Cocoa Boom & Bust: 
A Review of Cocoa Market Developments

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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Director & Co-founder, FarmBridge International
“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
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*

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

“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
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 \((price\ \text{elasticity} = 0.14)\) 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

Africa: 76% of world production (3.503 million tonnes)

Latin America: 16% (759,000 tonnes)

Asia & Oceania: 7% (338,000 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

Americas: 20% (895,000 tonnes)

Asia & Oceania: 22% (996,000 tonnes)

Africa: 21% (940,000 tonnes)

Europe and Russia: 37% of world grinds (1.694 million tonnes)

Sources: ICCO, Pipitone
Chocolate consumption - from 2001 to 2020
The value distribution along the cocoa and chocolate chain

Estimated value captured at each stage of the international value chain

<table>
<thead>
<tr>
<th>Stage</th>
<th>Africa</th>
<th>Rest of the World</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volume - Millions of tonnes 2016-17</td>
<td>3.6mT</td>
<td>0.9mT</td>
</tr>
<tr>
<td>Value - Billion US$ 2016-17</td>
<td>US$7.8bn</td>
<td>US$3.8bn</td>
</tr>
<tr>
<td>Unit value per tonne</td>
<td>US$2,140</td>
<td>US$3,800</td>
</tr>
</tbody>
</table>

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

Source: Author estimates
### Limiting risks of Boom & Bust

<table>
<thead>
<tr>
<th>Better tools to evaluate market situation and anticipate future developments…</th>
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<tbody>
<tr>
<td>Cocoa producing countries need to better assess their national cocoa resources…</td>
</tr>
<tr>
<td>Better coordination of initiatives and national policies affecting supply, at national level (PPPP) and international level…</td>
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<tr>
<td>Increasing productivity AND encouraging crop / farm diversification…</td>
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<tr>
<td>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 …</td>
</tr>
</tbody>
</table>
Thank you for listening

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... and enjoy eating (dark) chocolate