

# Global Cocoa Market Overview: Trends and Future Outlook

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May 2024

## Introduction

The global cocoa market has recently undergone significant transformations, driven by an interplay of factors impacting supply and demand, leading to fluctuations in cocoa prices. This report synthesizes the latest data from various sources to provide a comprehensive analysis of the cocoa market's current state, price trends, and potential future scenarios.

## Recent Market Dynamics

Recent years have seen considerable volatility in the cocoa market. By March 2024, the price of cocoa on the London market rose sharply by 47% to \$10,455 per tonne, while in New York, prices increased by 44% to \$9,729 per tonne. These increases are part of a broader trend where cocoa prices nearly tripled over the past six months, influenced heavily by production declines and market deficits in key producing nations like Côte d'Ivoire and Ghana, which together account for over half of the world's cocoa output.

## Record High Cocoa Prices

Cocoa prices recently soared to a record \$12,000 per tonne, nearly quadruple the price from the previous year. This spike in prices is reshaping the chocolate market, leading to smaller or more expensive chocolate bars and reformulated recipes, as manufacturers pass on the cost increases to consumers. Despite these high prices, the benefits are not reaching the cocoa farmers, who continue to struggle with low income and limited ability to invest in production.

## Key Factors Influencing Supply

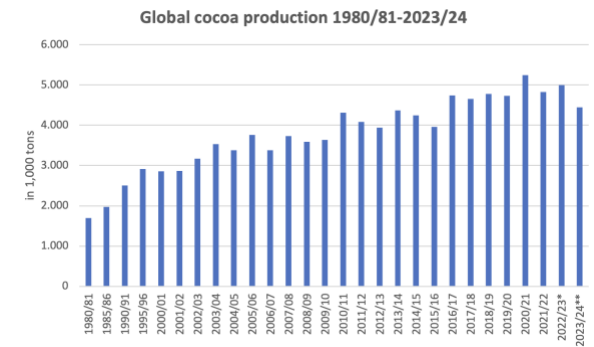
Several critical factors have led to the recent surge in cocoa prices:

- Decreased Production:** Both Côte d'Ivoire and Ghana have seen significant reductions in cocoa production due to adverse weather conditions, aging cocoa trees, and diseases such as the swollen shoot virus. This decline is compounded by issues like illegal mining, which has further reduced the amount of cultivable land available for cocoa farming.
- Economic and Policy Challenges:** Farmers in these regions have struggled to benefit from high cocoa prices due to government pricing and purchasing policies, limiting their ability to invest in cocoa production enhancement.

## The Crisis in West Africa

The primary reason for the sharp price increase is a poor harvest in West Africa, exacerbated by El Niño-linked weather patterns and pervasive disease. This region, responsible for 70% of the world's cocoa, faces a crisis deepened by the climate crisis and the farmers' inability to invest in better agricultural practices. Major processing plants in Ghana and Ivory Coast have halted or scaled back operations due to the unaffordability of cocoa beans.

**Figure 1: Global cocoa production 1980/81-2023/24**



Source: Statista

The timeline above depicts the trend in global cocoa production from 1980/81 to 2022/23 (\*) and provides a forecast for 2023/24, (\*\*) highlighting a significant production year in 2015/16 with approximately 3.97 million tons.

## Market Projections and Future Trends

The cocoa market is expected to face continued challenges:

- **Supply and Demand Discrepancies:** Despite some regions potentially increasing yields due to better funding for crop care, major producers are still battling significant challenges that might prevent them from meeting global demand. This imbalance is expected to lead to a fourth consecutive deficit season.
- **Long-term Production Concerns:** There is a structural decline in production in Ghana, which has started showing long-term negative trends since 2016/17. In contrast, the production shortfall in Côte d'Ivoire appears more short-lived, with the possibility of recovery if crop diseases are managed and weather conditions improve.
- **Impact of Weather Patterns:** In Côte d'Ivoire, the lack of sufficient rain has already impacted the current crop size and quality. The mid-crop, harvested from April to September, is particularly vulnerable to the irregular rainfall patterns observed in key regions like Yamoussoukro and Daloa.

## Economic and Regulatory Outlook

The challenges in the cocoa market have garnered attention due to skyrocketing prices, prompting discussions about sustainable and ethical cocoa production. The introduction of EU deforestation

and transparency regulations, along with a potential shift towards stable minimum prices and long-term contracts for farmers, offers a glimmer of hope. This approach could help mitigate the extensive use of child labor in the West African cocoa industry and foster more sustainable production practices, ultimately benefiting consumers by ensuring a more stable supply chain.

## Conclusion

The global cocoa market is at a critical juncture, with high prices reflecting underlying supply challenges and market deficits. Stakeholders across the spectrum, from farmers to chocolate manufacturers, need to navigate these challenges carefully. Monitoring weather patterns, investing in crop health, and adjusting market and economic policies will be crucial for stabilizing the market and ensuring the sustainability of cocoa production in the coming years.

## Bibliography

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