Beyond Headlines

EDITION 3

COCOA CRISIS: FRAGILE FUTURES

FINANCE AND INVESTMENT CELL
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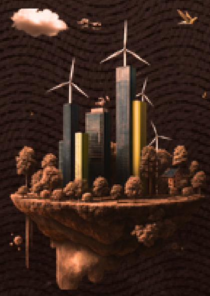
COCOA CRISIS

Cocoa Price Surge

Cocoa prices surged over 400%, peaking at $12,605 per metric ton in late 2024, before stabilizing near $6,000 in 2025.

Farmer Inequality

Ivory Coast and Ghana supply 60–65% of global cocoa, yet most farmers earn under $2 a day despite corporations making over $100 billion annually.



Climate Impact

Climate change, aging trees, and crop diseases have weakened yields and exposed the long-term neglect of cocoa farming.

Reformulating Recipes

Major chocolate companies are reformulating recipes and cutting sizes, using substitutes like vegetable oils and cream powder to offset high cocoa costs.

Reform Initiatives

Efforts like Ghana and Ivory Coast's joint pricing and sustainability initiatives aim to bring fairness and stability to cocoa markets.

The Paradox of Cocoa Wealth, Economic Shock and price surge

Industry & Agricultural Impact and Ripple effects

The "Cocoa OPEC" Ambition and challenges to the Cocoa Cartel

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INTRODUCTION

Cocoa, the core ingredient behind chocolate, as well as many other recipes, has long been one of the world's most valued agricultural goods. It supports the livelihood of millions of people and is a large reason for the survival of the confectionery industry. Yet in recent years, the cocoa sector has been severely affected by a crisis seen through record-high prices, decreasing production in key regions, and a growing uncertainty with regards to the global supply chains.

More than 60% of the world's cocoa comes from Ivory Coast and Ghana. These countries form the heart of the global cocoa supply and depend heavily on its export revenue. However the current stats show quite a paradoxical situation. While the bigger corporations generate more than $100 billion annually, having sales across global markets, the other side shows a shocking disparity, with millions of small farmers earning less than $2 a day. Most of them lack access to fair pricing, a reasonable income, and modern farming equipment. While a chocolate bar sold in the United States may cost a few dollars, the farmer who supplied the cocoa barely gets a few cents of the whole amount. This imbalance only contributes to the problems within the supply chain, with the producers remaining trapped in poverty.

ECONOMIC IMPACT

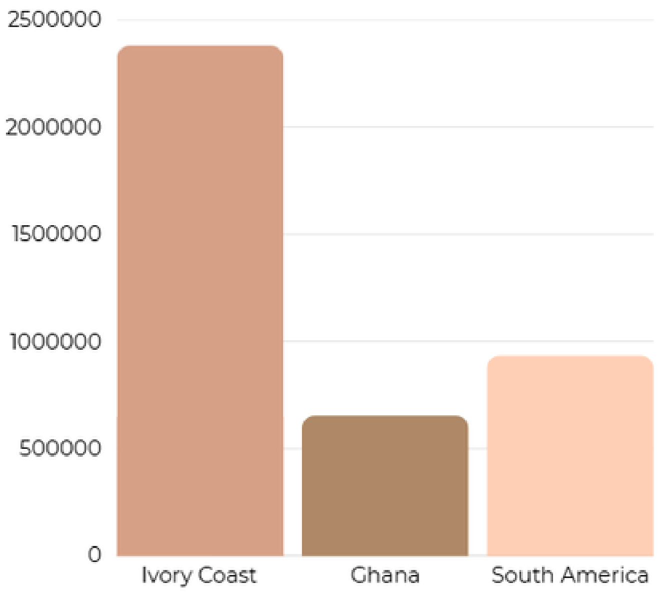
The world chocolate market remains under intense disruption caused by a supply gap created by climate change and crop illness.

The shortage of cocoa raised prices to historical highs transforming global consumption and production patterns. Cocoa futures rallied above 10,000 USD per metric ton early in 2025, up almost 400 percent over a few years and reached an all time peak of 12,605 USD towards the end of 2024. Prices have remained somewhat above historical norms with minor corrections, impacting manufacturers and consumers.

The major chocolate makers have reacted with price readjustments and adjustments in the recipe. Mondelez issued recurring price hikes, while Hershey resorted to staggered increases in order to contain costs. This has driven the cost of chocolate up leading to North American sales volumes falling by some 21 percent in the third quarter of 2025. Shrinkflation- decreasing product sizes without reducing prices; or cocoa butter substitution with cheaper materials like vegetable oils and cream powder- has been followed by many companies. These actions have changed the quality of products and pushed consumers towards private-label brands selling lower-priced alternatives. Small- and mid-sized chocolate manufacturers have been particularly affected. With no financial ability to absorb cost increases, most now sell at close-to-retail margins versus the 2023 levels.

From the agricultural perspective, West African cocoa farmers are facing dire conditions such as old trees, swollen shoot virus and unpredictable weather conditions. Meanwhile, Indian cocoa farmers have also gained from increased prices, as local prices hit ₹325 per kilogram- a 45 year high, promoting domestic production.

The crisis is inducing structural change throughout the industry. Firms are spending on sustainable agriculture methods, disease-tolerant crop strains, and diversification within regions in Southeast Asia and Latin America. At the same time, new EU deforestation laws and prospective U.S. tariffs on Ivorian cocoa will determine a more regulated but less certain global cocoa market in the coming years.



Cocoa Bean Production, divided by region

IMPACT ON THE CHOCOLATE INDUSTRY

Cocoa beans are the essential ingredient in chocolate, which require extensive processing before they can be transformed into sweets. Because of the fact that cocoa only grows in specific climatic conditions, mainly in West Africa, which accounts for about 80% of global production, the supply is particularly vulnerable to disruption.

Recent years have dealt multiple blows to cocoa production.

Climate change has brought unpredictable rainfall patterns and higher temperatures to growing regions. Crop diseases have unfortunately devastated whole harvests. And now, the effects of decades of underinvestment in farmland are becoming very evident.

Most cocoa production is usually done by small farmers rather than large industrial farming operations. Those small farmers often work in poor conditions and earn very little money for their work. This makes the situation difficult for them as they are unable to invest in their land, many farmers are seeing worsening soil quality and lower crop yields year after year, further reducing the supply of cocoa.

The consequence is a market which is severely out of balance. Physical cocoa bean supplies in licensed warehouses have plummeted-New York's warehouses recently hit their lowest storage levels in 19 years, with London's supplies dropping by 80%.

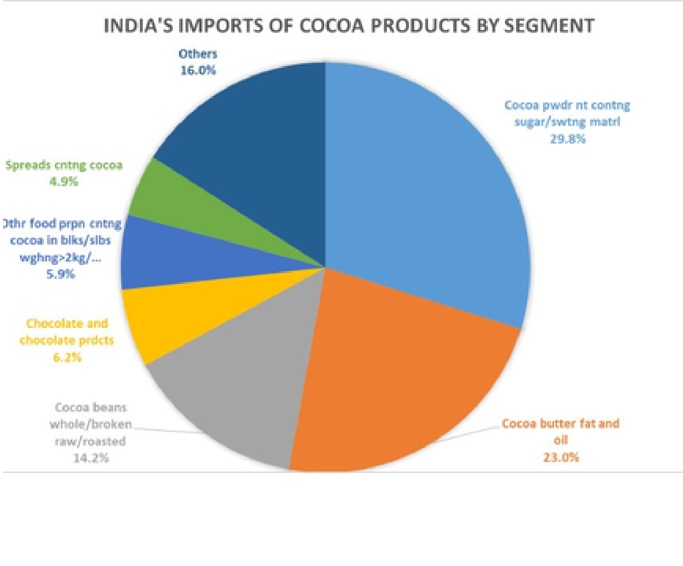
IMPACT ON FARMERS, COMPANIES AND CONSUMERS

Declining cocoa supplies have hit the hardest among small farmers. They account for over 90 percent of the globe's cocoa and now experience increased costs, declining incomes, and declining crop conditions. Numerous of them can no longer maintain fertilizers or fresh seedlings, prompting some to quit cocoa production. With the younger generation less keen on continuing farming, analysts are worrie.

Climate changes, plant illnesses, and poor financial assistance are constricting livelihoods, especially in West Africa.

Large chocolate makers are fighting to cope with increasing raw-material prices. Hershey and Mondelez, among others, have agreed long-term supply deals to hedge against price fluctuations, but in doing so have squeezed open-market supply and pushed prices up. Margins have been squeezed, leading to manufacturing cuts and cost reductions. Cocoa grindings- the main indicator of demand- plummeted in 2025, declining 7.2 percent in Europe, 16 percent in Asia, and almost 3 percent in North America. Though prices dipped below $8,000 per ton in August, analysts expect levels to hover near $6,000 for the foreseeable future.

For consumers, chocolate is more expensive and diminutive. Manufacturers are downsizing portions and adjusting recipes to contain less cocoa. Though premium chocolate continues to be a hit in Asia and Latin America, Western consumers are slashing consumption, indicating how supply shocks around the world today dictate daily indulgences.



“GHANA IS COCOA AND COCOA IS GHANA”

Will Ghana & Ivory Coast succeed in forming a “Cocoa OPEC”?

The future of cocoa depends on justice for farmers
“Without them, there is no cocoa, and without cocoa, there is no chocolate.”

The Ivory Coast-Ghana Cocoa Initiative (CIGCI), often dubbed a "Cocoa OPEC," was established in 2018 by the world's two largest cocoa producers, accounting for about 60- 65% of global supply to coordinate policies aimed at stabilizing markets, improving farmer incomes, and exerting greater control over pricing. This includes mechanisms like the Living Income Differential (LID), a $400 per metric ton premium added to cocoa sales from 2019 to boost producer earnings, and joint decisions on sales strategies.

ACHIEVEMENTS:

The 2025-26 cocoa season began in Ghana on August 7, 2025, after the Producer Price Review Committee raised the farmgate price to an all-time high of $5,040 per ton on August 4- a 62.6 percent hike from $3,100. The initiative falls in line with the Living Income Differential (LID) goal of allowing farmers to reap from international market peaks, albeit at levels lower than global averages. The CIGCI received Ghana's action with open arms, terming it a dramatic demonstration of devotion to the lives of farmers and collective market leverage.

To shield prices in the face of scarce worldwide supplies, both countries have clamped down on forward selling. Côte d'Ivoire lowered forward commitments to 1.3 million metric tons in June 2025, from the normal 1.7 million, ahead of schedule in achieving its target by July. Ghana too lowered forward sales dramatically from 500,000 tons in the previous year to barely 100,000- preferring spot-market deals that enable producers to take higher margins. Such CIGCI-supported measures avoid undervalued premature contracts and ensure price stability.

The price changes have yielded significant benefits for more than two million smallholder farmers in both nations. Ghana's 62 percent increase and Ivory Coast's 39-55 percent increase provide producers with higher incomes to balance inflation, increasing input prices, and weather-linked risks. CIGCI called the efforts a substantial leap in equity, a tangible step toward more equitable trade.

Beyond pricing, sectoral reforms are underway. Joint research into disease-resistant cocoa varieties and compliance initiatives for the EU Deforestation Regulation are strengthening sustainability. CIGCI's coordinated approach highlights African solidarity and positions cocoa as a model for commodities that are environmentally responsible, socially equitable, and economically sustainable.

Why Ghana-Ivory Coast Cocoa Cartel (COPEC) May Not Work

The CIGCI mission is simple yet crucial: to stabilize cocoa prices and protect farmers from unpredictable weather and volatile markets.

The need for such cooperation became clear after devastating droughts in 2024 cut Ivory Coast's cocoa output by nearly 40 percent, threatening livelihoods and global chocolate supply chains. Along with Ghana, neighboring Nigeria and Cameroon also face shifting rainfall patterns, ageing trees, crop diseases, and damage from illegal mining.

But West Africa's dominance is no longer guaranteed. Ecuador is rapidly emerging as a major cocoa power, due to the favorable climate, modern farming methods and strong foreign investment. Experts predict it could overtake Ghana by 2027 to become the world's second-largest producer, reducing West Africa's grip on the market. This rapid expansion, along with rising production across Latin America and Asia, could lead to oversupply and falling prices by 2028. Countries like Malaysia and Indonesia are ramping up production by as much as 20 percent, while smaller players such as India and Vietnam are also entering the fray.

Unlike oil, cocoa isn't easy to control. Farmers can't just halt production; trees take years to mature, and beans can't be stored long-term. New EU deforestation rules are adding extra costs, and the Living Income Differential which is up to 17 percent of cocoa's selling price has pushed expenses higher for chocolate makers. To cope, companies like Hershey and Mondelez are reformulating recipes using substitutes and exploring cocoa free chocolate through fermentation. These changes could reshape global chocolate supply chains and gradually weaken West Africa's chocolate monopoly.

COACOA'S RADAR BOTTOM LINE

Global institutions and organizations have encouraged farmers to adopt sustainable farming practices and invest in resistant varieties to address this vulnerability. Additionally, targeted climate finance is being highlighted as a mechanism to enable farmers' adaptation to the new climate reality.

If Ghana and Côte d'Ivoire can appropriately secure and disburse such financial assistance, they are likely to have a solid opportunity to stabilize production, preserve supply levels, and strengthen collective bargaining power within the global cocoa market.

In the end, the future of the "Cocoa OPEC" rests on a race between two forces: Ghana and Côte d'Ivoire's ability to develop a sustainable, resilient cocoa sector and the chocolate industry's ability to successfully produce substitutes at scale.

If producers in West Africa can attract investment and stabilize production, the market power may remain; but, if there are breakthrough technological substitutes for cocoa that become commercially viable and acceptable, manufacturers could shift away cocoa completely compromising the current leverage of producing countries.

The tradeoff between these two forces will determine whether this bloc that controls cocoa prices will become an enduring reality or possibly fade under market innovations.

AN UNCERTAIN FUTURE

After two turbulent years, the global cocoa market may finally be finding its footing. J.P. Morgan reports that cocoa prices, which hit record highs earlier in 2025, are starting to steady. The firm expects prices to settle around 6,000 USD per metric ton in the medium term- a level still high by historical standards but far less extreme than the peaks seen last year. Nasdaq's latest review paints a similar picture, noting that cocoa futures slipped to 20-month lows in October 2025 as fears about supply shortages eased and demand weakened.

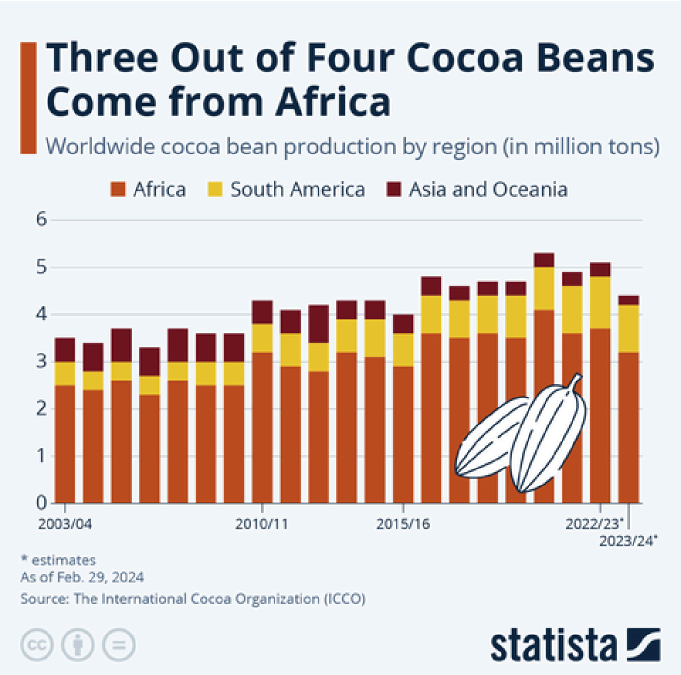
Encouraging signs are also appearing at the farm level. In Ivory Coast, the world's largest cocoa producer, pod counts are now about 7 percent higher than the five-year average and well above last season's totals. Ghana, another key producer, has reported a sharp uptick in deliveries to ports-about 50,440 metric tons over four weeks ending September 4, compared with just 11,000 tons during the same period last year. Stronger harvests in these countries hint at a welcome rebound in global supply.

For chocolate makers, falling cocoa costs bring some breathing space. Lower input prices allow companies to rebuild production, protect their profit margins and plan more sustainable sourcing strategies rather than constantly reacting to crisis conditions. However, the recovery remains fragile. Recent data shows cocoa grindings- a key measure of demand-down across major regions in the second quarter of 2025.

CONCLUSION

This crisis has displayed the volatility of one of the world's most important agricultural goods. Increasing prices, decreasing production, and the inequality between corporations and farmers highlights systemic issues that lie deep within the industry. While external conditions like extreme weather and crop diseases have led to unexpected price surges, they have also shown the need to work for sustainability and improvement.

The recent stabilization of prices and expected betterment of supply provide a glimmer of hope that the worst of the crisis may be ending. However, the true recovery will depend on addressing the root causes that affect the whole sector. Addressing this crisis requires a concerted effort from governments, industry stakeholders, and consumers to promote sustainable practices, diversify supply sources, and support affected communities.



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APPENDIX

- *Global Cocoa Crisis: A sweet opportunity for India's cocoa industry?*
- *Global Cocoa Supply Crisis Leaves Chocolate Makers Scrambling*
- *Why are Cocoa Prices Falling? | J.P. Morgan Global Research*
- *Weakness in Global Demand Weighs on Cocoa Prices | Nasdaq*
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