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## The paradox of rising cocoa prices

*What can we do, so that producers and their co-ops actually benefit from such skyrocketing cocoa prices?*

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### The cocoa market is changing...

After years of low world market prices, cocoa prices [shot up by 136% between July 2022 and February 2024](#), reaching their highest levels in nearly 50 years. This price hike has been driven by combined supply chain disruptions, namely production shortfalls caused by erratic weather conditions, but also due to an increase in global cocoa demand.

Ivory Coast and Ghana, the two countries where about 70% of the world's cocoa beans are grown, have been severely affected by extreme weather events leading to altered rainfall/drought patterns and decreased crop yields. In addition, as a result of climate change, pests and diseases have also been spreading between cocoa trees, including the cacao swelling shoot virus (CSSV), which has severely affected producer families in Ivory Coast<sup>1</sup> and Black Pod Disease.<sup>2</sup>

Another factor causing cocoa supply shortages is that many producer families are giving up this crop due to increased production costs. In other words, it is no longer viable for them to continue growing cocoa because they can't keep up with the rising expenditures involved in production and harvesting. This is why [Bart Van Besien, policy advisor at Oxfam Belgium](#), believes that this recent cocoa price spike exposes cocoa supply chain's deep-rooted contradictions. These Cocoa shortages and this cocoa price explosion could have been averted if corporations had paid most farmers a fair price, so that those farmers didn't have to quit and so that they had the possibility to improve their farms, by e.g. making them more resilient to climate change and pests. He also pointed out that "it's hypocritical —chocolate giants are paying high prices now that the market demands it but have pushed back every single time that cocoa farmers have."<sup>3</sup>

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<sup>1</sup> ["Study: Cocoa disease devastates Côte d'Ivoire livelihoods – but hope remains"](#)

Cocoa Swollen Shoot Virus (CSSV) is one of the most devastating cocoa viral diseases in West Africa. The virus causes swelling in the shoots and roots, which prevents growth and leads to decreased crop yields. It is transmitted through insects such as mealybugs, and there is no effective treatment, so infected trees have to be cut out to prevent propagation.

<sup>2</sup> Black Pod Disease, caused by the fungus *Phytophthora palmivora*, is spread by spores that thrive in high humidity conditions, attacking the fruits and causing them to rot. Source: ["El nuevo escenario para el cacao"](#)

<sup>3</sup> Quote from: [Media advisory: Oxfam and cocoa farmers at World Cocoa Conference in Brussels](#)

However, even if cocoa prices have finally increased, most producers - and their co-ops - who are at the beginning of the production chain and are responsible for the chocolate reaching our tables, are not experiencing a proportional improvement in their income. Why is this so?

### **Structural challenges that limit producers' profits**

In Ivory Coast and Ghana, cocoa purchase and sale is controlled by national regulators, i.e., centralized government systems that establish guaranteed minimum prices for producers. Regulators pay farmers in advance for their harvests: these payments are funded by selling export contracts to international buyers, even before harvest starts. This model generates a mismatch between the price agreed in the initial contracts and the market prices at the time of delivery, which has resulted in lower profits for producers when international prices increase.

Although this centralized purchase and minimum price policy was implemented as an effort of these producing countries to capture some of the profits millionaire global chocolate industry makes and while it is true that it seeks to generate better income for producers, this policy is currently limiting producers' ability to take advantage of increases in international prices. Given this situation, producers in these African countries not only do not benefit from the increase, but due to pre-defined prices they have to face the challenges that initially caused the price increase, such as decreased crop yields due to climate change effects and pest proliferation, as well as increased production costs.

SPP co-ops from Ivory Coast, the world's largest cocoa producer, report that there are multiple factors that currently prevent them from benefiting from the price surge. As they see it, the biggest problem they have to deal with is the lack of flexibility of the advance purchase/sale scheme put in place and managed by the Ivorian government, but they also express concern regarding persistent and heavy rain and the damage that this has done to their crops in terms of black pod disease spread.

In Latin America, on the one hand, we observe that the organizations that are part of the SPP family are receiving higher prices for the sale of their organic and high quality cocoa, since SPP buyers and national buyers were willing to adjust previously agreed prices according to occurring market price increase. However, they are facing the serious problem of competition from middlemen in their local markets, as well as the damages caused by climate change.

As per buyers of non-certified cocoa, who usually buy the product at low prices, they can now - in times of cocoa shortages - afford to buy it at high prices, thanks to the constant flow of transnational capital. Thusly, co-ops are not able to collect as much cocoa as they could under normal conditions, resulting in limited gains during an otherwise high-income season. That is, in times of skyrocketing market prices, middlemen aggressively seek to get the product directly from producers, behind cooperatives' backs. This phenomenon weakens cooperatives and leads to catastrophic impacts whenever the price drops again and buyers stop buying directly from the producer.

Ecuadorian cooperatives not only have to put up with competition from local middlemen, but they are also being affected by climate change, due to unprecedented relentless heavy rainfall. Although farmer organizations' hard work has allowed them to be resilient to pests and diseases, in the last production cycle rain-induced floods have put cocoa plantations at risk and have delayed harvest season, drastically reducing collection capacity.

In addition to the unfavorable conditions already described, a specific issue brought up by SPP small producer co-ops from both regions is the lack of customers committed to buying organic cocoa under truly fair conditions. This is a critical point, because certifications are costly for organizations, not only in terms of certification audits, but also in terms of the amount of human and material resources that must be invested to keep internal control systems going.

The new European organic and anti-deforestation regulations will add to producers' red tape woes, given all required evidence to prove compliance with new rules against deforestation - even if producers have been empirically complying with such standards for years thanks to traditional farming practices. The only way for these producers to continue practicing organic and deforestation-free agriculture is to increase market outlets for their products, all while ensuring producers get paid adequate prices.

## The role of SPP small producer organizations

Among SPP Global's network of smallholder organizations, 30 member organizations are dedicated to cocoa production: they promote sustainable and organic practices, in addition to striving to build and maintain alternative distribution channels that allow their member producers to be paid fair prices and thus get a living income. These cocoa organizations are located in 11 countries, 8 of them in Latin America: Bolivia, Colombia, Costa Rica, Ecuador, Guatemala, Haiti, Nicaragua and Peru; and 3 in Africa: Ivory Coast, Madagascar and Togo.

Each small producer faces challenges that go beyond fluctuating international prices. They are at a disadvantage compared to large producers, intermediaries and chocolate manufacturers who capture most of all the added value generated in the chain. On the other hand, small producers who are part of an organization or cooperative have managed to create specific market niches by selling organic cocoa under fair trade conditions, which allows producers and their communities to cash in on industry-generated margins. The organizations also have a positive impact on the quality of cocoa varieties, which makes their crops more resistant to pests and diseases and promotes sustainable production styles.

For these reasons, it is essential that organizations are not threatened by middlemen - who only profit from producers in times of shortage - and that their market opportunities continue to grow.

### What needs to change?

Investing in and supporting agroecological production and guaranteeing fair markets on a constant basis is in everyone's interest, as this would stabilize crop yields and avoid drastic price gyrations. When all actors involved in the cocoa value chain commit to fair and sustainable prices in the long term, both ecological and economic resilience is promoted. This not only prevents temporary price surges, but also, in times of increased supply, prevents prices from falling to unsustainable levels that compromise the well-being of producers and the environmental sustainability of producing regions.

Small producers' organizations support different proposals that would allow them to improve their situation, prioritizing their protection against volatility, but also their economic prosperity at times of high prices:

In West Africa, it is necessary to evaluate and reform government protection and advance payment schemes implemented and managed by respective National Councils (regulators), by integrating mechanisms that make it possible to adjust payments to producers when global cocoa prices are higher than predefined prices. This would ensure that small producers receive a greater proportion of the profits generated during surges, turning those periods into real booming times for their families. In this way, they can invest in their plots, have better yields and strengthen the resilience of local ecosystems.

There is also a need for really committed cocoa buying companies that do recognize the value of organic, agroecological production carried out by peasant families who are part of democratic organizations. This allows organizations to maintain their climate change adaptation and sustainability programs, which not only ensures better revenues in the short term, but sustainability in the long term. In the words of a producer representative: ***"Keep supporting small producers and our co-ops, we are doing things well, for nature's well-being. We're taking care of the environment and taking care of producers' families. Our SPP customers have always been there through thick and thin, and we hope they continue to support us and be understanding of our situation."***

Finally, it is essential that final consumers consciously choose the cocoa, chocolates or other cocoa products they consume in such a way as to prioritize brands bearing labels such as the SPP label, which is a guarantee of fair, organic trade and that, most of all, puts peasant families, i.e., the producers of the foods and ingredients that enrich our lives, at the forefront.

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Be sure to take a look and learn more about the organizations in our SPP family producing organic and fair trade cocoa:

**Bolivia:**

[EL CEIBO R.L.](#)

**Colombia:**

[ASOANEI](#)

**Ivory Coast:**

[SCEB](#)

[CAMAYE](#)

**Costa Rica:**

[CoopeCuna](#)

**Ecuador:**

[APEOSAE](#)

AROMA DE MONTAÑA

[FAPECAFES](#)

[UNOCACE](#)

[UOPROCAE](#)

UROCAL

Jambi Kiwa

**Guatemala:**

[APODIP](#)

**Haiti**

[FECCANO](#)

**Madagascar:**

[UCLS](#)

**Nicaragua:**

[CACAONICA](#)

[COSEMUFDA](#)

[LA CAMPESINA R.L.](#)

**Peru:**

[ALLIMA CACAO](#)

[CACAU / CAC ALTO](#)

[URUBAMBA](#)

[CAES PIURA](#)

[COOPEM](#)

[COOP BESACARI PERU](#)

[COOP. SOL & CAFÉ](#)

[NORANDINO](#)

[ORO VERDE](#)

[Pangoa](#)

SELVA VERDE

**Togo:**

[SCOOPS-PROCAB](#)

ATSEMAWOE

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