

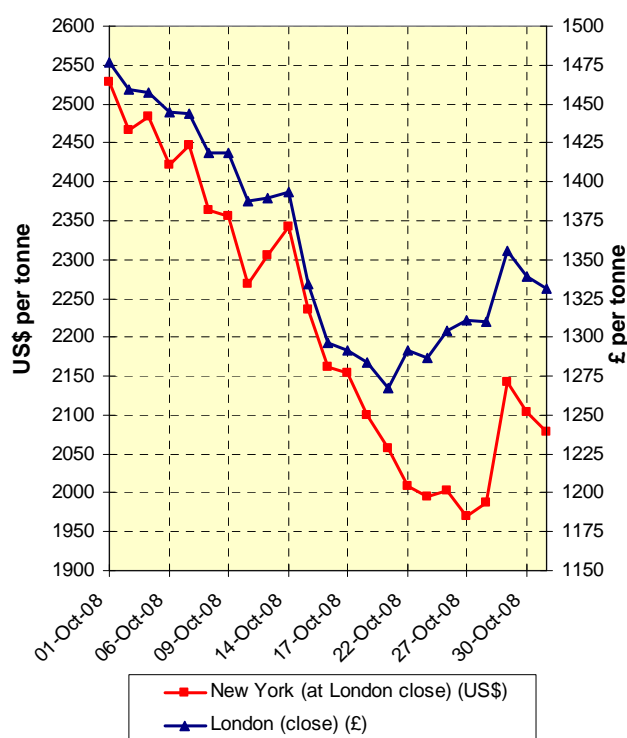


## MONTHLY COCOA MARKET REVIEW

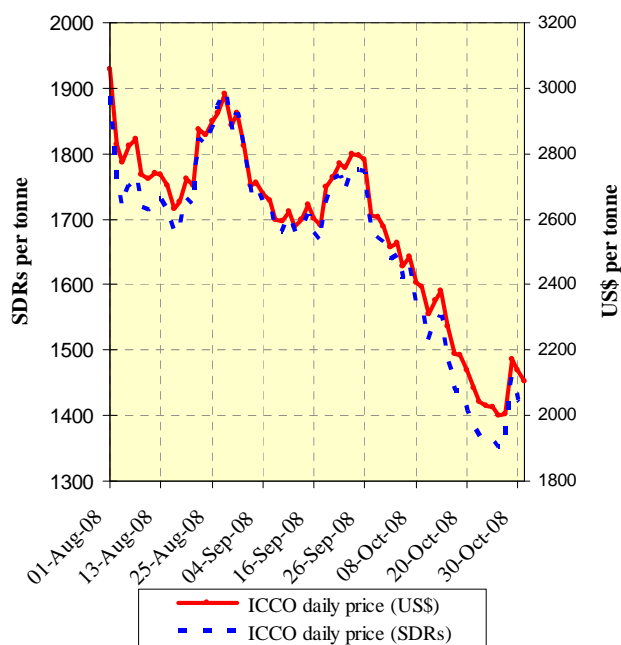
### OCTOBER 2008

The Monthly Cocoa Market Review charts the evolution of cocoa prices on the international markets during October 2008. **Chart I** illustrates price movements on the London (Liffe.Euronext) and New York (ICE Futures US) markets in October. **Chart II** shows the evolution of the ICCO daily prices quoted in US dollars and SDRs from August to October 2008. **Charts III** and **IV** link cocoa bean price movements to the *Dow Jones* commodity index and to the dollar exchange rate against the Pound Sterling.

**Chart I: Cocoa bean prices on the London (LIFFE) and New York (ICE) futures markets**  
October 2008



**Chart II: ICCO daily prices**  
August – October 2008



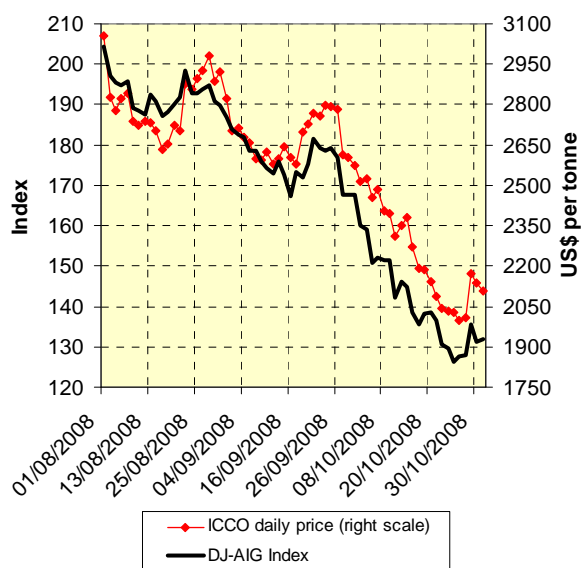
**Note:** The ICCO daily price for cocoa beans is the average of the quotations of the nearest three active futures trading months on LIFFE and ICE Futures U.S. at the time of London close, converted into US\$ and SDRs using the appropriate exchange rates.

### Price evolution

October prices continued on the downward spiral from July 2008, resulting from the general deterioration of the global financial and economic environment. The ICCO daily price averaged US\$2,252 per tonne in October, ranging between US\$2,000 and US\$2,576 and it was down by US\$427, compared to the average price recorded over the previous month (US\$2,679).

In the first half of October, both London and New York futures markets plummeted, at a relatively equal speed, to register an 11% low in London, a 12% low in New York, on end-of-last month prices. The downward movement deflected in London with cocoa prices reaching a bottom of £1,267 per tonne and bouncing back thereafter. In the meantime, prices continued to decline at the same pace than before in New York, until the beginning of the last week of the month, levelling to US\$1,969 per tonne. Overall prices declined by 11% in London and 19% in New York for the month. Both cocoa futures markets enjoyed a single day market appreciation, in the last week of the month, as the US dollar briefly weakened.

**Chart III: ICCO daily prices and Dow Jones-AIG commodity index (US\$ terms)**



As cocoa prices tumbled during October, the cocoa processing and chocolate manufacturing industry quickly extended their forward fixed price coverage. In the meantime, non-commercial participants reduced their net long positions on the New York cocoa market, with short and long positions evening out at the end of the month, according to data released by the US *Commodity Futures Trading Commission*.

As in the previous month, most commodities experienced a similar price decline to cocoa, as charted by the movements of the Dow Jones commodity-AIG index in *Chart III*. This downward price movement resulted from the ongoing financial crisis, the deterioration of the economic environment, its overall impact on the demand for commodities, on the one hand, the strengthening of the US dollar, on the other, as shown in *Chart IV*.

**Supply & demand situation**

Concerns about the demand for cocoa beans has generally been driving prices down. Supply trends, however, are expected to provide some support to cocoa futures quotations during the coming few weeks. News agency data showed that cocoa bean arrivals to ports in Côte d’Ivoire were the slowest in years. Approximately only 88,000 tonnes of beans reached the ports during the first five weeks of the new season, compared to 226,000 tonnes last year. This situation is partly due to farmers’ unions blocking deliveries of beans to ports as they demand higher prices but it was also the result of the higher incidence of black pod disease in cocoa farms. In Ghana, similarly, cocoa purchases recorded by the *Ghana Cocoa Board* totalled only 43,000 tonnes during the first two weeks of October, compared to 79,000 tonnes registered in the same period, a year earlier.

**Chart IV: New York futures prices and US\$/£ exchange rate**

