

**Seventh Multi-year Expert Meeting on
Commodities and Development**
15-16 April 2015
Geneva

Latest developments in the global cocoa market

By

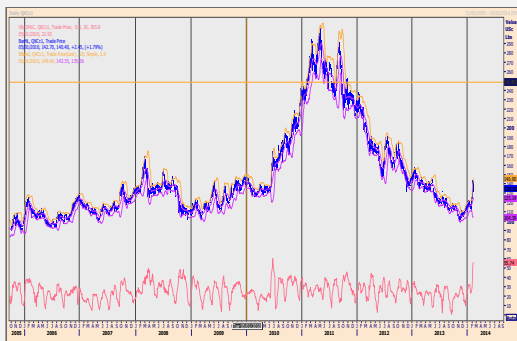
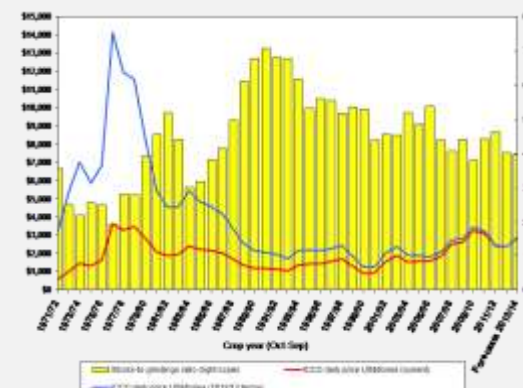
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The views expressed are those of the author and do not necessarily reflect
the views of UNCTAD.

UNCTAD GLOBAL COMMODITIES FORUM

Geneva, 15 April 2015

Latest developments in the global cocoa market



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The “choco-apocalypse 2020”

“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

“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”

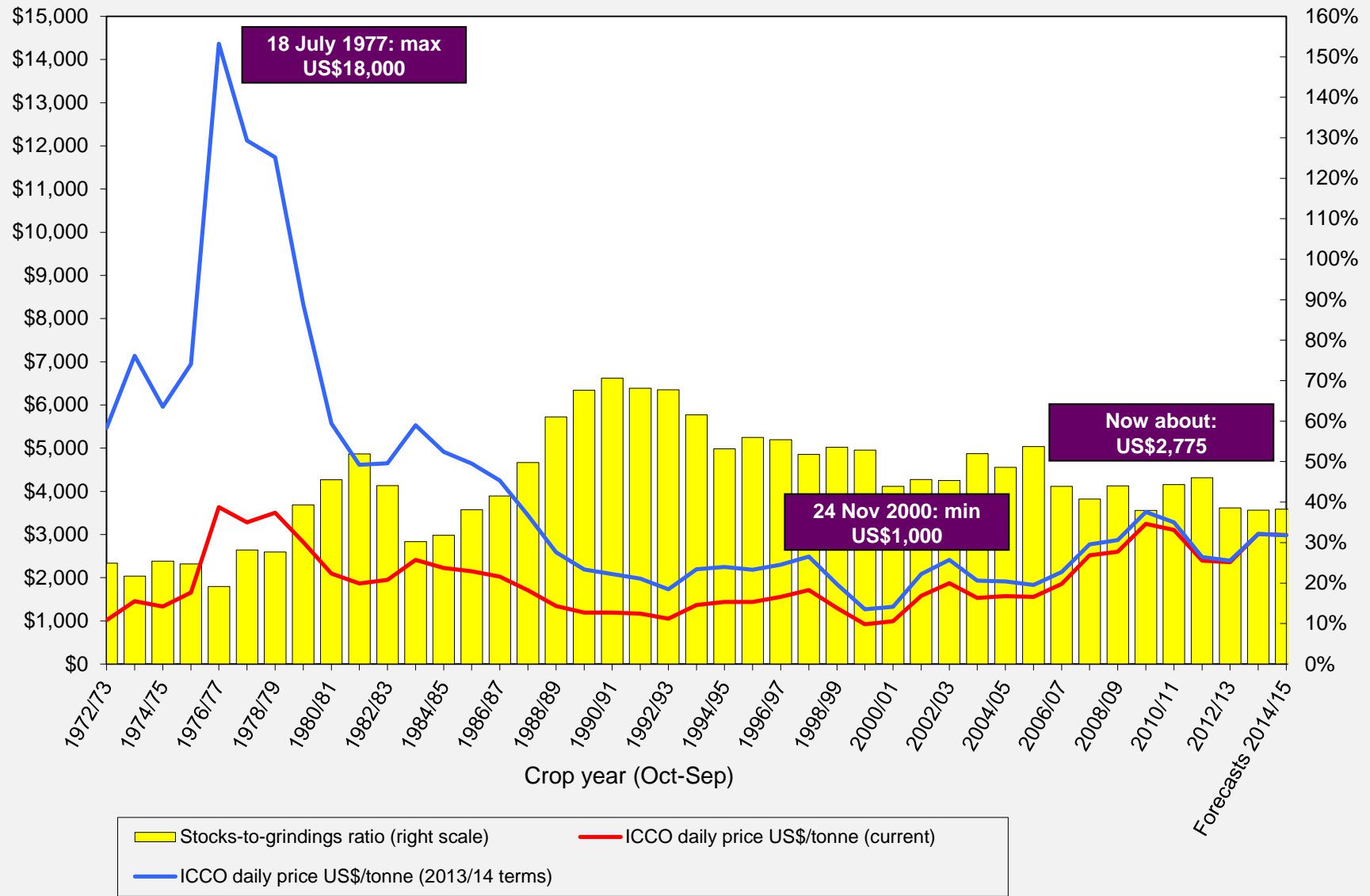
“By 2020, the world could see a chocolate deficit of 1m tonnes”

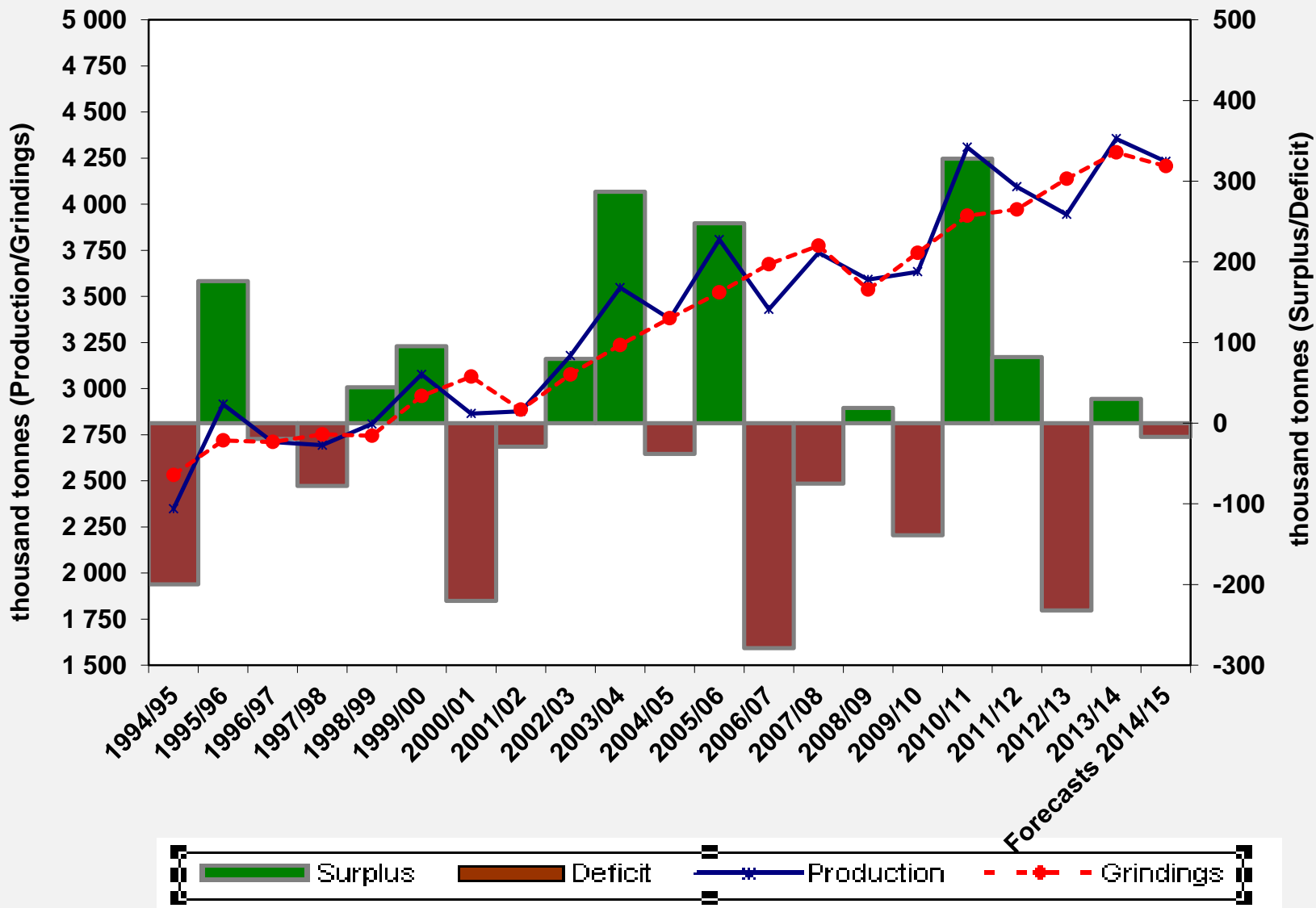
The Telegraph – 17 November 2014

Enjoy those Easter eggs while you can: chocolate prices are expected to double by 2020 as cocoa supplies run low.

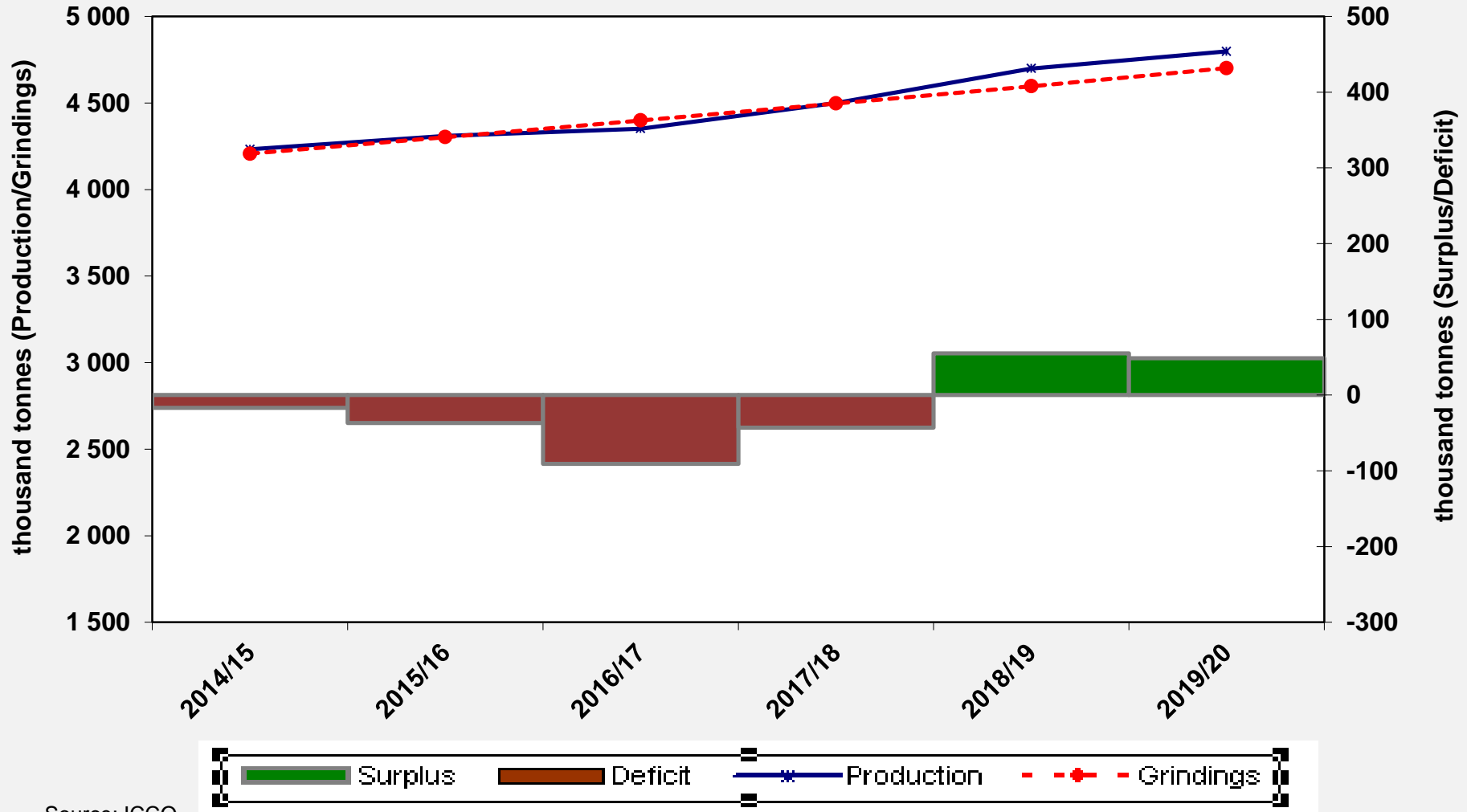
The New Zealand Herald; 6 April 2015

Development of cocoa prices, in relation to cocoa availability

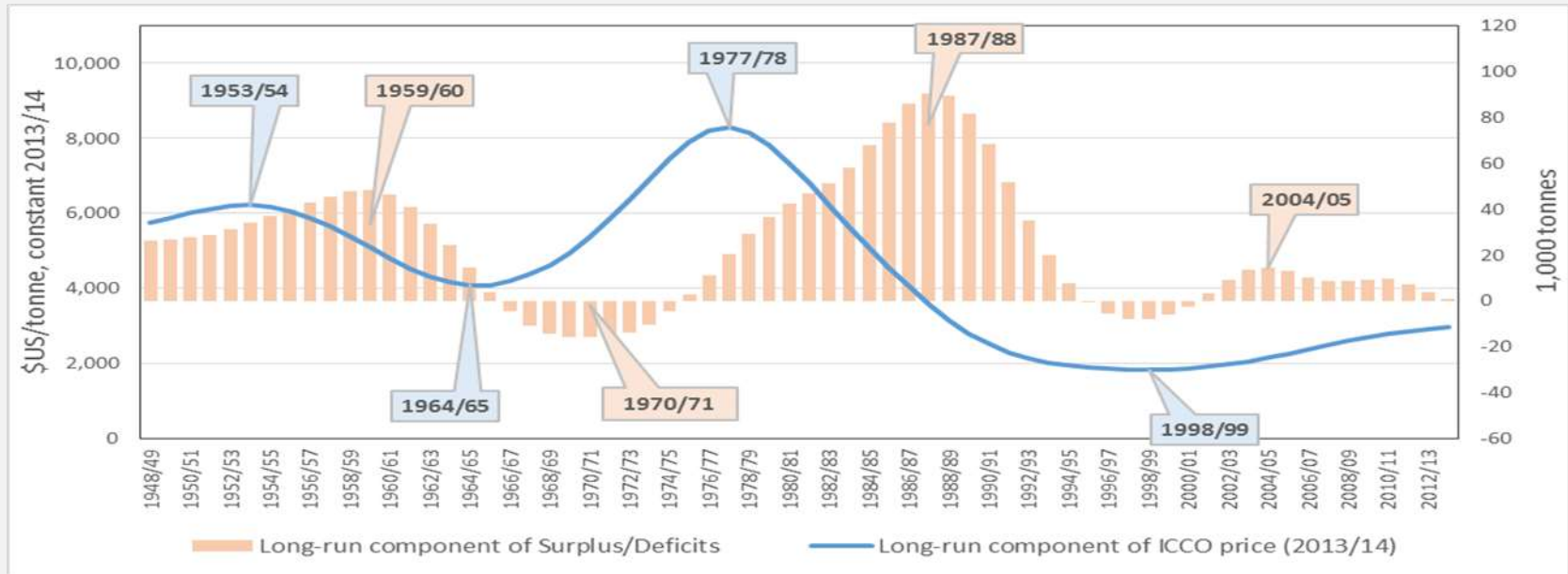
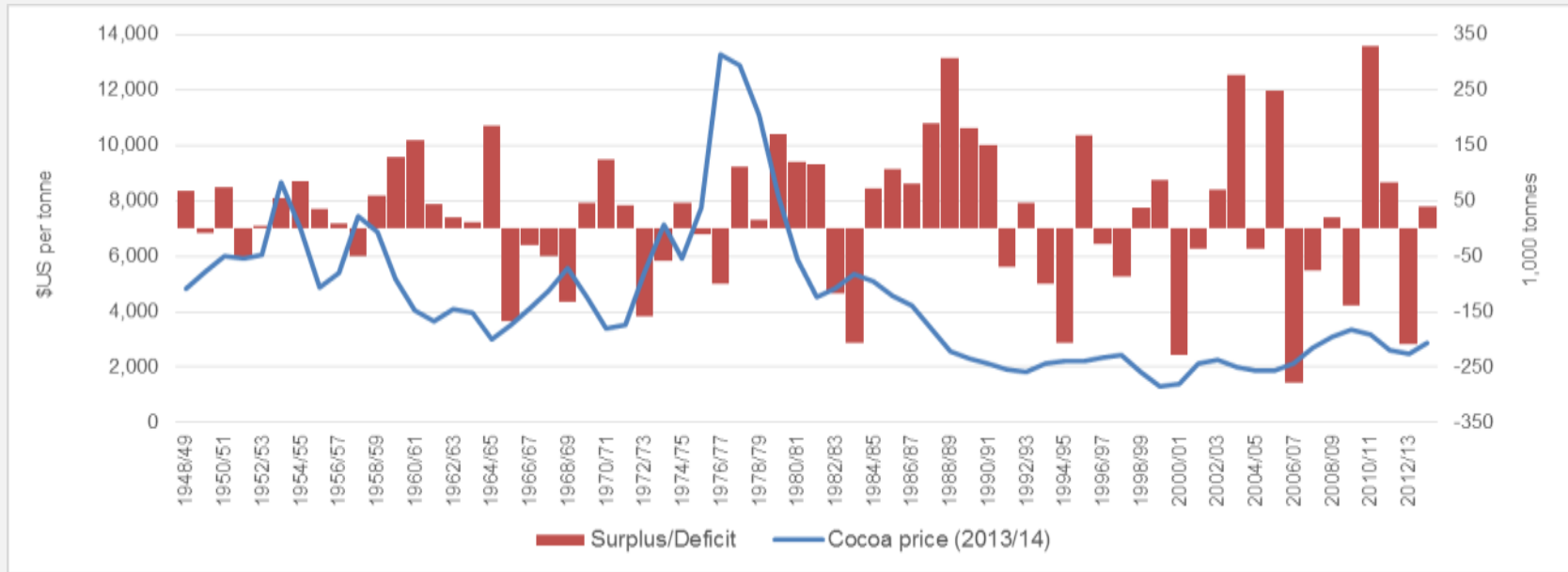


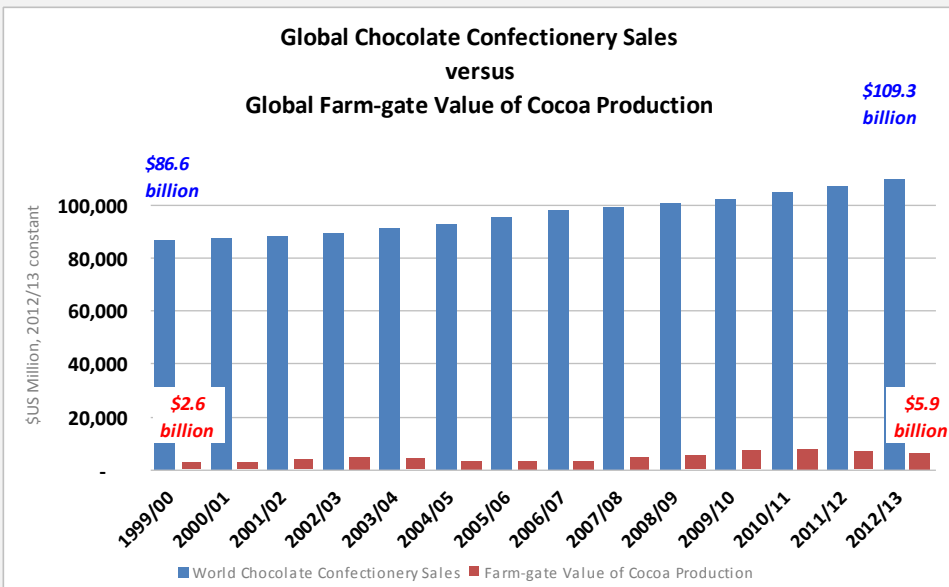
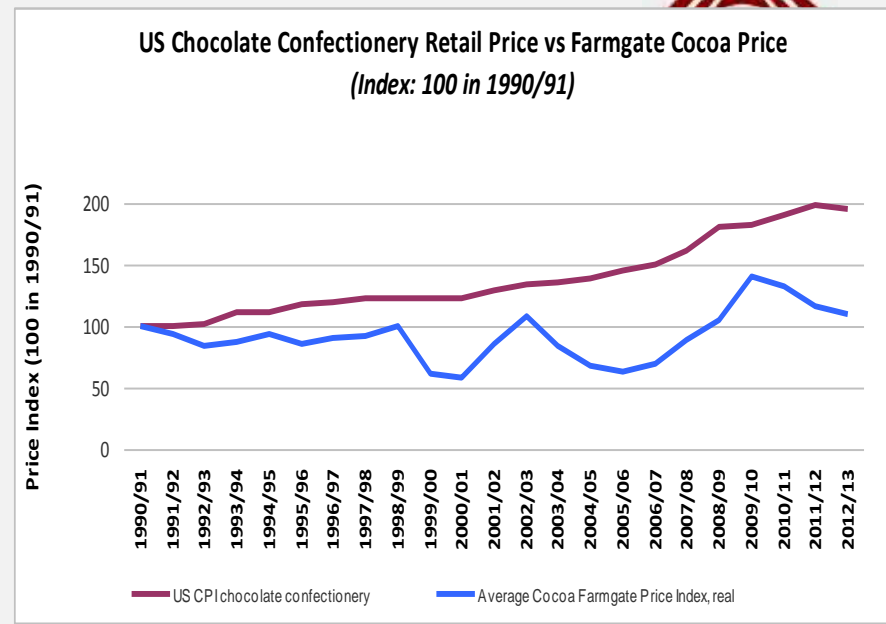
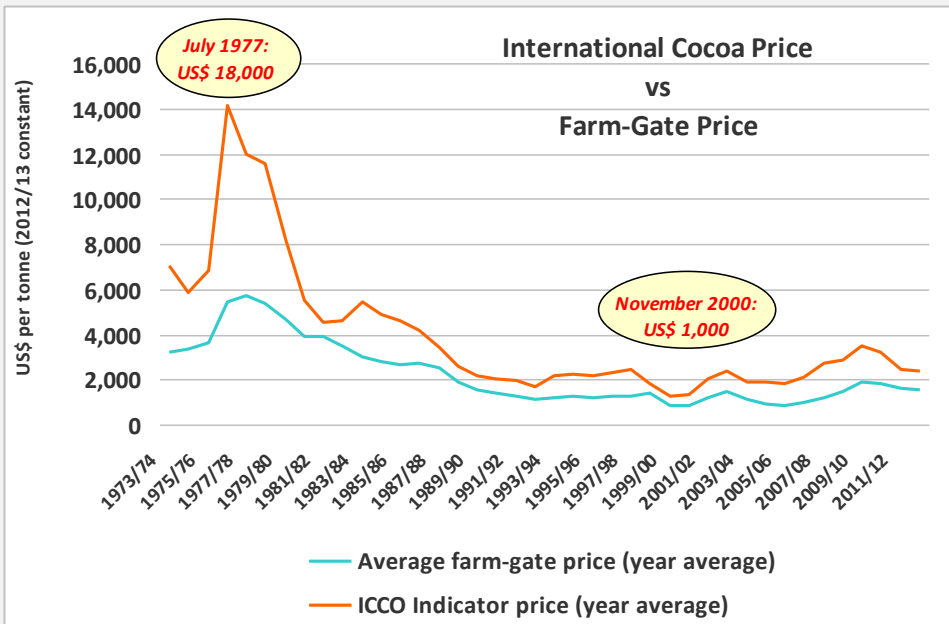


ICCO Forecasts for cocoa supply and demand



Cocoa supply surplus/deficit & prices: the long-term trend





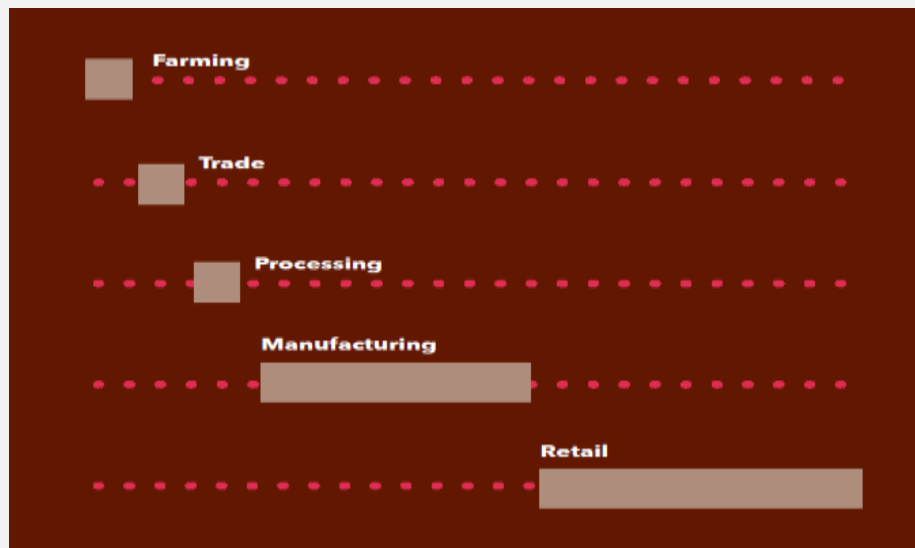
Value distribution: low share for the raw beans

Prebisch–Singer thesis: decline of the value of the raw beans against cocoa manufactured goods

Sources: Euromonitor, ICCO



Value chain distribution



Value Distribution	Sells	Buys	Value Added	Profit	final sale
Farmers income weighted	\$ 1.874	\$ 664	\$ 1.210	\$ 1.210	6,6%
Inland Transport	\$ 1.971	\$ 1.874	\$ 97	?	0,5%
Taxes/MarketingBoard	\$ 2.745	\$ 1.971	\$ 774	?	4,2%
International Transport	\$ 2.793	\$ 2.745	\$ 48	?	0,3%
Costs port of arrival	\$ 2.993	\$ 2.793	\$ 201	?	1,1%
International Traders	\$ 3.038	\$ 2.993	\$ 45	\$ 15	0,2%
Processors & Grinders	\$ 4.434	\$ 3.038	\$ 1.395	\$ 211	7,6%
Manufacturer*	\$ 10.858	\$ 4.434	\$ 6.425	\$ 870	35,2%
Retail& Taxes	\$ 18.917	\$10.858	\$ 8.058	\$ 473	44,2%

Per tonne of sold cocoa

Source: Cocoa Barometer, 2015

What happened at the first World Cocoa Conference ?

19-23 November 2012, Abidjan, Côte d'Ivoire

Outputs:

- Adoption of the *Global Cocoa Agenda*, outlining the key issues facing the cocoa sector and the best strategy and players to tackle them
- *Abidjan Cocoa Declaration*: signed by 35 parties (countries, companies, associations, NGOs)

Main recommendations:

- ➔ Countries to develop and implement a *national Cocoa Development Plan* derived from a fully transparent and participatory process with all key stakeholders involved in the cocoa sector, through public-private partnerships
- ➔ Participants to increase *transparency and coordination of development activities* implemented and planned for the future in the cocoa sector at national, regional and international levels, thereby allowing for more coherent and efficient actions to address the challenges faced by the sector





What happened at the second World Cocoa Conference ?

9-13 June 2014, Amsterdam, The Netherlands





Highlights of the Conference

National Cocoa Development Plan & Public-Private-Partnership platform

Alignment of strategy by the industry

Farmers' income

Amsterdam Cocoa Declaration

World Cocoa Conference 2016

22 – 25 May 2016, Bávaro (Punta Cana), Dominican Republic

Objectives:

- Take stock of the progress achieved by stakeholders in the implementation of the *Global Cocoa Agenda* adopted in Abidjan in 2012
- Review recent developments in the cocoa sector.



Special emphasizes:

A special emphasis will be put on the theme of differentiation of various cocoas and cocoa products as a method of branding and of market development, in order to increase profitability for producers and added value for both origins and manufacturers.

The WCC3 is organized under the theme:

“Building bridges between producers and consumers”.



For more information: www.worldcocoaconference.org



World Cocoa Conference 2016

22 – 25 May 2016, Bávaro (Punta Cana), Dominican Republic

Exhibition: an opportunity to promote brands and showcase products and projects to the most influential gathering of professionals from the cocoa and chocolate industry



Networking: the event will attract industry leaders from all geographical regions throughout the entire supply chain. Many side events and parties to be organized during the week.



Learning: an opportunity to learn about the most recent actions taken to ensure the sustainability of the sector and about the latest market developments



Sharing: an opportunity to share experiences during and around the sessions.

Structural deficit vs structural surplus: Characteristics and consequences



“Structural” deficit:

1. Price of cocoa surges;
2. Growth of demand for cocoa and chocolate products is reduced, particularly from developing and emerging economies;
3. The industry and consumers seeks cheaper alternatives to cocoa.
3. More investment is made in cocoa growing due to the increased attractiveness of cocoa growing - cocoa production rises;
4. Price of cocoa starts to decline;
5. A period of supply surplus is emerging

“Structural” surplus:

1. Price of cocoa falls;
2. Growth of demand for cocoa and chocolate products increases, particularly from developing and emerging economies;
3. Cocoa growing is no longer an attractive business opportunity – cocoa farmers tend to invest in alternative crops (palm oil, rubber, etc.). Younger generation dismiss cocoa growing as an unattractive business proposition; the poorest smallholder farmers, with no alternative to cocoa growing, continues but poverty increases; - cocoa production does not increase to meet potential demand
4. Price of cocoa starts to increase...
5. A period of supply deficit is emerging

.....

Both scenario are plausible in the medium term... but oversupply would have a more devastating effect on the sustainability of the cocoa sector. All efforts to improve the sustainability of the cocoa sector would be partially lost.

“Remunerative” cocoa prices that compensate farmers sufficiently to ensure a “living” income is a necessary condition to ensure the sustainability of the cocoa sector.

The “cocoa ship”: the need to take a long term view; what are the tools to navigate?



Conclusions

Interdependence of actors in the value chain

Better tools to evaluate market situation and future prospects...

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

Increasing productivity AND encouraging crop / farm diversification...

Increasing quality, promoting diversity and branding the cocoa origins (de-commoditization) for better prices...

Don't worry, enjoy your chocolate !!!!

Thank you



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