COCOA MARKET REVIEW

DECEMBER 2010

The current report contains a review of cocoa price movements on the international markets during the month of December 2010. Chart I illustrates price movements on the London (NYSE Liffe Futures and Options) and New York (ICE Futures U.S.) markets in December. Chart II shows the evolution of the ICCO daily prices quoted in U.S. dollars and in SDRs for the period from October to December 2010. Chart III depicts recent changes in warehouse stocks of cocoa beans and the price differential between the two cocoa futures markets. Table 1 summarizes major price developments in 2010.

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

Chart II: ICCO daily prices October – December 2010

Price movements

In December, the ICCO daily prices averaged US$3,060, up by US$150 compared to the average price recorded in the previous month (US$2,910) and ranged between US$2,858 and US$3,169.

Cocoa futures rallied during the beginning of the month, as attention was focused on potential supply risks in Côte d'Ivoire arising from the uncertain political situation in the country. As shown in Chart II, the ICCO daily price attained its highest level for the month, at US$3,169 per tonne. The net position of speculators turned long and speculative buying engulfed the markets. However, at such relatively high prices, the markets witnessed a correction, pushing down prices to a lower level by the middle of the month. This was in reaction to reports that the political upheavals in Côte d'Ivoire had resulted in only a limited impact on cocoa exports and that cocoa purchases from Ghana were significantly higher than in the corresponding period for the previous year. As the election impasse continued in Côte d'Ivoire, cocoa futures moved sideways during the second half of the month and ranged between £1,995 and £2,065 per tonne in London and US$2,973 and US$3,079 per tonne in New York.

As shown in Table 1, at the end of 2010, the London and New York cocoa markets as well as the ICCO daily prices recorded a decrease of between seven per cent and 10% over the previous year. However, in US dollar terms, cocoa prices in the London market decreased by 13% following an appreciation of the American currency in 2010 against the Pound sterling.
The price development for cocoa did not follow the same pattern in 2010 as for other commodities, as measured by the Dow Jones-UBS commodity index, which recorded a gain of 17% at the end of the month compared to the same period for the previous year.

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>2010 high (date)</th>
<th>Previous high date</th>
<th>% change a/</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICCO daily prices</td>
<td>SDRs/tonne</td>
<td>2,318 (21 Jan)</td>
<td>3 Sept 1985</td>
<td>- 9%</td>
</tr>
<tr>
<td>ICCO daily prices</td>
<td>US$/tonne</td>
<td>3,626 (19 Jan)</td>
<td>16 Dec 2009</td>
<td>- 10%</td>
</tr>
<tr>
<td>ICCO daily prices</td>
<td>Euro/tonne</td>
<td>2,717 (3 June)</td>
<td>17 Dec 2009</td>
<td>- 4%</td>
</tr>
<tr>
<td>London futures b/</td>
<td>£/tonne</td>
<td>2,431 (8 June)</td>
<td>12 Aug 1977</td>
<td>- 10%</td>
</tr>
<tr>
<td>New York futures b/</td>
<td>US$/tonne</td>
<td>3,472 (19 Jan)</td>
<td>16 Dec 2009</td>
<td>- 7%</td>
</tr>
<tr>
<td>Dow Jones-UBS Commodity Index</td>
<td>Index</td>
<td>162 (31 Dec)</td>
<td>1 Oct 2008</td>
<td>+17%</td>
</tr>
</tbody>
</table>

Notes:

a/ Percentage change between 31 December 2009 and 31 December 2010
b/ Average of the quotations of the nearest three active futures trading months

Certified warehouse stocks of cocoa beans

As shown in Chart III, the price premium attained by the London cocoa futures market against the New York market weakened compared to the previous month and reached US$105 at the end of the month. The NYSE Liffe reported a fall in the volume of certified stocks in Europe from 16,040 tonnes to 261,750 tonnes at the end of December compared to the previous month. Despite the fall in certified stocks, news reports indicated that there were ample cocoa bean stocks in Europe, a result of the strong main crop in West Africa. Conversely, US certified warehouse stocks increased to 176,511 tonnes (up by 9,830 tonnes) at the end of the month.

Supply and Demand

On the supply side, according to news agency data, cocoa arrivals at ports in Côte d’Ivoire reached around 600,000 tonnes by the end of December. There was a general view among market stakeholders that the current political situation had not led to major disruption for cocoa flows.

In Ghana, cumulative cocoa purchases reported by the end of December were about 600,000 tonnes. Reports from the Cocobod indicated that favourable weather conditions were paving the way for good crop prospects.

On the demand side, increased interest in cocoa butter purchases by industry players was recorded, with the cocoa butter ratio rising to 1.5, a slight increase as compared to the previous month. The price for alkalized powder reached a level equivalent to the price of cocoa butter as a result of the strong demand for the product.