The World Cocoa Economy: Current Status, Challenges and Prospects

by

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The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.
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**Background**

**Creation:**
- Established in 1973 under the auspices of the United Nations as an intergovernmental organization to administer International Cocoa Agreements (ICA)
- Based in London; Awarded Diplomatic Status (as a Foreign Embassy) under Headquarters Agreement with the UK Government

**Mission:**
- To improve the functioning of the world cocoa economy through appropriate activities and coordinated actions among Member countries, in close cooperation with the private sector

**Mandate:**
- To achieve a sustainable world cocoa economy, encompassing social, economic and environmental dimensions in production, processing and consumption of cocoa
The International Cocoa Agreement (ICA) 2010 is signed by 47 countries, with another 5 (in red) in the pipeline, taking the anticipated total number to 52 by the end of this year. This would include 22 countries representing about 95% of global exports and 30 countries representing about 72% of global imports.

**Exporting Member countries**: Brazil, Cameroon, Democratic Republic of Congo, Costa Rica, Côte d’Ivoire, Dominican Republic, Ecuador, Honduras, Gabon, Ghana, Guatemala, Guinea, Indonesia, Malaysia, Nicaragua, Papua New Guinea, Peru, Sierra Leone, Togo, and Trinidad and Tobago and Venezuela.

**Importing Member countries**: All European Union Members (28 countries), Russia and Switzerland.
ICCO Members and Prospective Members
Main Activities

1. **Forum for discussions on policy/strategic issues** affecting the global cocoa economy. Done through meetings of the ICCO Council and Subsidiary bodies, including Private Sector (Consultative) Board and Expert Working Groups;

2. **Market transparency**: collection and dissemination of statistics and information on the cocoa market, regular analysis of cocoa market situation, market forecasts, etc. (publication of the ICCO Quarterly Bulletin of Cocoa Statistics and the World Cocoa Directory) and economic studies;

3. Development and supervision of **projects** aimed at solving specific problems and improving the functioning of the cocoa economy.
Examples of Specific Activities

1. Set up of **International Standard Specifications for Jute Bags** in the packing of cocoa beans;
2. Developed a **Manual on Best Known practices** along the cocoa value chain,
3. Harmonization of cocoa-related **SPS legislations** (pesticides residues, heavy metals, etc.) to address food safety concerns,
4. Organize **workshops** and **seminars** to strengthen the capacity of Member countries to improve production, quality and trade of cocoa;
6. Organized the first **World Cocoa Conference** (Nov 2012); preparing for 2nd edition (9-13 June 2014 in Amsterdam, The Netherlands)
Structure of ICCO

INTERNATIONAL COCOA COUNCIL

ICCO SECRETARIAT
(Executive Director and 15 professional staff members)

Private Sector (Consultative) Board

Economics Committee

Expert Working Groups on Stocks, Quality, Fine or Flavour Cocoa, etc.

Administration and Finance Committee
The size of the global cocoa/chocolate market

Cocoa bean global value in 2011/12: US$ 10 billion
Retail value of global chocolate sales in 2012: US$ 107 billion

Sources: Euromonitor International, NCA, ICCO staff calculation

Top chocolate manufacturers, 2013, total sales in million US$

<table>
<thead>
<tr>
<th>Company</th>
<th>Net Sales 2013 (US$ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mars Inc (USA)</td>
<td>17,640</td>
</tr>
<tr>
<td>Mondelēz International Inc (USA)</td>
<td>14,862</td>
</tr>
<tr>
<td>Nestlé SA (Switzerland)</td>
<td>11,760</td>
</tr>
<tr>
<td>Ferrero Group (Italy)</td>
<td>10,900</td>
</tr>
<tr>
<td>Hershey Foods Corp (USA)</td>
<td>7,043</td>
</tr>
<tr>
<td>Arcor (Argentina)</td>
<td>3,700</td>
</tr>
<tr>
<td>Chocoladenfabriken Lindt &amp; Sprüngli AG (Switzerland)</td>
<td>3,149</td>
</tr>
<tr>
<td>Yildiz Holding (Turkey)</td>
<td>2,500</td>
</tr>
</tbody>
</table>

Top eight global confectionery companies that manufacture some chocolate by total confectionery sales value in 2013

Source: Candy Industry, January 2014
II. Current Status of the World Cocoa Economy

WORLD COCOA PRODUCTION (Gross)

2013/14: 4.104 million tonnes

Latin America: 16% (666,000 tonnes)

Asia & Oceania: 12% (496,000 tonnes)

Africa: 72% (2.942 million tonnes)

Source: ICCO, Quarterly Bulletin of Cocoa Statistics
II. Current Status of the World Cocoa Economy

Top 12 cocoa producing countries (thousand tonnes)

Source: ICCO, Quarterly Bulletin of Cocoa Statistics
II. Current Status of the World Cocoa Economy

WORLD COCOA GRINDINGS
2013/14: 4.178 million tonnes

Europe and Russia: 39%
(1.619 million tonnes)

Asia & Oceania
21%
(872,000 tonnes)

Africa: 19%
(797,000 tonnes)

Americas: 21%
(890,000 tonnes)

Source: ICCO, Quarterly Bulletin of Cocoa Statistics
II. Current Status of the World Cocoa Economy

Top 15 cocoa processing countries
(thousand tonnes)

Source: ICCO, Quarterly Bulletin of Cocoa Statistics
II. Current Status of the World Cocoa Economy

Apparent consumption of cocoa (in 2011/12)

- **Asia & Oceania**: 16%
- **Latin America**: 10%
- **North America**: 24%
- **Africa**: 4%
- **Other Europe**: 10%
- **European Union**: 36%

*Source: ICCO, Quarterly Bulletin of Cocoa Statistics*
II. Current Status of the World Cocoa Economy

Apparent consumption of cocoa per caput (in 2011/12)

Source: ICCO, Quarterly Bulletin of Cocoa Statistics
World cocoa bean production, grindings and supply/demand balance

Source: ICCO, Quarterly Bulletin of Cocoa Statistics
ICCO daily price of cocoa beans and stocks-to-grindings ratio

Source: ICCO, Quarterly Bulletin of Cocoa Statistics
Forecast of the World Cocoa Supply and Demand

Source: ICCO, Econometric model on the world cocoa economy – March 2014
Outlook of the World Cocoa Economy from 2013/14 to 2022/23

Source: ICCO, Econometric model on the world cocoa economy – March 2014
World Cocoa Supply and Demand

Low yields

Source: FAO, Faostat, 31 January 2014, ICCO staff calculations
III. Challenges of the World Cocoa Economy

1. Low productivity
2. Pests and Diseases
3. Declining soil fertility
4. Availability and high costs of farm inputs
5. Outdated production systems and poor farm management practices
6. Weather, climate and environment effects
7. Inefficient marketing systems
8. Low intake of innovation, technology and knowledge transfer
9. Inadequate extension and advisory services
IV. ICCO’s Strategy to Ensure Adequate Supply to meet Future Demand

INTEGRATED APPROACH TO IMPROVE
PRODUCTIVITY & QUALITY: KEY COMPONENTS

- Improved Planting Material
- Integrated Management of Cocoa Pests & Diseases
- Soil Fertility Management
- Capacity Building: Training
- Affordable Finance & Inputs
- Crop Diversification
- Professionalization of Farmers’ Organization
- Quality Control
- Extension Services
IV. ICCO’s Strategy to Ensure Adequate Supply to meet Future Demand

The 1st World Cocoa Conference: 19-23 November 2012, Abidjan, Côte d’Ivoire

• **Objective:** to critically review the strategic challenges facing the world cocoa economy and to agree on coordinated actions to be implemented

• **Outputs:** Global Cocoa Agenda; Abidjan Cocoa Declaration.

• **Main recommendations:**
  • National Cocoa Development Plan
  • Increase transparency and coordination of development activities
  • The ICCO Private Sector (Consultative) Board to be in charge of monitoring and coordination of the implementation of the Global Cocoa Agenda
IV. ICCO’s Strategy to Ensure Adequate Supply to meet Future Demand

The 2nd World Cocoa Conference: 9 – 13 June, 2014, Amsterdam, the Netherlands

Objective:
• Review progress achieved by stakeholders in implementation of Global Cocoa Agenda adopted in Abidjan

Expected outputs:
• Special emphasis on development and implementation of National Cocoa Plans through a Public-Private Partnership (PPP) in ICCO member countries and on initiatives implemented by the cocoa and chocolate industry towards increasing sustainability across the entire cocoa value chain.
• List of recommendations to enhance implementation of Global Cocoa Agenda.
Thank you

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