Fridays on the Farm – Volume 2, Issue 1 – Friday. February 14, 2025

Valentine Special

Today, compared to a year ago, it will cost more to express love the traditional way – with chocolates. The cost of chocolates is expected to increase between 10 to 15%, especially the dark chocolate variety. That is because the cost of cocoa is much higher than it was this time in 2023. In fact, it was 145% higher in December 2024 compared to December 2023. Figure 1 shows the increase in the global price of cocoa, expressed in US$ per metric ton, which more than doubled as it increased from $4,253.90 to $10, 412.18 per metric ton during 2024.

Figure 1 Global Price of Cocoa

Many chocolate manufacturers typically buy cocoa well in advance of production, often a year before. In the figure above, one can see that even going back to December of 2023, they would have paid 173% more compared to the previous year ($2,456.22 per metric ton in December 2022). We can see this

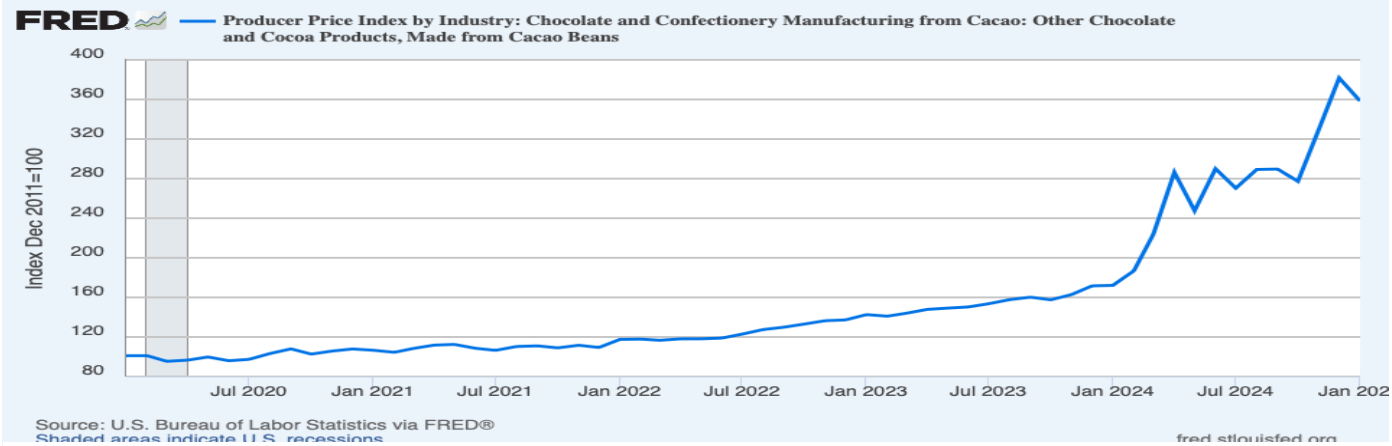
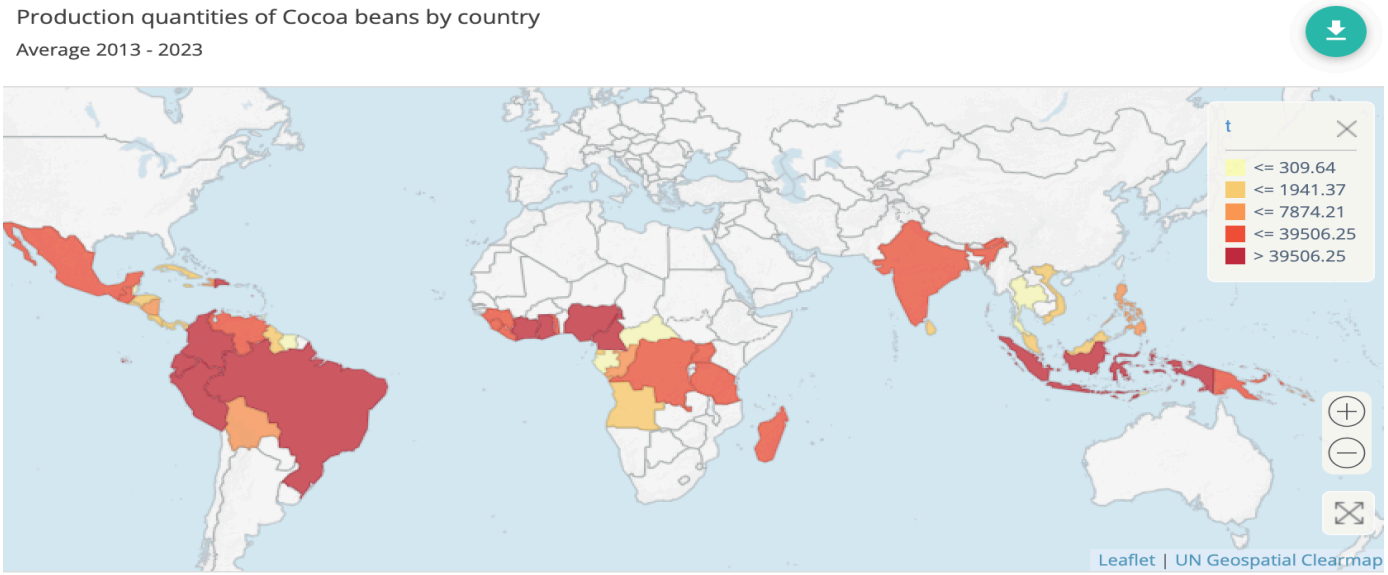


Figure 2 PPI Chocolate and Confectionary Manufacturing, Source: fred.stlouisfed.org

translate into higher prices paid by producers in Figure 2, an increase of 108% compared to previous year.

Why are prices increasing?

Two-thirds of the world's cocoa typically comes from two West African countries – Ivory Coast and Ghana. Figures 3 through 5 show the world production of cocoa beans. All figures are from FAO Stats[1].



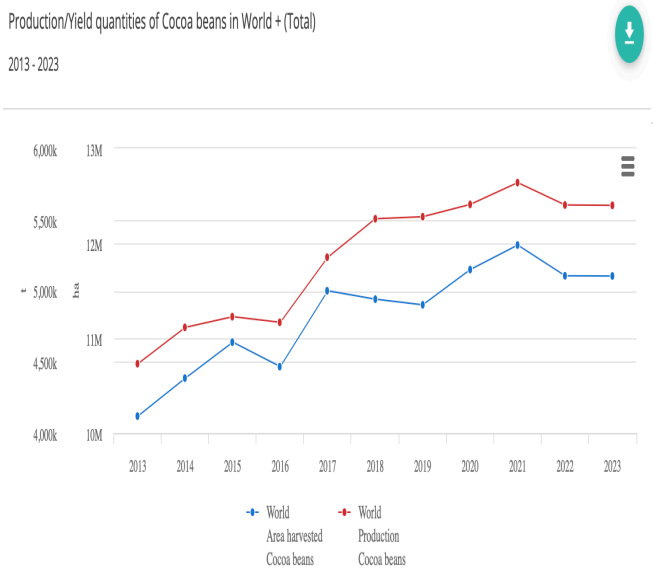


Figure 2 Cocoa beans world production, Source: FAO

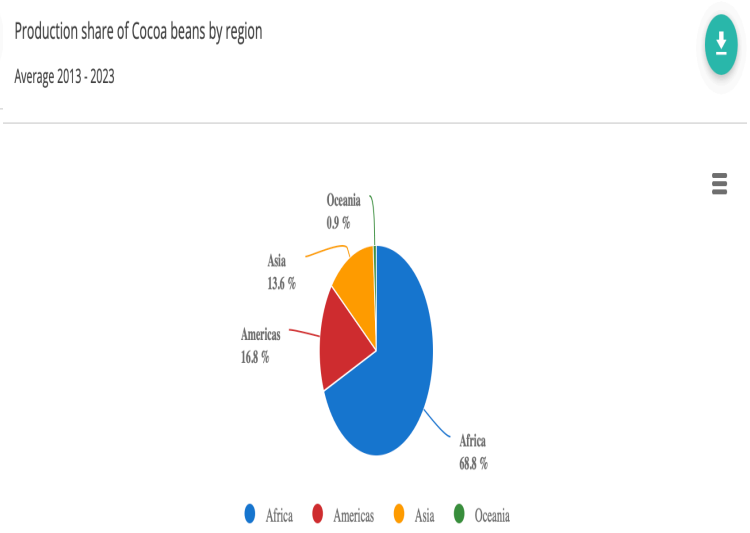


Figure 3 Cocoa production share, Source: FAO

[1] https://www.fao.org/faostat/en/#data/QCL/visualize

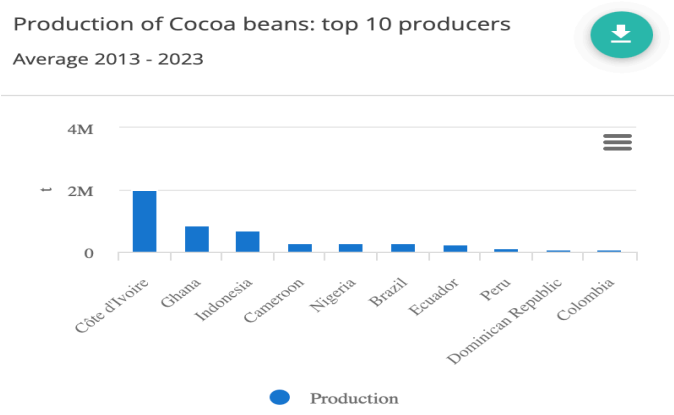


Figure 2 Top Cocoa producers, Source: FAO

Figure 2 shows the world production of cocoa beans over the decade covering 2013-2023. The decline in world production starting in 2021 is due to severe weather events in West Africa. Much of the cocoa crop was destroyed during the last three years. Once planted, it takes approximately four years for the cocoa plant to bear fruit. Continued weather events and diseases have limited the number of acres planted. So, the world production will probably continue to decline in the near future. The decrease in supply has resulted in the increasing price of cocoa beans, as seen in figure 1.

Supply Issues

In addition to poor weather conditions and disease, there are other factors that are limiting the production of cocoa beans in West Africa. Diseased trees, subject to the cacao swollen-shoot virus, were removed from plantation over the last two years (Wexler, 2025). Farmers are not always replanting their orchards with cocoa trees, since it requires a lot of labor and other inputs to produce and harvest cocoa beans. In West Africa, the price received by a typical cocoa farmer is regulated by their respective governments, i.e. it is fixed in order to avoid the volatility of the world price of cocoa. The recent runup in world prices have not been received by cocoa farmers in Ivory Coast and Ghana. According to Wexler (2025), "[b]oth Ivory Coast and Ghana forward-sell the next season's beans and set the price that farmers receive, called the farmgate price", which currently translates to less than one-third of the world price. Given the price ceiling faced by cocoa farmers, there is limited incentive to increase planting or to even replace removed trees, thus impacting production in the long run. Simultaneously, the Ivory Coast and Ghana governments scaled back on their practice of providing free fertilizers to the farmers, leading to a drop of 22% in Ivory Coast's output for the twelve-month season ending September 2024, while the same period saw Ghana's output drop by 27% (Wexler, 2025). Added to this is a new law passed by the European Union, to be implemented starting in 2025, requires that the cocoa sold in Europe was not grown on land cut from forests since the end of 2020 (Wexler, 2024). Clearing forest land to plant cocoa trees was a common practice in West Africa to meet the world's increasing demand for chocolate.

References

Wexler, Alexandra. 2024. "Chocolate Prices Have Soared. A New Law Threatens to Keep Them High", *Wall Street Journal.* May 20, 2024. Accessed Feb 14, 2025.

Wexler, Alexandra. 2025. "Cocoa Farmers Uproot Their Plants Despite Record Prices", *Wall Street Journal.* Jan 8, 2025. Accessed Feb 14, 2025.