The current review reports on cocoa price movements on the international markets during February 2009. Chart I illustrates price movements on the London (LIFFE.Euronext) and New York (ICE Futures US) markets in February. Chart II shows the evolution of the ICCO daily price, quoted in US dollars and in SDRs, from December 2008 to February 2009. Chart III depicts movements of the cocoa butter ratio in Western Europe. Chart IV presents recent changes in warehouse stocks of cocoa beans and the price differential between the two cocoa futures markets.

**Price movements**

In February, the ICCO daily price averaged US$2,648 per tonne, up by US$22 compared to the average price recorded in the previous month (US$2,626), and ranged between US$2,402 and US$2,875.

During the beginning of February, ICCO prices hovered around the high levels reached at the end of January and reached US$ 2,874 at the end of the first week. However, futures prices on both the London and New York markets started a downward spiral in the second week and dived to a low of £1,686 and US$2,348 respectively towards the end of the month, thereby losing 15% and 17% from the highs recorded at the start of the month. This was in line with price developments in most commodity and equity markets. Indeed, concerns over the global economic situation rose as the awaited new financial rescue plan released by the US Treasury failed to restore confidence in the markets.

Moreover, although analysts continued to forecast a global cocoa production deficit in the 2008/09 season, higher weekly arrivals of cocoa beans in Côte d’Ivoire compared to the corresponding period of the previous season, coupled with increased worries over the extent of the demand reduction placed downward pressure on cocoa prices. In recent weeks, the impact of the economic recession on cocoa demand was the primary market concern. Most analysts expect demand for cocoa beans to shrink in the current season, but a large degree of
uncertainty still prevails on the size of the reduction. The publication in April by the European Cocoa Association and the US National Confectioners’ Association of grindings data for the first quarter of 2009 for Western Europe and the United States is expected to provide a better picture on this matter. The falling demand was mirrored by the decrease of the cocoa butter ratio, as shown in Chart III. The decline in the ratio in February from 2.4 to 2.2 in the Western European market came along with the drop in cocoa prices, reflecting a significant contraction in processing margins during this period.

In the last week of February, cocoa futures prices in both markets slightly recovered from their downward slide.

It should be noted that the arbitrage spread between the LIFFE and the ICE Futures markets expanded from a low of US$36 per tonne in the first half of the month to US$132 at the end of the month, averaging US$84 during the month, as depicted in Chart IV. This was mainly the result of the depletion of certified warehouse stocks in Europe by 12,000 tonnes to 287,000 tonnes at the end of February, while, in the United States, the level of stocks rose by 28,000 tonnes to 189,000 tonnes.

ICCO forecasts for 2008/09

The ICCO Secretariat’s first forecasts for the current 2008/09 cocoa year, published in the latest issue of the Quarterly Bulletin of Cocoa Statistics, envisage a third year of production deficit, of around 193,000 tonnes. World cocoa bean production is expected to decline by five per cent (down by 185,000 tonnes) over the previous season, to 3.520 million tonnes. Grindings are also forecast to decrease by 2.1% (down by 78,000 tonnes) to 3.678 million tonnes. If realized, this would reduce the total statistical stocks of cocoa beans as at the end of the 2008/09 cocoa year from 1.490 million tonnes in the previous season to 1.297 million tonnes, which would be equivalent to 35.3% of projected annual grindings in 2008/09.