

# United Nations Conference on Trade and Development

## **10th MULTI-YEAR EXPERT MEETING ON COMMODITIES AND DEVELOPMENT**

**25-26 April 2018, Geneva**

### **Cocoa Boom & Bust: A Review of Cocoa Market Developments**

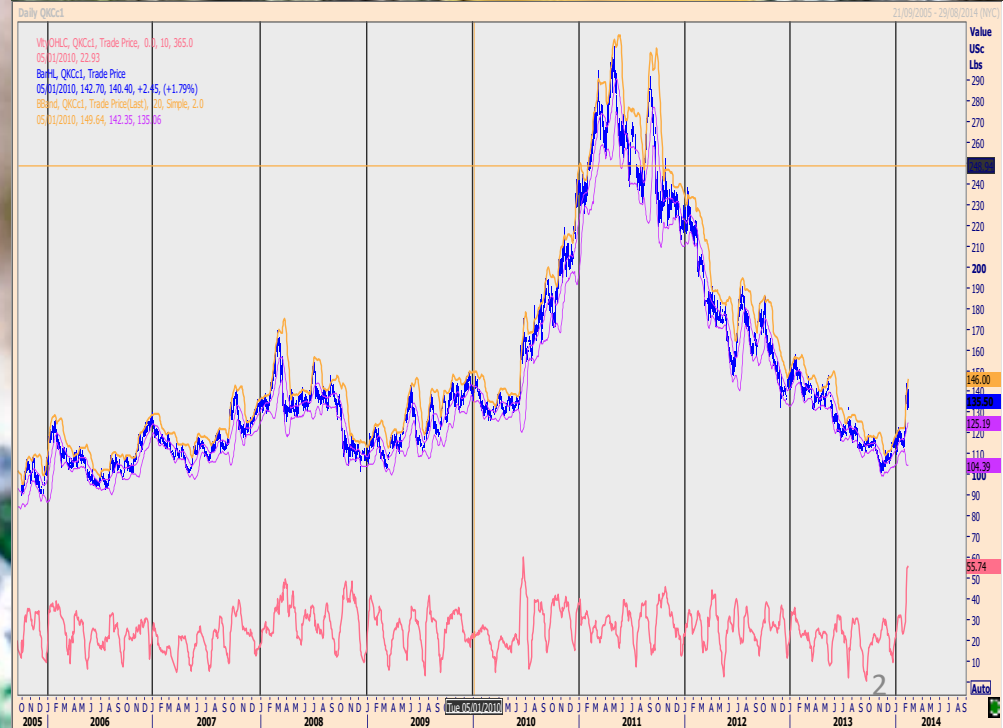
By

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# Cocoa Boom & Bust: A Review of Cocoa Market Developments

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Geneva, 25-26 April 2018



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## **“No more chocolates by 2020!”**

**“Chocolate bars may get replaced by slabs of palm oil and vegetable fats packed with raisins and nougat by 2020 ”**

***The Times of India – 13 April 2014***

## **“Don’t panic, but we could be running out of chocolate”**

**“By 2020, the world could see a chocolate deficit of 1m tonnes”**

***The Telegraph – 17 November 2014***

## **“We'll run out of cocoa in just SEVEN years!”**

**“The world will officially run out on October 2, 2020”**

***Star Sunday – 6 October 2013***

## **Enjoy today’s Easter eggs: they could soon become a luxury**

***The Observer – 4 April 2015***

## **“Manufacturers warn that the world may soon run out of chocolate!”**

***The Week – 17 November 2014***

.... But then cocoa prices dropped by 58%  
from Aug 16 to May 17...



## **Too Much Chocolate: In Sharp Turn Around, Cocoa Prices Drop**

*Wall Street Journal – 8 December 2016*

## **Hit by falling cocoa prices, Ivory Coast slashes budget**

*Reuters – 20 April 2017*

## **The Worst Investments Of 2016 : #1 Cocoa**

*ITM Trading – 26 January 2017*

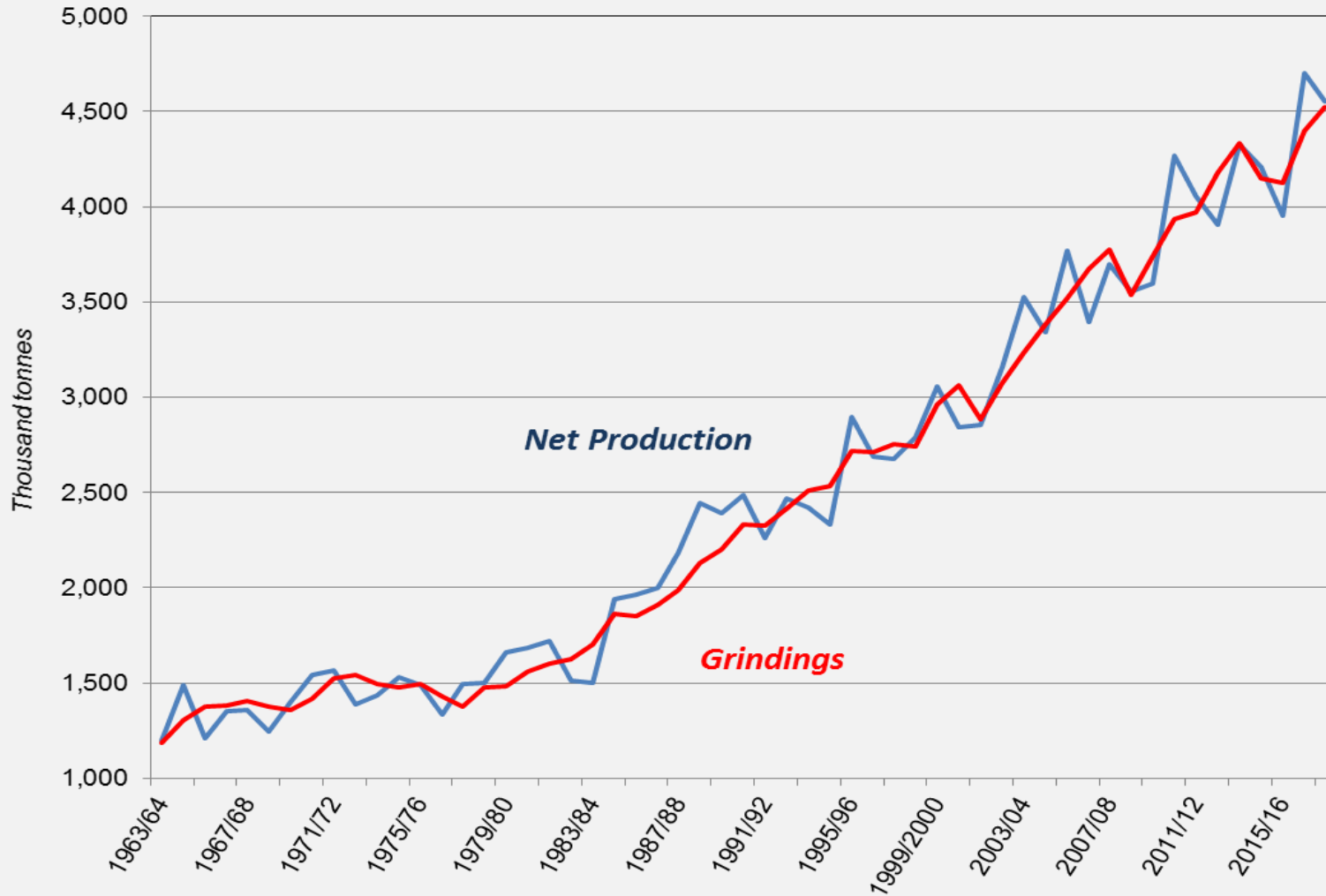
**“As producers struggle to survive the  
cutting effect of low incomes from the  
commodity, both producers and  
consumers stand to suffer the long-term  
damage if we fail to adopt measures  
today to remedy the situation”**

*Mr Joseph Boahen Aidoo, the Chief Executive of  
Ghana Cocoa Board (COCOBOD) – 9 February 2018*

**“Our fear is that the world cocoa  
sector has entered a period of  
structural surplus that is likely to  
last for some time to come”**

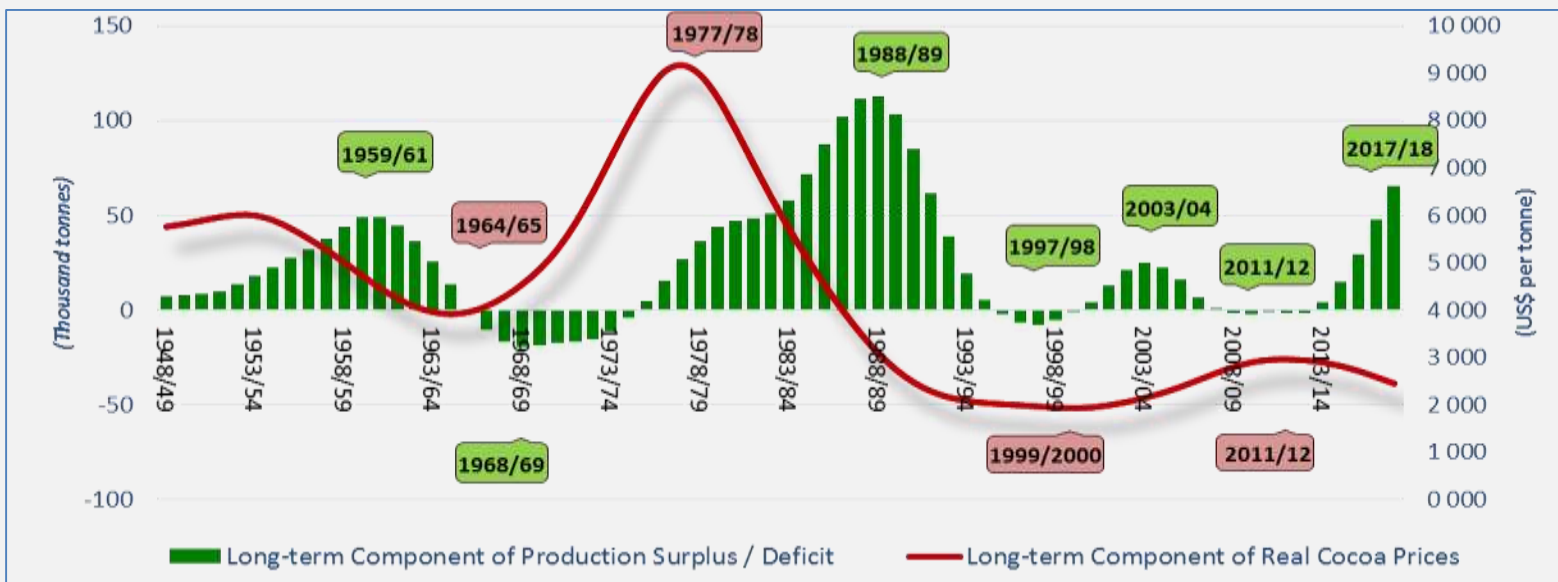
*Dr Anga, Executive Director of ICCO – 15  
March 2017*

# Market Situation – Trend in supply & demand



Sources: ICCO, Pipitone

# Cocoa Production Surplus / Deficit and Real Cocoa Prices



Sources: ICCO, Pipitone

Hodrick-  
Prescott filter

# A lag response to changing market conditions

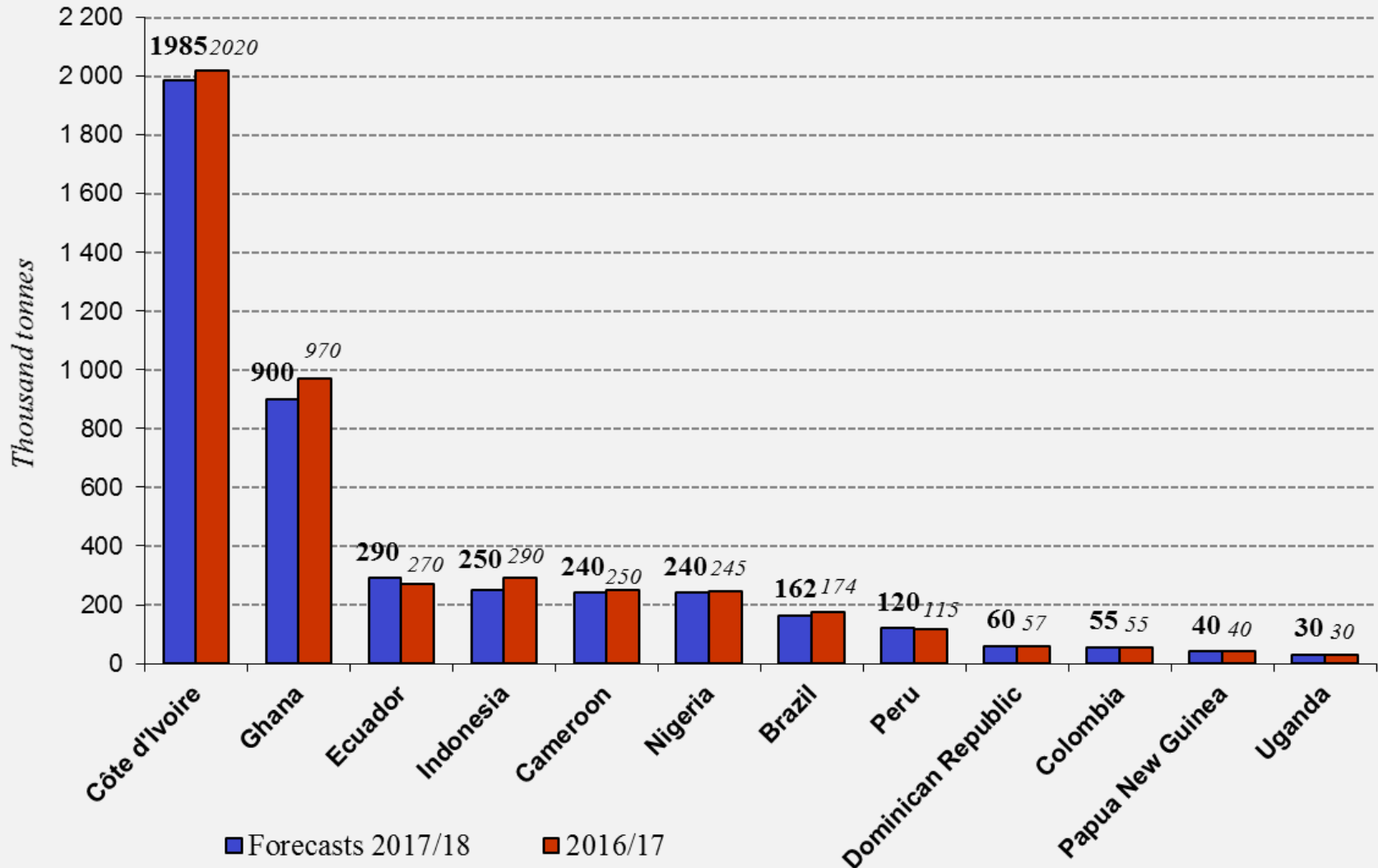
- ❖ Cocoa is mostly grown by smallholder farmers. In many African countries, cocoa plantation allows to acquire land ownership on the basis of customary rights by first cultivation.
- ❖ Cocoa trees are productive for about 40 years, starting to produce after 3 years, with a peak reached after 8-10 years.
- ❖ Farmers usually do not cut trees to produce another crop when cocoa prices decline, as they would lose all the initial investment made. In addition, there are often limited alternative sources of income.
- ❖ Therefore, cocoa production responds moderately to declines in prices in the short (*price elasticity = 0.14*) and medium-terms.
- ❖ These behaviours create strong risks of structural supply surplus, and drove the long-term decline of cocoa prices over the past 40 years.
- ❖ Important developmental and policy roles for governments and development partners.

# The “cocoa ship”: long-term view and tools to navigate



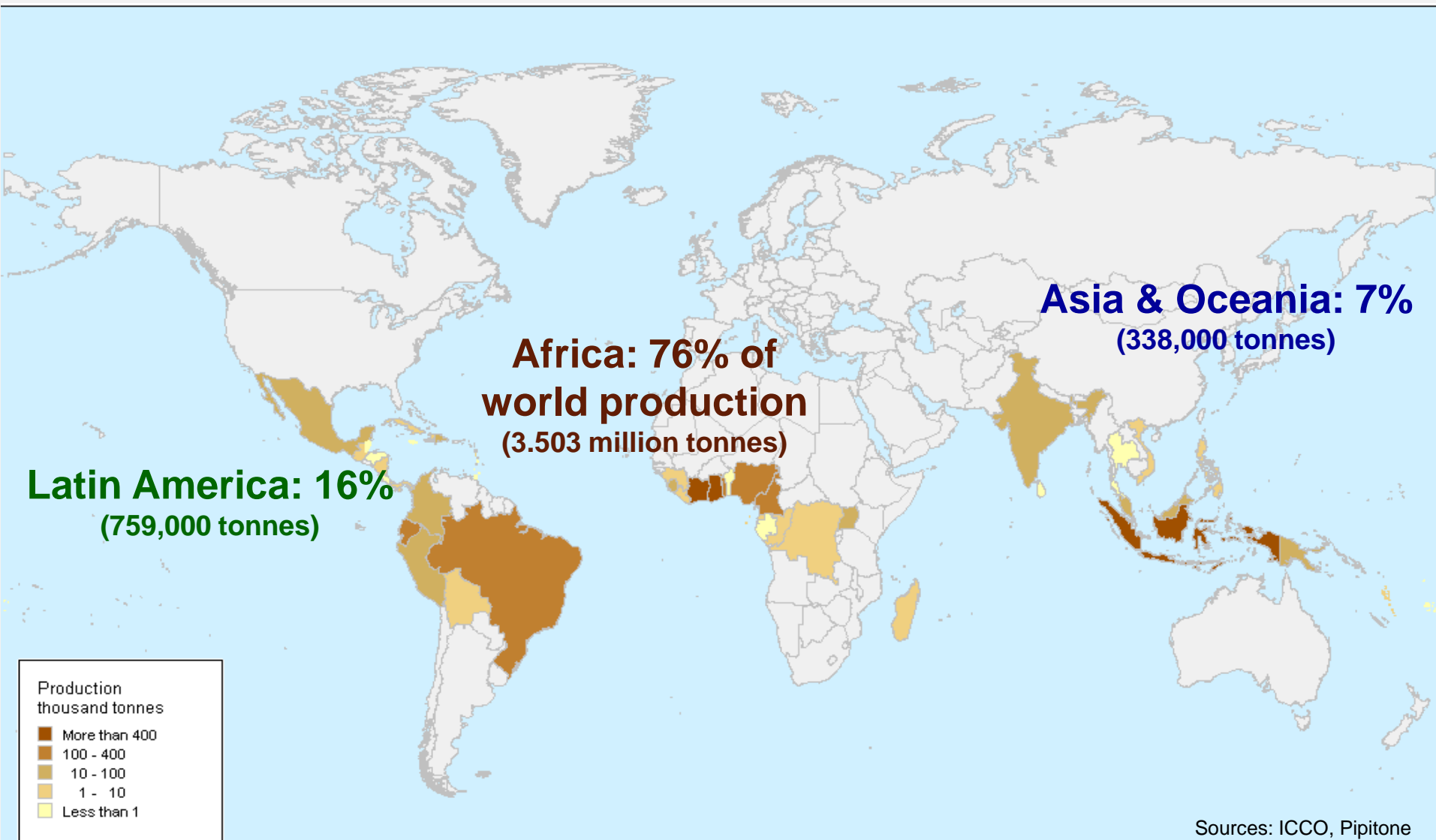


# World cocoa bean production: Top 12 countries



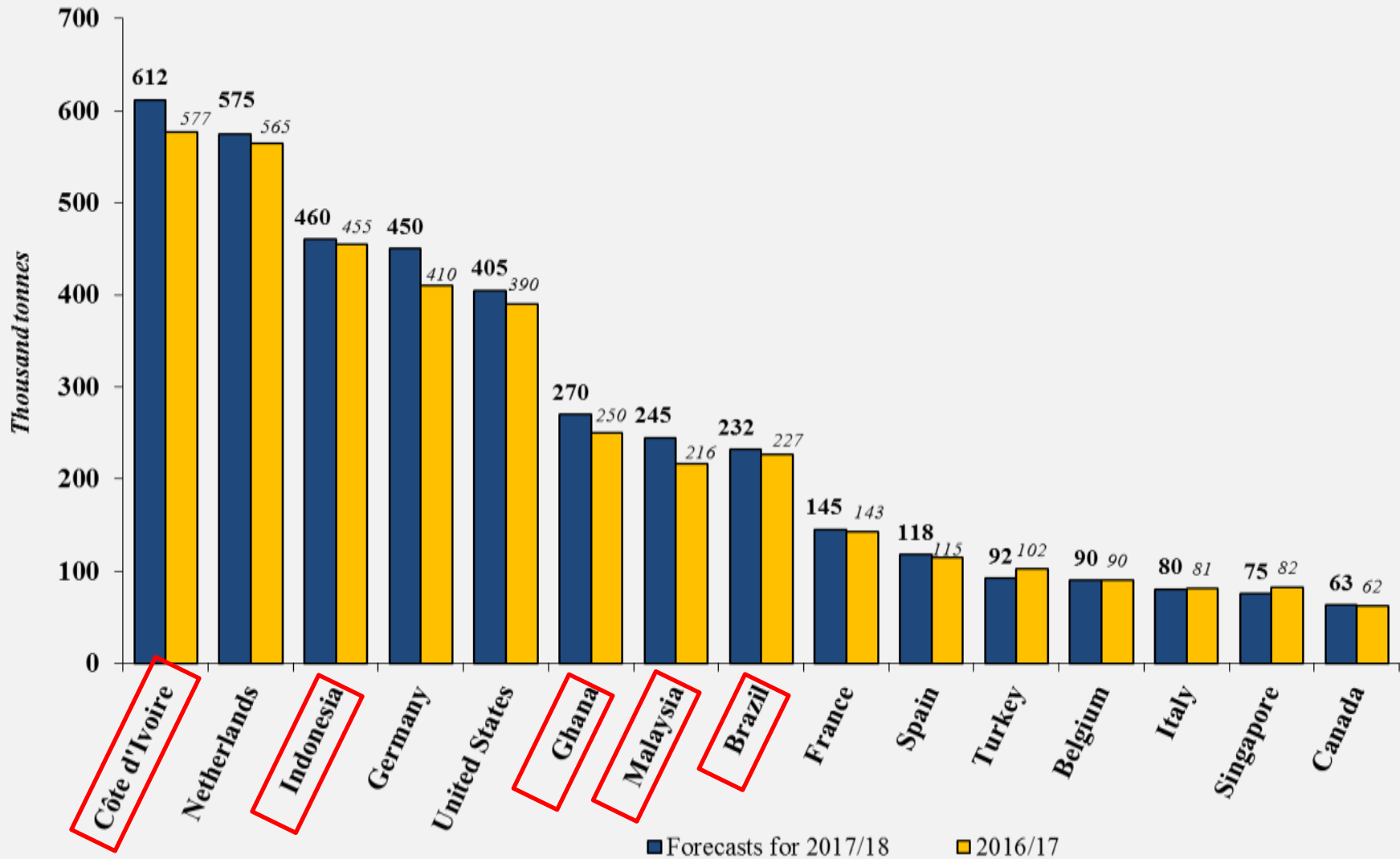
Sources: ICCO, Pipitone

# World cocoa bean production (gross) - 2017/18: 4.6 million tonnes



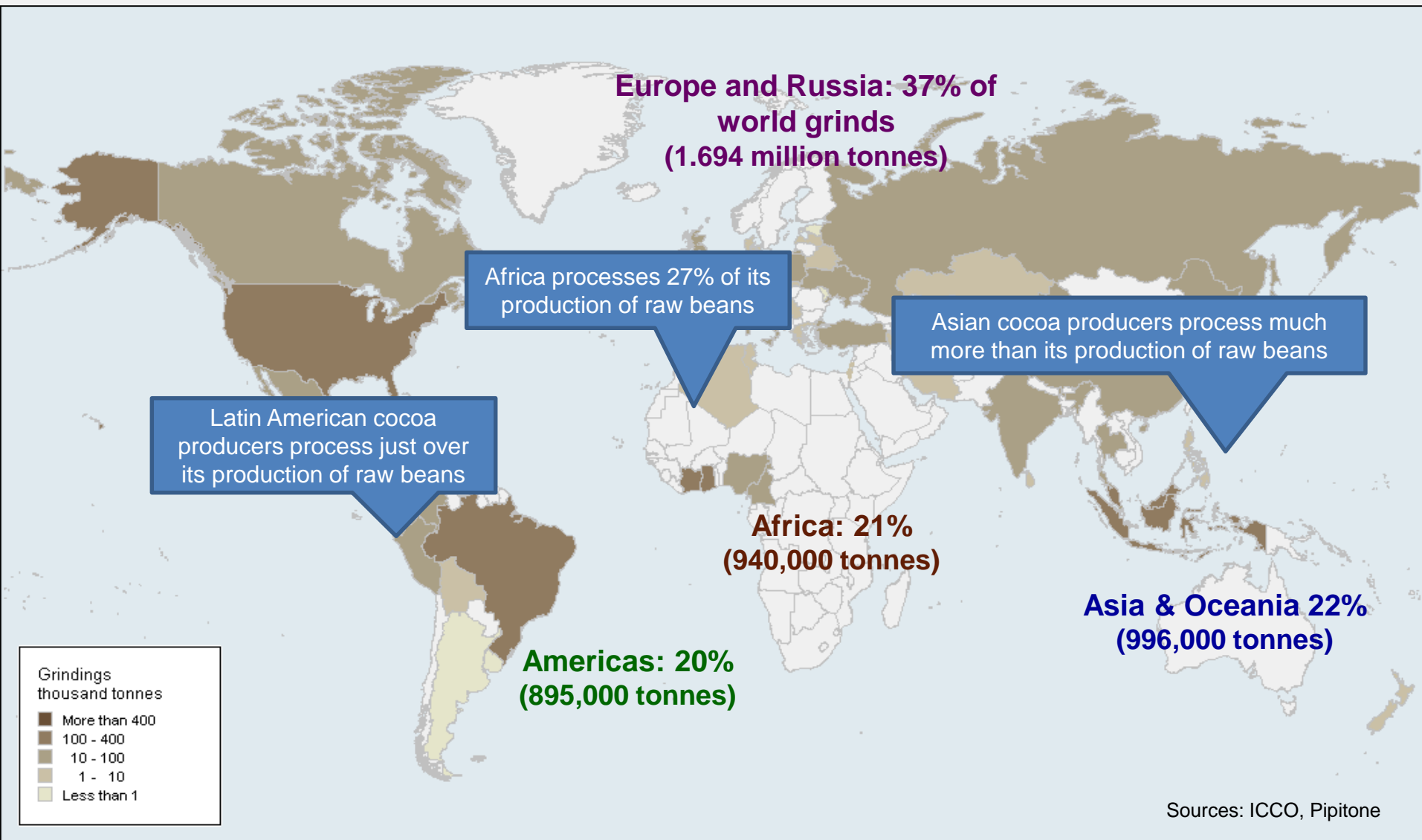
Sources: ICCO, Pipitone

# World cocoa grindings into semi-finished cocoa products: Top 15 countries



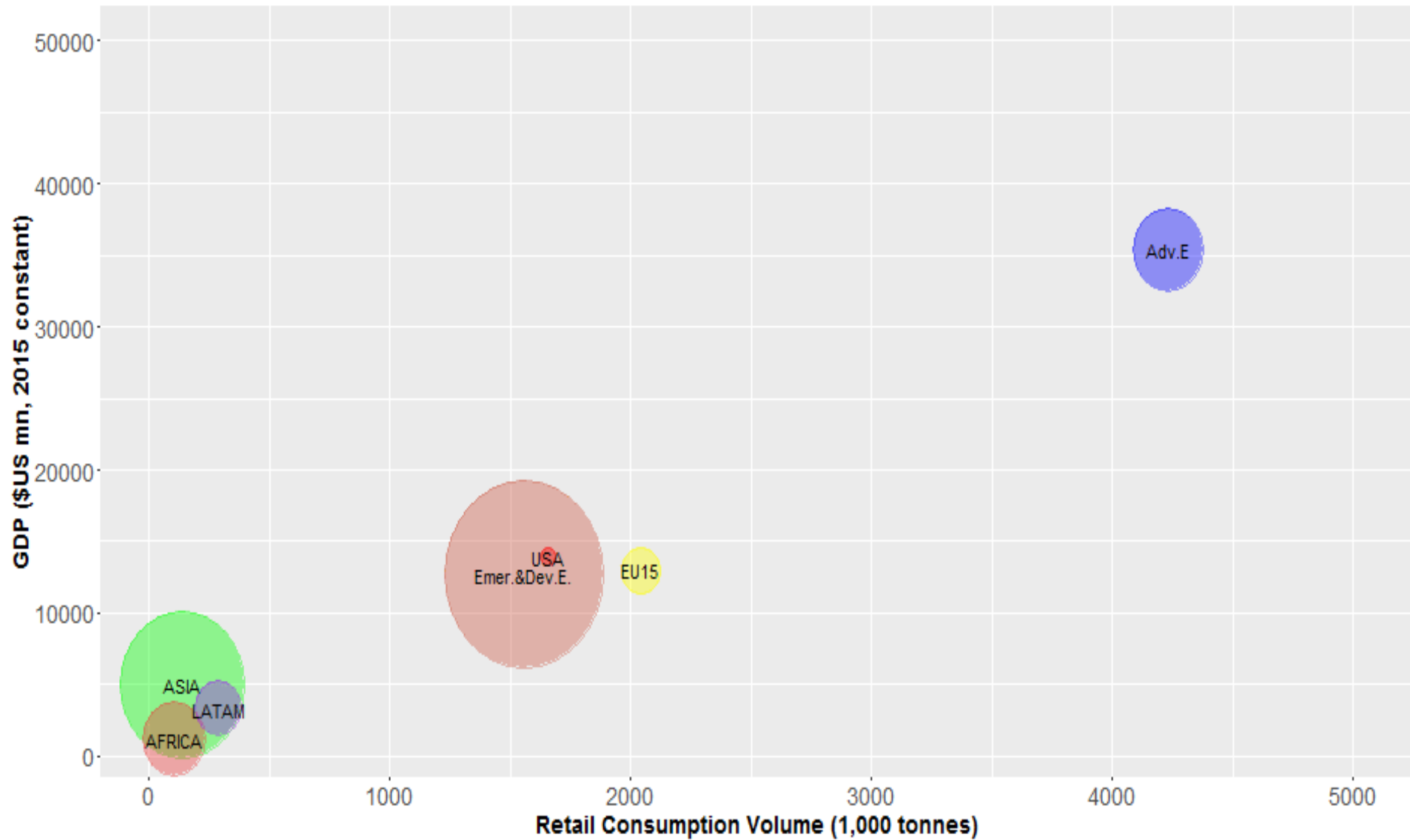
Sources: ICCO, Pipitone

# World cocoa grindings (into semi-finished cocoa products) 2017/18: 4.526 million tonnes



# Chocolate consumption - from 2001 to 2020

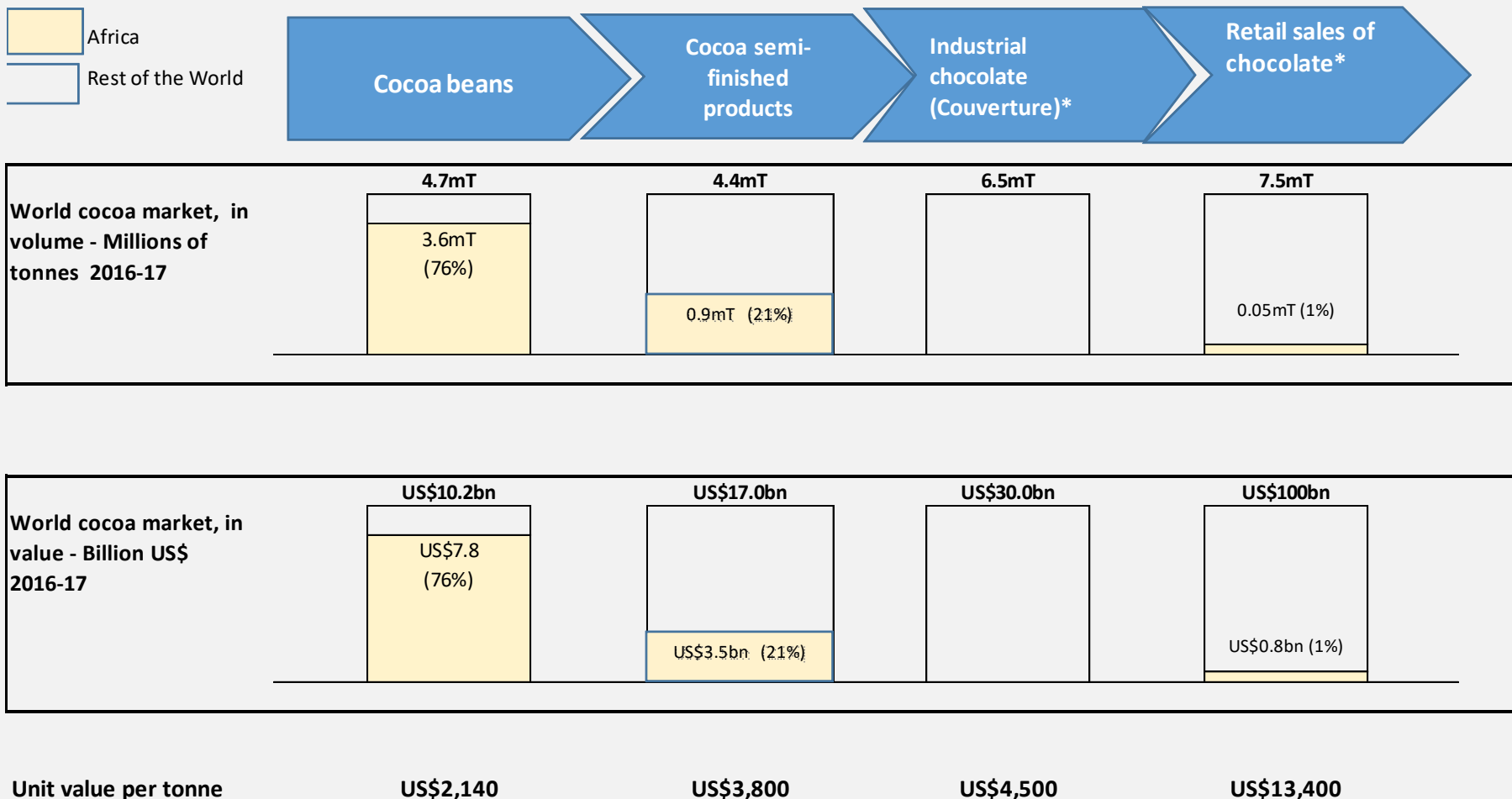
Year 2001



# The value distribution along the cocoa and chocolate chain



Estimated value captured at each sage of the international value chain



\* Cocoa usage in cakes, ice cream, cosmetic is not included

Source: Author estimates

## Limiting risks of Boom & Bust

Better tools to evaluate market situation and anticipate future developments...

Cocoa producing countries need to better assess their national cocoa resources...

Better coordination of initiatives and national policies affecting supply, at national level (PPPP) and international level...

Increasing productivity AND encouraging crop / farm diversification...

Adding value to raw cocoa beans produced through emergence of micro, small or medium-sized enterprises to service the cocoa sector, marketing, storage, agro-processing, chocolate making ...

*Thank you for listening*

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*... and enjoy eating (dark) chocolate*