COCOA MARKET REVIEW

SEPTEMBER 2010

The current review focuses on cocoa price movements on international markets during the month of September 2010. Chart I illustrates price movements on the London (NYSE Liffe Futures and Options) 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 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 September 2010

Price movements

In September, the ICCO daily price averaged US$2,875 per tonne, down by US$197 compared to the average price recorded in the previous month (US$3,072), and ranged between US$2,747 and US$2,978.

After a price decline in both the London and New York cocoa markets in August, cocoa futures moved sideways at the beginning of September. Improved crop prospects in the cocoa growing regions of West Africa maintained a bearish influence on the market. By the second week of the month under review, cocoa futures resumed their downward trend, falling to £1,847 per tonne in London and US$2,642 per tonne in New York. Prices declined by seven per cent and six per cent compared to the high levels of £1,977 and US$2,814 per tonne reached at the beginning of the month in London and New York respectively. The lower loss in New York resulted from the weakening of the US dollar. Prices in both markets recovered from their previous losses during the third and fourth weeks of September and by the end of the month, the ICCO daily price attained its highest level for the month, at US$2,978 per tonne.

As shown in Chart III, the weakness of the US dollar against other major currencies in September led to an increase in the price of most commodities, with the Dow Jones-UBS commodity index increasing by almost six per cent during the month.
However, the gains in cocoa prices were not as high as those of other agricultural commodities.

The price increases experienced during the month under review were not really supported by supply and demand fundamentals. Indeed, the 2010/2011 crops in Côte d’Ivoire and Ghana are showing a strong start, placing downward pressure on cocoa prices. This situation is likely to remain the same in the short term. However, market participants are closely monitoring the impact of black pod disease in West Africa, which might appear to be stronger than expected. The upcoming elections in Côte d’Ivoire are also of great interest to the cocoa trade, as any upheavals can disrupt the flow of beans to the ports.

2009/2010 supply and demand situation

According to news agency data, cocoa bean arrivals at ports in Côte d’Ivoire reached 1.213 million tonnes at the end of the 2009/2010 season, down by around 8,000 tonnes compared to the previous season. It is estimated that the 2009/2010 data represent the lowest arrivals for the past ten years.

In Ghana, official cocoa purchases data released by the Ghana Cocoa Board showed a decrease of about 10% compared to the previous season, to 632,024 tonnes for the 2009/2010 season. The shortfall has been attributed to smuggling of cocoa beans to neighbouring countries where prices have been more attractive.

However, caution should be exercised regarding these cumulative data on cocoa beans supply since they are likely to be revised when more information becomes available.

On the demand side, the bearish effect on cocoa prices favoured semi-finished products. Information available on cocoa butter indicates that ratios increased with the fall in prices on the cocoa terminal market. Grindings data for the July to September 2010 period for Europe and North America will be published in the middle of October. Most analysts expect that they will reveal a moderate increase in activity compared to the same quarter a year ago.

Certified warehouse stocks of cocoa beans

As depicted in Chart IV, the price premium fetched by the London cocoa futures against the New York market continued to decline in September, reaching almost US$200 at the end of the month. This was mainly the result of an increase of certified warehouse stocks in Europe during the month, by 13,000 tonnes to 336,000 tonnes at the end of September while in the United States, the level of stocks decreased by 11,000 tonnes to 209,000 tonnes.