



# *Cocoa price trends and prospects*

An analysis for Chocolate Week

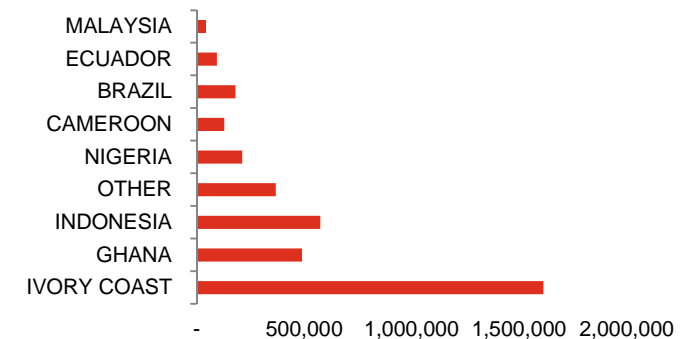
October 2014

## Global cocoa market – Some key facts

- **Africa** accounts for 70% of the global cocoa production (with Indonesia the largest producer outside Africa)
- Cote D' Ivoire alone is responsible for around **40% of the global cocoa bean production.**
- **90%** of cocoa bean production originates from small, family-owned farms.
- Speculative investment in futures market has become more of a factor in driving **global cocoa prices** since around 2000.
- But underlying **supply and demand** factors likely to determine cocoa price trends in the medium to long run.

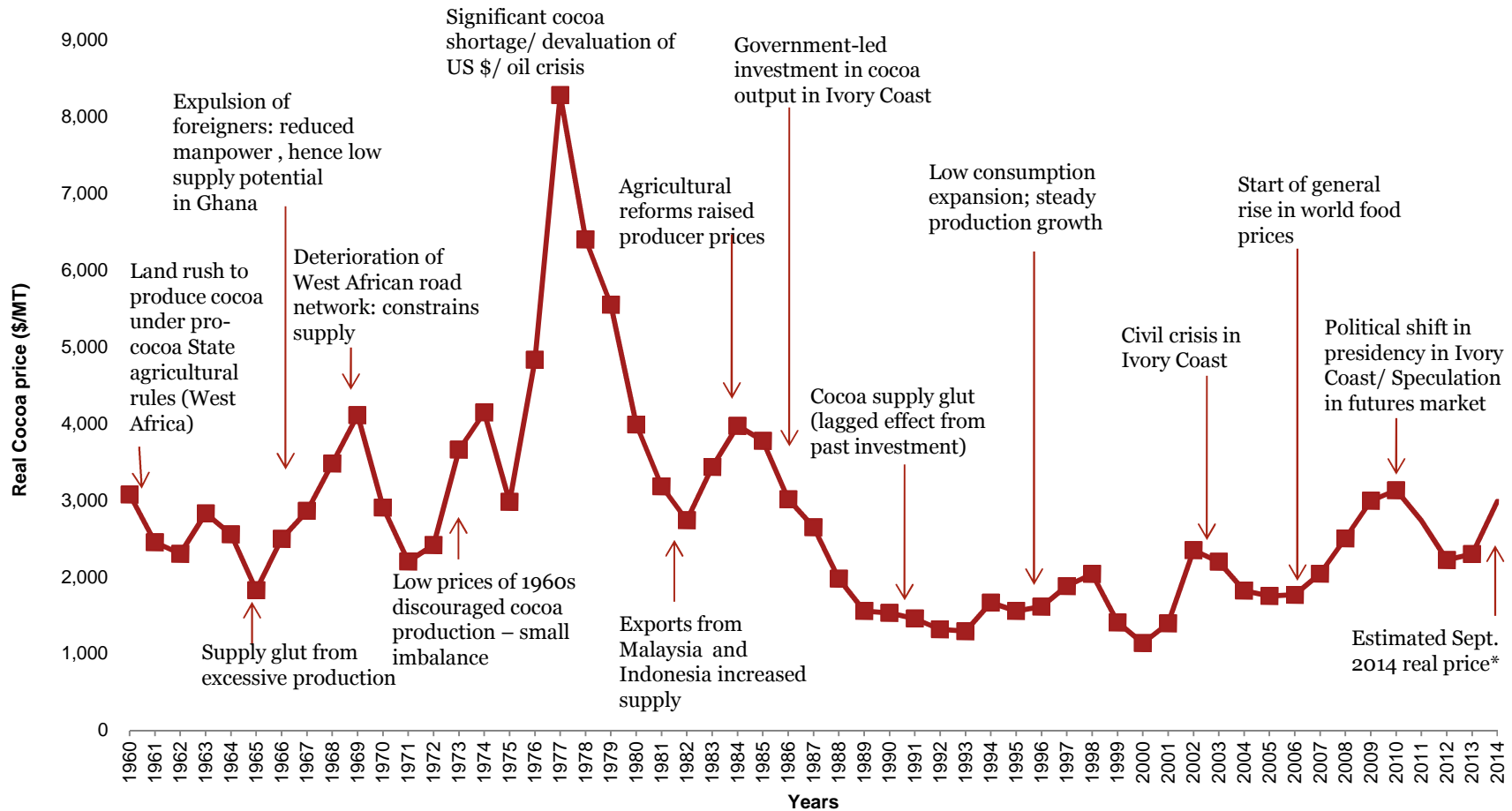


Cocoa Production in 2012 (Metric Tons)



# Global Cocoa Prices: Timeline of Events

## Real Cocoa Price: Historical Movement



# Cocoa Price Prospects: Key Drivers

	Short Term (2014)	Medium Term (to 2020)	Long Term (after 2020)
Supply	<ul style="list-style-type: none"> <li>• ‘<b>Ebola effect</b>’: Fear that virus will spread to Ivory Coast &amp; Ghana (produce 60% of cocoa)</li> <li>• Consequent uncertainty around bean crop might keep the market uneasy and prone to speculation. This could increase <b>price volatility</b>.</li> </ul>	<ul style="list-style-type: none"> <li>• Farmers could struggle with <b>older orchards</b> and depletion of arable land.</li> <li>• They could move to less labour intensive crops (rubber) with a higher land efficiency utilisation rate.</li> <li>• Private investment in cocoa farms might alleviate supply shortage.</li> </ul>	<ul style="list-style-type: none"> <li>• Rise in <b>private investment</b> in cocoa production (c.\$1bn by 2020 to support farmers) should boost supply.</li> <li>• <b>Declining rainfall</b> in current cocoa producing areas in West Africa might shift production to new areas (e.g. Congo, Liberia).</li> </ul>
Demand	<ul style="list-style-type: none"> <li>• <b>Large grinding investments</b> by two major processing firms might have increased demand for beans.</li> <li>• Recovery in US and UK economies provides some boost to demand.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Rise in cocoa demand</b> by 2020 at least in line with expected production growth of c. 1 million tonnes given expected recovery in US and Europe</li> <li>• Scale of rising demand in Asia uncertain, but if high could push up prices.</li> </ul>	<ul style="list-style-type: none"> <li>• Potential demand growth from Eastern Europe, Russia and Brazil.</li> <li>• <b>China</b> is set to account for increasing share of demand but growth could slow after 2020. Uncertain how far Indian demand could rise in long run.</li> </ul>
Price prospects	<p><i>Higher prices due to increased demand &amp; fear of supply shortages</i></p>	<p><i>Real prices might stabilise or rise depending on scale of Asian demand growth.</i></p>	<p><i>Real cocoa prices could fall back if supply responds and demand growth eases</i></p>

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# *Contacts*

This analysis was prepared by John Hawksworth and Sidhant Nahta of our Economics and Policy practice, with additional input from Matthieu Guemas of GeoTraceability. For more information on the analysis please contact:

John Hawksworth (0207 213 1650)

[john.c.hawksworth@uk.pwc.com](mailto:john.c.hawksworth@uk.pwc.com)

For more information on our Economics and Policy services, please visit our website at:

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GeoTraceability is a company offering specialist tracking and data collection technology for natural resources including cocoa, coffee, cotton, nuts and minerals globally, which became part of the PwC network of firms in April 2014. For more information please visit:

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