COCOA MARKET REVIEW

SEPTEMBER 2009

The current review reports on cocoa price movements on the international markets during September 2009. Chart I illustrates price movements on the London (NYSE Liffe) and New York (ICE Futures US) markets in September. Chart II shows the evolution of the ICCO daily price, quoted in US dollars and in SDRs, from July to September 2009. Chart III depicts the change in the ICCO daily price Index, the Dow Jones-UBS Commodity Index and the US Dollar Index. Table 1 presents price highs reached in September in the cocoa futures markets.

**Chart I: Cocoa bean prices on the London (NYSE Liffe) and New York (ICE) futures markets September 2009**

**Chart II: ICCO daily prices July – September 2009**

**Price movements**

In September, the ICCO daily price averaged US$3,143 per tonne, up by US$186 compared to the average price recorded in the previous month (US$2,957), and ranged between US$2,914 and US$3,269.

The sharp rise in cocoa futures prices initiated at the beginning of July continued in September. Bullish factors included declining physical stocks of cocoa beans for the third consecutive year, worries about the impact of dry weather in West Africa since August on production in the second half of the main harvest, the perceived low forward fixed price coverage of cocoa processors and chocolate manufacturers as well as general concerns over the outlook for cocoa output in the short to medium terms. As depicted in Chart III, cocoa prices in September were also supported by a weakening US dollar against other major currencies which, as well, but to a lesser extent, propped up the price for other commodities (up by 3.4% compared to a surge by 12% in cocoa prices).

As shown in Table 1, both cocoa futures markets reached new record levels, with prices in London surging to their highest level in 24 years, at £2,101 per tonne, at the end of the month and reaching their highest level for over 13 months in New York, at US$3,183 per tonne, in the fourth week of the month. The stronger year-on-year price increase on the London market (up by 30%) than in New York (up by 16%) was due to the weakness of the Pound Sterling against the US dollar.

Similarly, in nominal terms, the ICCO daily price, averaging prices in both futures markets, reached a 29-year high in US$ terms and a 23-year high in SDRs terms (the SDR unit comprises a basket of major currencies used in international trade: USS, Euro, Pound Sterling and Yen).
Table 1: Prices for cocoa beans on the futures markets, record levels and growth rates

<table>
<thead>
<tr>
<th>Cocoa bean prices</th>
<th>Unit</th>
<th>High (Sep 2009)</th>
<th>Date previous high</th>
<th>% increase (past year) (a/)</th>
<th>% increase (past two years) (b/)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICCO daily prices</td>
<td>SDRs/tonne (nominal terms)</td>
<td>2,061</td>
<td>31 Jan 1986</td>
<td>+ 16%</td>
<td>+ 59%</td>
</tr>
<tr>
<td>ICCO daily prices</td>
<td>US$/tonne (nominal terms)</td>
<td>3,269</td>
<td>18 Feb 1980</td>
<td>+ 17%</td>
<td>+ 62%</td>
</tr>
<tr>
<td>ICCO daily prices</td>
<td>Euro/tonne (nominal terms)</td>
<td>2,232</td>
<td>6 Feb 2009</td>
<td>+ 16%</td>
<td>+ 55%</td>
</tr>
<tr>
<td>London futures (c/)</td>
<td>£/tonne (nominal terms)</td>
<td>2,101</td>
<td>11 Mar 1985</td>
<td>+ 30%</td>
<td>+ 100%</td>
</tr>
<tr>
<td>New York futures (c/)</td>
<td>US$/tonne (nominal terms)</td>
<td>3,183</td>
<td>2 Jul 2008</td>
<td>+ 16%</td>
<td>+ 62%</td>
</tr>
<tr>
<td>ICCO daily prices</td>
<td>SDRs/tonne (real 2000 terms)</td>
<td>1,682</td>
<td>15 Oct 2002</td>
<td>+ 15%</td>
<td>+ 51%</td>
</tr>
<tr>
<td>ICCO daily prices</td>
<td>US$/tonne (real 2000 terms)</td>
<td>2,576</td>
<td>1 July 2008</td>
<td>+ 18%</td>
<td>+ 54%</td>
</tr>
</tbody>
</table>

*Notes:*

\(a/\) Percentage increase of the monthly average price, from September 2008 to September 2009

\(b/\) Percentage increase of the monthly average price, from September 2007 to September 2009

\(c/\) Average of the quotations of the nearest three active futures trading months

\(d/\) Prices expressed in constant terms (base year: 2000) using the relevant index of consumer price inflation

**Supply and demand situation**

On the supply side, according to data from the CGFCC, cocoa bean arrivals to ports in Côte d’Ivoire reached 1.222 million tonnes at the end of the 2008/09 season, down by 161,000 tonnes compared to the previous season.

In Ghana, official cocoa purchases data released by the Ghana Cocoa Board showed an increase by 30,000 tonnes in the 2008/09 season compared to the previous one, to almost 711,000 tonnes. It should be, however, noted that the 2008/09 season officially opened in September 2008, one month earlier than usual.

On the demand side, data available on processing activity for countries covering two third of global grindings, revealed a drop by 4.3\% in the July - September 2009 quarter compared to the same quarter of 2008. Indeed processing activity during this period contracted by:

- 0.5\% in NAFTA member countries (Canada, Mexico and the United States), as shown by data from the National Confectioners’ Association;
- 1.4\% in Western Europe, as published by the European Cocoa Association (which covers the 15 European Union countries prior to the 2004 enlargement plus Switzerland);
- 13.4\% in Brazil, as revealed by the Brazilian Cocoa Association;
- 15.2\% in Malaysia, as announced by the Malaysian Cocoa Board.