Cocoa Market Review
March 2010

The current review reports on cocoa price movements on international markets during the month of March 2010. Chart I illustrates price movements on the London (NYSE Liffe Futures and Options) 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 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 recent changes in warehouse stocks of cocoa beans and the price differential between the two cocoa futures markets.

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

Chart II: ICCO daily prices
January – March 2010

Price movements

In March, the ICCO daily price averaged US$3,090 per tonne, down by US$187 compared to the average price recorded in the previous month (US$3,277), and ranged between US$3,018 and US$3,204.

The downward correction initiated in the third week of January came to an end when cocoa futures prices reached a three and a half-month low in London at the beginning of March, at £2,133 per tonne, and a six month-low in New York in the second week of March, at US$2,832 per tonne. This represented a decline by 9% and 18% respectively compared to the highs reached in January. The major factors behind the stronger decline on the New York market were the appreciation of the US dollar against the Pound Sterling and other major currencies and the opposite development in certified warehouse stocks of cocoa beans in the two continents, as presented hereinafter.

In the following weeks of March, the more supportive environment for the London market than for New York persisted, with prices stalling in New York until the fourth week while, in London, prices recovered partially from the loss experienced in the previous weeks. During this period, as shown in Chart III, the cocoa market performed better than the wider commodity market, as measured by the movement of the DJ-UBS Commodity Index. Indeed, from the middle of the month, commodity markets suffered from the appreciation of the US dollar as a response, in particular, to concerns over the state of Greece's debt.
At the end of the month, in the wake of the announcement of a euro zone aid plan for Greece, the US dollar weakened against the euro and other major currencies and world financial markets recovered. The cocoa futures markets followed the same trend, with prices surging to £2,252 in London and to US$2,986 in New York.

**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 market continued to widen in March, reaching US$429 at the end of the month. This situation resulted mainly from the depletion of certified warehouse stocks in Europe in the past few months while, in the United States, the level of stocks has been increasing. From January 2010, this development led to an unusual situation in which US certified warehouse stocks have been above certified warehouse stocks in Europe.

However, it should be noted that, in March, for the first time since May 2009, certified warehouse end-of-month stocks in Europe increased, reaching 258,000 tonnes (up by 47,000 tonnes compared to a month earlier). In the meantime, US certified warehouse end-of-month stocks rose to 298,000 tonnes (up by 25,000 tonnes).

**Supply and demand**

On the supply side, according to data released by the CGFCC, the 2009/10 main crop (October 2009 – March 2010) in Côte d’Ivoire reached 881,000 tonnes. This was 13,000 tonnes lower than for the previous main crop.

In Ghana, cumulative cocoa purchases by Cocobod from the beginning of the season to 25 March reached 516,000 tonnes, a decline of 38,000 tonnes compared to the same period a year earlier.

In Indonesia, cocoa bean exports from Sulawesi, the country’s main cocoa growing area, rose by 16,000 tonnes to 139,000 tonnes during the mid crop season (October 2009 – March 2010).

On the demand side, in line with expectations, the grindings figures published for Europe by the European Cocoa Association showed an increase of 8.1% during the January – March 2010 quarter compared to the same quarter for the previous year. The declining trend initiated at the end of 2007 of the European cocoa butter ratio (the price of cocoa butter compared to the price of cocoa beans in Europe) ended in the middle of February, rising from 1.47 to 1.68 in March. However, it is estimated that this recent rise resulted more from the sharp decline in cocoa bean prices since January than from a strong recovery in demand for cocoa.