,644) and arrears of members’ contributions to the administrative budgets of £426,852 (2001: £463,637).

5. Leased premises

The Organization leases premises at 22, Berners Street, London W1. The lease agreement, which expired on 31 March 2001, provided an annual rent of £136,000. Following arbitration, the annual rent has been agreed at £291,500 per annum. The revised rent is payable up to 31 March 2006 when the lease expires. The arrears in rent and the cost of arbitration resulted in additional expenditure of £124,039 over the provision made in 2001/2002 Administrative Budget. This additional amount has been met out of an approved transfer from the Special Reserve Fund (see Note 3).
6. **Fixed assets**

There were no additions to fixed assets during the year. The total original cost of fixtures, furniture and equipment purchased to date, less disposals as shown by the fixed assets register amounts to £341,709 (2001: £341,709). This figure takes no account of depreciation for wear and tear.

7. **Outstanding contributions to administrative budgets**

Included in the amount of £426,852 is £153,990 due from Ecuador. This is payable in thirty instalments over ten years, £138,591 falling due after more than one year.

8. **Future commitments**

The International Cocoa Council, during its twenty-fifth special session, held in London from 7-8 May 2002, decided to relocate its headquarters from London to Abidjan, Côte d’Ivoire, by 1 January 2003 at the latest. This decision was motivated by an offer of free office accommodation and meetings facilities to ICCO for a period of ten years by the Government of Côte d’Ivoire and cheaper operating costs compared to those in the United Kingdom. The total cost of the relocation, including redundancy payments, surrender of the lease at 22, Berners Street, installation costs, removal costs, new office furniture and equipment (see ICCO documents ICC/65/7 and EX/115/7) was to be financed from the Special Reserve Fund. As at 30 September 2002, relocation costs, amounting to £22,819, had been paid as shown in Annex F.
PROMOTION FUND – BALANCE SHEET AS AT 30 SEPTEMBER 2002
(expressed in £ sterling)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>£</td>
<td></td>
<td>£</td>
</tr>
</tbody>
</table>

**ASSETS**

1,081 Balance at Bankers 1,081

**Less: LIABILITIES**

(3,634) Balance due to ICCO Administrative Account (3,634)

(2,553) NET LIABILITIES (2,553)

(2,576) Balance of Funds as at 1 October 2001 (2,553)

23 Surplus/(Deficit) for the year -

(2,553) Deficit at 30 September 2002 2 (2,553)

PROMOTION FUND

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR TO 30 SEPTEMBER 2002
(expressed in £ sterling)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>£</td>
<td></td>
<td>£</td>
</tr>
</tbody>
</table>

**Income**

23 Interest earned at Bank  -

23 Surplus for the year  -

PROMOTION FUND - NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 30 SEPTEMBER 2002

**Accounting convention**

These accounts have been prepared under the Historical Cost Convention.

**Deficit of funds**

No transactions were made during the year and therefore there is no movement in the deficit of funds carried forward at 30 September 2002.
ENVIRONMENT FUND
BALANCE SHEET AS AT 30 SEPTEMBER 2002
(expressed in US dollars)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>US$</td>
<td></td>
<td>US$</td>
</tr>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>49,322</td>
<td>Bank</td>
<td></td>
</tr>
</tbody>
</table>

Represented by:

**FUND**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>US$</td>
<td></td>
<td>US$</td>
</tr>
<tr>
<td>48,458</td>
<td>Balance as at 1 October 2001</td>
<td>49,322</td>
</tr>
<tr>
<td>-</td>
<td>Funds repaid during the year</td>
<td>2</td>
</tr>
<tr>
<td>864</td>
<td>(Deficit)/Surplus for the year</td>
<td></td>
</tr>
<tr>
<td>49,322</td>
<td>Balance as at 30 September 2002</td>
<td></td>
</tr>
</tbody>
</table>

ENVIRONMENT FUND
INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR TO 30 SEPTEMBER 2002
(expressed in US dollars)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>US$</td>
<td></td>
<td>US$</td>
</tr>
<tr>
<td><strong>Income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>864</td>
<td>Interest earnings</td>
<td>27</td>
</tr>
<tr>
<td>864</td>
<td></td>
<td>27</td>
</tr>
</tbody>
</table>

Less: EXPENDITURE

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>US$</td>
<td></td>
<td>US$</td>
</tr>
<tr>
<td>___________</td>
<td></td>
<td>3</td>
</tr>
</tbody>
</table>

864(Deficit)/Surplus for the year transferred to the fund

(1,310)

ENVIRONMENT FUND - NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 30 SEPTEMBER 2002

Accounting convention
These accounts have been prepared under the Historical Cost Convention.

Fund
In 1998/99, the Government of the Netherlands contributed an endowment of NLG 100,000. At their request, this amount, together with accrued interest, was refunded to the Government of the Netherlands during the year.

Expenditure
ANNEX III

LIST OF MEMBERS OF THE SECRETARIAT
(as at 30 September 2002)

OFFICE OF THE EXECUTIVE DIRECTOR
-- Vacant position --
Executive Director
Dr. J. W. A. Vingerhoets
Officer-in-Charge
Miss S.E.C. Sharp
Personal Assistant

ECONOMICS AND STATISTICS DIVISION
Dr. J. W. A. Vingerhoets
Head of Division

Statistics and Market Review Section
Mr. N. Mistry
Statistician
Mrs. V. Ramgulam
Statistical Assistant
Miss P. L. J. Gruel
Stenographer
Mrs. I. Giryaeva
Research Assistant

Economics and Development Section
Dr. A.C. Brewer
Econometrician
Mr. N.I. Gorokhov
Economist
Dr. J-M.A. Anga
Project Officer
Mr. V.K. Adjei
Senior Research Assistant
Mr. Y.Y. Abubakar
Projects Co-ordination Monitoring Officer

ADMINISTRATIVE AND FINANCIAL SERVICES DIVISION
Dr. K.K. Sarpong
Head of Division

Personnel and General Services Section
Miss S. Petros
Senior Administrative Assistant
Mr. J. Fernandes
Senior Accounts Assistant
Mr. G. Owusu-Animakwah
Registry Clerk
Mr. F.A. Hurtado
Communications/Computer Assistant

Information and Conference Services Section
-- Vacant position --
Languages/Conference Officer
Miss M. T. Faherty
Librarian/IT Officer
Mr. A.C. Banbury
Senior Conference Assistant/Machine Operator
Mr. S. Persad
Conference Assistant
Mrs. C.E. Knott
Stenographer