

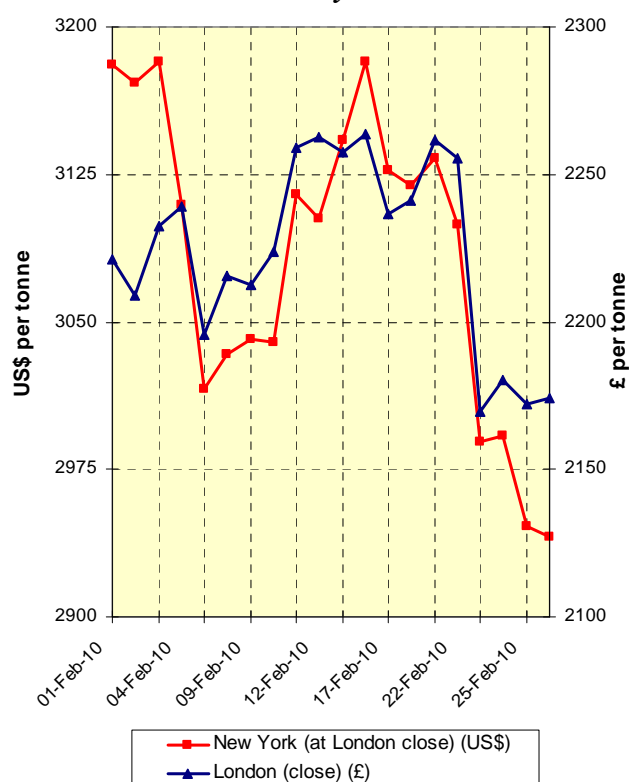


## COCOA MARKET REVIEW

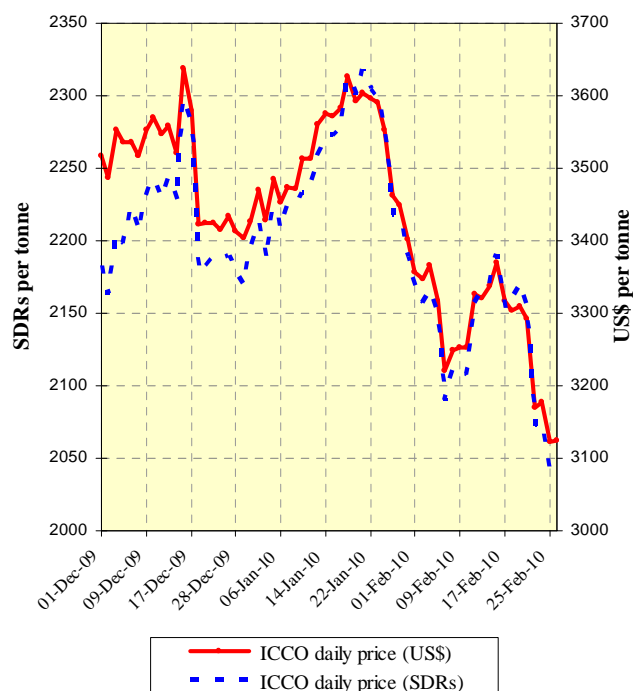
### FEBRUARY 2010

The current review reports on cocoa price movements on international markets during the month of February 2010. **Chart I** illustrates price movements on the London (NYSE Liffe Futures and Options) 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 2009 to February 2010. **Chart III** depicts the change in the ICCO daily price Index, the Dow Jones-UBS Commodity Index and the US Dollar Index. **Chart IV** presents the net long positions of non-commercial participants on the New York market.

**Chart I: Cocoa bean prices on the London (NYSE Liffe) and New York (ICE) futures markets**  
*February 2010*



**Chart II: ICCO daily prices**  
*December 2009 – February 2010*



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

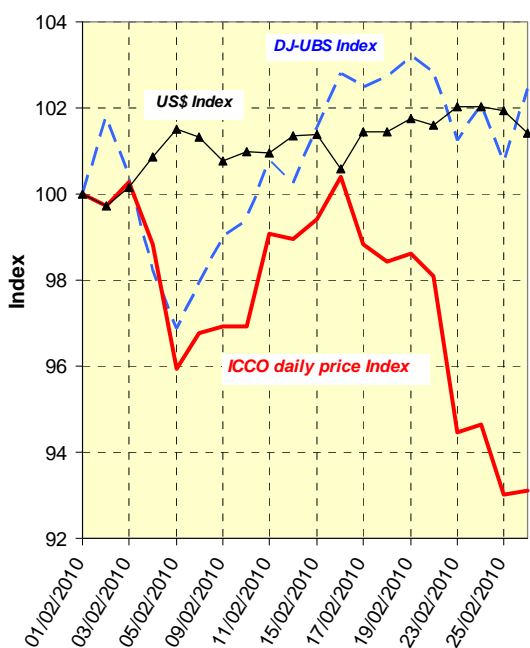
#### Price movements

In February, the ICCO daily price averaged US\$3,277 per tonne, down by US\$248 compared to the average price recorded in the previous month (US\$3,525), and ranged between US\$3,122 and US\$3,370.

As shown in **Chart III**, cocoa futures prices mainly followed the same trend as the wider commodity market in the first half of February, as measured by the movement of the DJ-UBS Commodity Index. The strengthening of the US Dollar, which reached a seven-month high against other major currencies, was a major factor in the decline of the price of cocoa and most other commodities in the first sessions of the month. London futures prices fell to £2,196 per tonne while in New York, prices declined to US\$3,016 per tonne. Thereafter, cocoa and other commodities bounced back, supported by a weaker US Dollar and, for cocoa in particular, by political instability in Côte d'Ivoire, the major cocoa producing country. In the middle of the month, cocoa prices recovered to £2,264 in London and to US\$3,182 in New York.

However, in the second part of the month, cocoa prices decoupled from the wider commodity market. While the DJ-UBS Commodity Index continued its upward trend, cocoa prices followed a downward spiral, falling to £2,174 in London and to US\$2,941 in New York, down by four per cent and eight per cent respectively compared to the highs reached in the middle of the month.

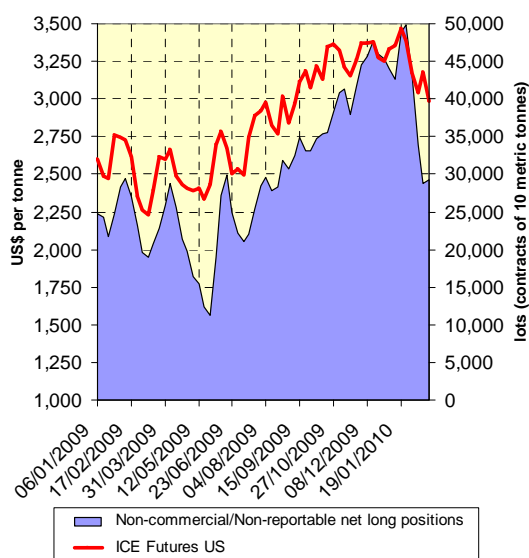
**Chart III: ICCO daily price Index, Dow Jones-UBS commodity index and U.S. Dollar Index**



**Notes:**

The *US Dollar Index* is a measure of the value of the United States dollar relative to a basket of six major foreign currencies. The *Dow Jones Commodity-UBS Index* tracks price movements across various commodities, including energy, precious metals, industrial metals, grains, livestock, softs (cocoa being excluded) and agriculture.

**Chart IV: Net long positions of non-commercial participants in ICE Futures US and ICE Futures cocoa prices**



The main bearish factors consisted of:

(i) The downward revision of the projected cocoa supply deficit by several analysts as a result of improving prospects for supply in several countries (while the main crop in West Africa has been tailing off, the outlook for mid crops has improved) and as a result of pessimistic views on demand for cocoa beans. Indeed, some market analysts who had projected a significant supply deficit at the beginning of the season are now expecting a supply surplus.

(ii) The strong involvement of non-commercial participants in the cocoa futures markets was seen to be based on the belief that the cocoa market had entered a period of structural supply deficit which would result in a steady upward movement of cocoa prices. However, as shown in **Chart IV**, since the beginning of the month, the net long position of non-commercial and non-reportable participants has decreased from a peak of almost 50,000 lots on the New York market to below 30,000 lots as at 23 February. The London market, for which no publicly accessible data are available, is seen to have followed the same trend. The recent downward revisions of the supply deficit for the current season (or the new expectations of a supply surplus), may have sparked this withdrawal from the cocoa market by non-commercial participants.

The decline in cocoa prices was curbed by increased buying activity from the cocoa processing and chocolate manufacturing industry. It is estimated that its forward fixed price coverage increased in February from about four months to five months.

**ICCO forecasts for 2009/2010 and revisions for 2008/2009**

As published in the latest issue of the *Quarterly Bulletin of Cocoa statistics*, despite a strong decline in cocoa production in 2008/2009, the ICCO Secretariat estimates that the past season recorded a moderate production surplus of 32,000 tonnes.

The ICCO Secretariat's first forecasts for the current 2009/2010 cocoa year envisage that the cocoa market will, as in the 2006/2007 and 2007/2008 cocoa years, return to a supply deficit, albeit small, of 18,000 tonnes. This reflects a likely increase in world grindings of 2.5% over the previous season (up by 87,000 tonnes) to 3.579 million tonnes and a slight increase in world cocoa bean production (up by 37,000 tonnes) to 3.597 million tonnes.