

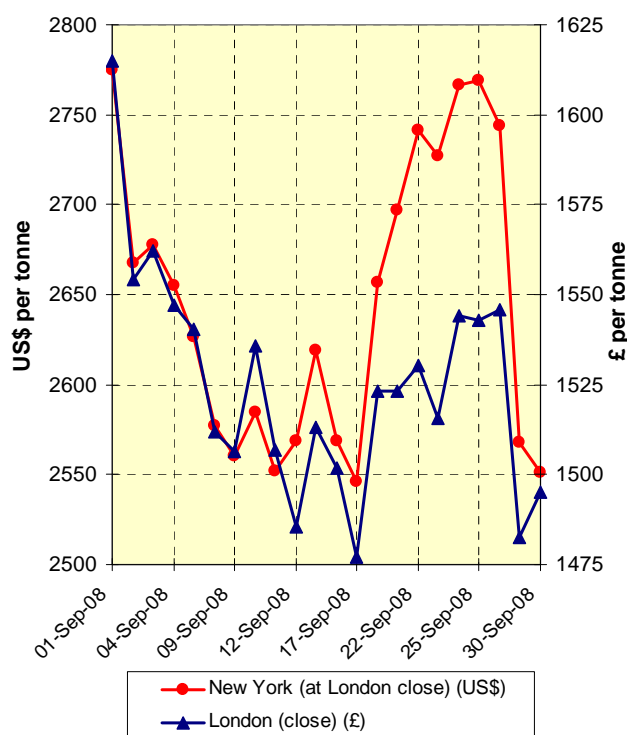


## MONTHLY COCOA MARKET REVIEW

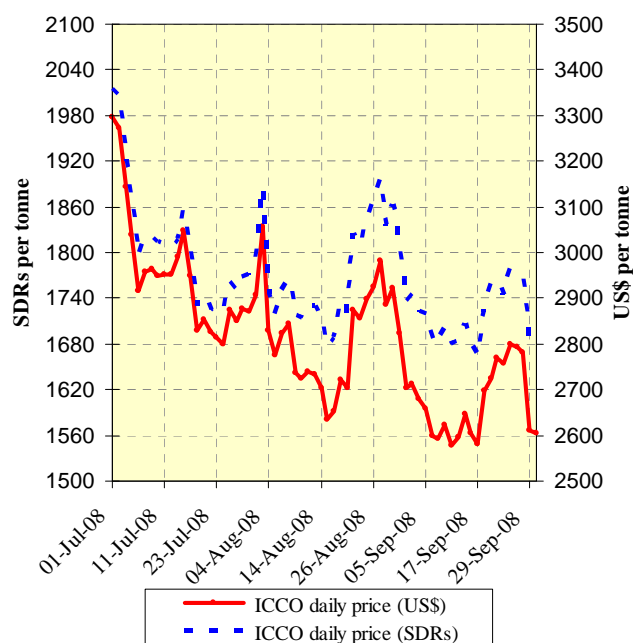
### SEPTEMBER 2008

The Monthly Cocoa Market Review charts the evolution of cocoa prices on the international markets during September 2008. **Chart I** illustrates price movements on the London (Liffe.Euronext) and New York (ICE Futures US) markets in September. **Chart II** shows the evolution of the ICCO daily prices quoted in US dollars and SDRs from July to September 2008. **Chart III, IV** and **V** link cocoa bean price movements to the *Dow Jones* commodity index, the dollar exchange rate against the Pound Sterling and licensed warehouse stocks in the London and New York markets.

**Chart I: Cocoa bean prices on the London (LIFFE) and New York (ICE) futures markets**  
September 2008



**Chart II: ICCO daily prices**  
July – September 2008



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

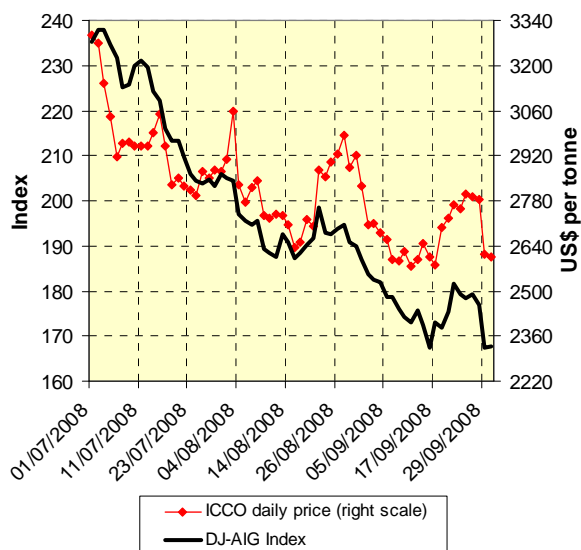
#### Price movements

In September, the cocoa market continued to fluctuate, in a general downward trend from the beginning of July. The ICCO daily price averaged US\$2,679 per tonne, ranging between US\$2,577 and US\$2,825, and down by US\$131, compared to the average price recorded over the previous month (US\$2,810).

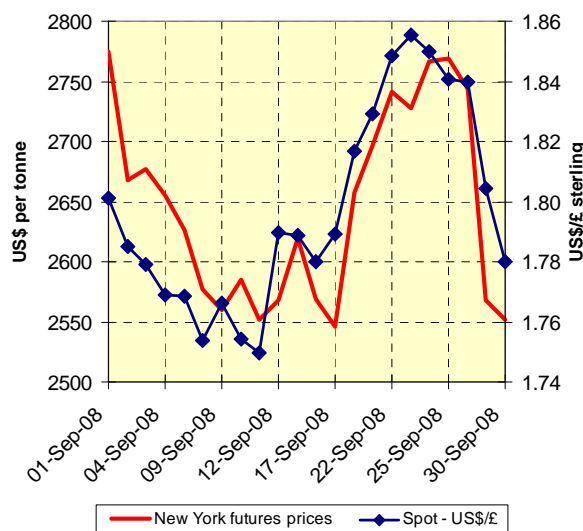
In the first half of September, the intensification of the global financial crisis and the strengthening of the US dollar against other major currencies led cocoa futures prices to tumble by ten percent, down to £1,477 in London and US\$2,546 in New York by the middle of September.

Indeed, the turmoil in the US financial market during the first two weeks of the month (bankruptcy of Lehman Brothers, sale of Merrill Lynch to Bank of America and the rescue by US Government of American International Group) and its subsequent impact on European markets, prompted non-commercial market participants to reduce their risk exposure in all assets, including cocoa. Data released by the US *Commodity Futures Trading Commission* (CFTC) confirmed that non-commercial net long positions in cocoa significantly dropped in the course of the month. Most commodities experienced a similar price decline charted by the movements of the *Dow Jones* commodity-AIG index in *Chart III*. Markets were additionally weighed down by the strengthening US dollar against other major currencies.

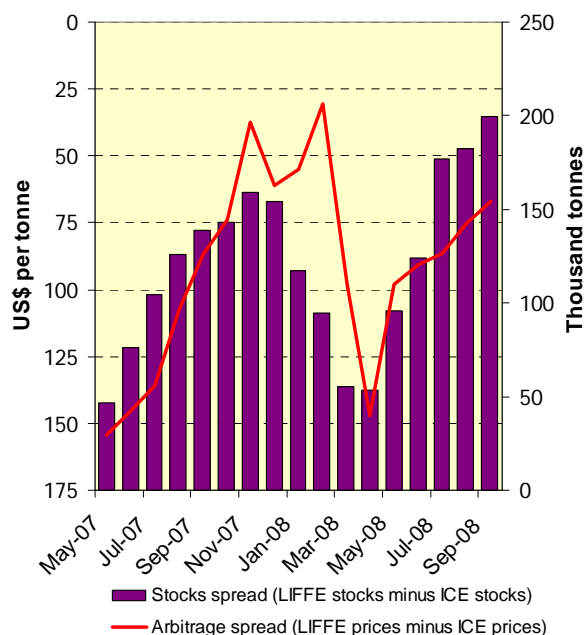
**Chart III: ICCO daily prices and Dow Jones-AIG commodity index (US\$ terms)**



**Chart IV: New York futures prices and US\$ exchange rate**



**Chart V: Arbitrage spread between LIFFE and ICE Futures and licensed warehouse stocks**



Over time, the markets found some fresh impetus with futures prices reaching £1,546 (up by almost five per cent) in London and US\$2,769 (up by almost nine per cent) in New York in the fourth week of the month. Price differentials between London and New York markets (see *Chart I*) were principally attributed to currency fluctuations. The weakening US dollar against the Pound Sterling (see *Chart IV*) effectively provided some support to the New York market from the middle of the month. This recovery was short-lived however and cocoa futures prices, amongst all other commodities, declined in turn to reach £1,495 in London and US\$2,551 in New York at the end of the month.

**Arbitrage spread between LIFFE and ICE Futures**

The decline in the arbitrage spread (difference in price) between the Liffe.Euronext and ICE futures markets (see *Chart V*) has narrowed over the past six months. This was generally linked to the stronger depletion of licensed warehouse stocks in the United States than in Europe.

**Supply & demand situation**

According to news agency data, cocoa bean arrivals to ports in Côte d’Ivoire reached 1.365 million tonnes in 2007/08. In Ghana, cocoa purchases declared by the *Ghana Cocoa Board* reached 680,000 tonnes at the end of the official 2007/08 season (12 September 2008). In addition, 78,000 tonnes of cocoa beans were purchased in Ghana during the last three weeks of September 2008.

