The current review reports on cocoa price movements on international markets during the month of August 2010. Chart I illustrates price movements on the London (NYSE Liffe Futures and Options) and New York (ICE Futures US) markets in August. Chart II shows the evolution of the ICCO daily price, quoted in US dollars and in SDRs, from June to August 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 August 2010**

**Chart II: ICCO daily prices June – August 2010**

**Price movements**

In August, the ICCO daily price averaged US$3,072 per tonne, down by US$158 compared to the average price recorded in the previous month (US$3,230), and ranged between US$2,878 and US$3,324.

Cocoa futures prices in both London and New York started a downward spiral at the end of the first week of August and dived to a low of £1,943 and $2,738 per tonne respectively towards the end of the month, thereby losing over 12% compared with the highs recorded in the first week. The London cocoa futures market declined to a 12-month low while the New York market fell to a 13-month low.

This development in the cocoa market was partially due to the strengthening of the US dollar against other major currencies in August. As shown in Chart III, this currency fluctuation led to a decline in the price of most commodities, with the Dow Jones-UBS commodity index decreasing by almost four per cent during the month.

However, the major factor underlying the downward trend experienced in the cocoa market in August was mainly attributed to a positive outlook for the 2010/2011 output in West Africa as market players had a better view on the prospect for the coming season. The favourable weather conditions in the region coupled with the beneficial impact of high prices in the past months on cocoa husbandry are expected to prop up
Regional output to levels only reached in the 2005/2006 and 2007/2008 seasons. In particular, rainfall in cocoa areas in Côte d’Ivoire was estimated to have been 20% above average in the April – August 2010 period, paving the way for a strong main crop. However, the strong rains experienced in West Africa as well as in Indonesia (as a consequence of La Niña conditions which are prevailing and are likely to continue throughout early 2011) have raised concerns of an increasing incidence of diseases, in particular black pod.

2009/2010 supply and demand situation

On the supply side, total cocoa arrivals to Ivorian ports from the beginning of the current 2009/2010 season reached 1.132 million tonnes as at the end of August, according to local exporters. This was about 6,000 tonnes higher than for the same period in the previous season. In Ghana, cumulative cocoa purchases by the Cocobod from the beginning of the season to the end of August reached just over 625,000 tonnes, a figure significantly lower than that of the previous season, mainly due to the smuggling of beans into Côte d’Ivoire.

On the demand side, after reaching a low at the beginning of August, the cocoa butter ratio followed an upward trend in the course of the month, largely thanks to the decline of cocoa bean prices on the terminal markets but also to higher albeit moderate demand from the chocolate industry.

The ICCO Secretariat’s revised estimate for the current 2009/2010 cocoa year, published in August in the Quarterly Bulletin of Cocoa Statistics, envisaged a production deficit of 72,000 tonnes. World cocoa bean production is projected to remain almost unchanged, compared to the previous season, at 3.596 million tonnes while grindings are envisaged to experience an increase of 4.1% to 3.632 million tonnes. If realized, this would reduce the total statistical stocks of cocoa beans at the end of the 2009/2010 cocoa year to 1.629 million tonnes, equivalent to 45% of annual grindings.

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 followed a declining tendency until recently, although it remained high, at US$235 at the end of August. This situation resulted mainly from the depletion of certified warehouse stocks in the United States in the past few months. At the end of August, US certified warehouse stocks fell to 220,000 tonnes (down by 26,000 tonnes compared to a month earlier) while certified warehouse stocks in Europe amounted to 323,000 tonnes (the same level as a month earlier).