COCOA MARKET REVIEW
MARCH 2009

The current review reports on cocoa price movements on the international markets during March 2009. Chart I illustrates price movements on the London (Liffe.Euronext) and New York (ICE Futures US) markets in March. Chart II shows the evolution of the ICCO daily price, quoted in US dollars and in SDRs, from January to March 2009. Chart III depicts the link between the ICCO daily price Index and the Dow Jones-AIG Commodity Index. Chart IV presents recent changes in warehouse stocks of cocoa beans and the price differential between the two cocoa futures markets.

**Price movements**

In March, the ICCO daily price averaged US$2,510 per tonne, down by US$138 compared to the average price recorded in the previous month (US$2,648), and ranged between US$2,276 and US$2,706.

In the first trading session of the month, cocoa futures prices dropped by over five per cent in London (down by £91) to £1,680 per tonne and by over eight per cent in New York (down by US$196) to US$2,200 per tonne. The decline was attributed to long-liquidation by non-commercial participants (speculators) following the deterioration of stock market prices.

However, following a four week period of declining prices, cocoa futures quotations started to bounce back in the second trading session of March, posting gains of 14% and 18% in London and New York respectively by the end of the month. In March, cocoa prices followed the same trend as in most other commodities but, once again, thanks to a supportive cocoa fundamental situation, the cocoa market outperformed the broader commodity market. Indeed, as shown in Chart III, the gains experienced in the cocoa market during the month were twice as large as the increase by the Dow Jones Commodity-AIG Index, which tracks price movements across various commodities.
Certified warehouse stocks of cocoa beans

As depicted in Chart IV, the price premium fetched by the London cocoa futures market against the New York one widened in March to US$156, the largest monthly average since September 2002.

This was mainly the result of the reduction of certified warehouse stocks in Europe by 10,000 tonnes to 277,000 tonnes at the end of March, while, in the United States, the level of stocks decreased by only 3,000 tonnes to 186,000 tonnes.

It should be noted that LIFFE certified warehouse stocks reached their lowest level since 2002, when stocks data became available. Their highest level was reached in September 2002, at 642,000 tonnes. Since then, LIFFE certified warehouse stocks have experienced a declining tendency. This can be explained by global declining cocoa stocks since 2006 and by the increasing share of non-certified warehouse stocks. Indeed, a survey conducted by ICCO showed that London terminal market stocks represented only 37% of total European cocoa stocks as at 30 September 2008.

Rising concerns over demand for cocoa beans

The ICCO Secretariat’s first forecasts for the current 2008/09 cocoa year envisaged grindings to shrink by 2.1% compared to the previous season. However, the impact of the adverse economic environment is now expected to be stronger than previously projected. Indeed, statistics published by the European Cocoa Association (ECA) showed that grindings by its Members (the 15 European Union countries prior to the 2004 enlargement plus Switzerland) fell by 11.1% during the first quarter of 2009 compared to the same quarter for the previous year. This was higher than the ICCO Secretariat’s 7.3% projected decline for this period. Moreover, the contraction in grindings in Asia and in the Americas is also expected to be stronger than previously forecast.

On the supply side, port arrivals figures in Côte d’Ivoire provided by news agencies reported a main harvest (October 2008 - March 2009) of 872,000 tonnes, 195,000 tonnes lower than in the previous season.