

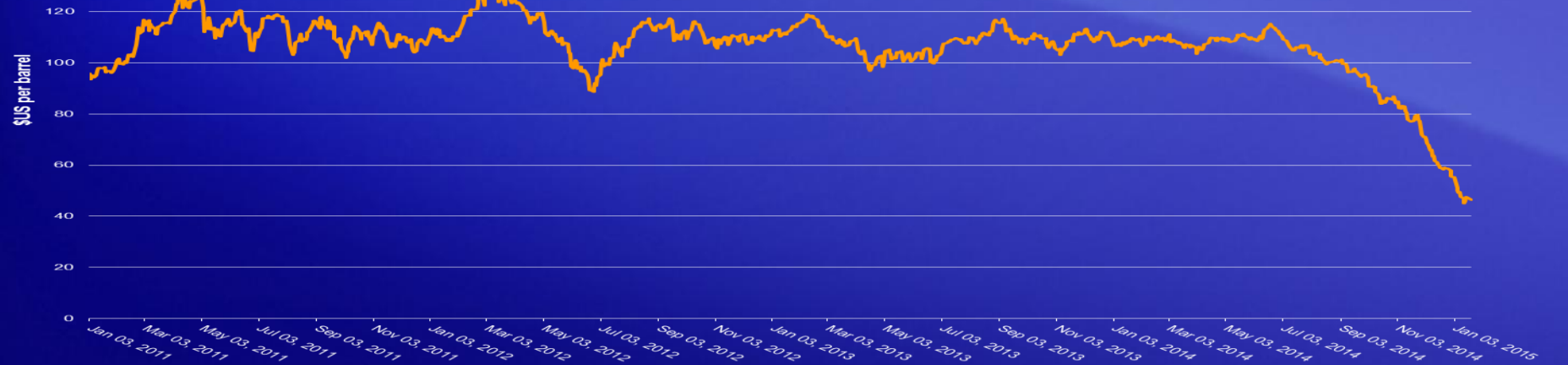
“What goes up must come down”
Policy Implications of the Long-run Trends
in Global Cocoa Prices

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Evolutions of oil price from 1987 to 1999



Evolutions of oil price from 2011 to 2015



Source: US Energy Information Administration

Crude Oil Market *vis-à-vis* Cocoa Market

One thing in common: *the existence of a time lag between investments in production capacity and the realization of the output from these investments.*

Policy Recommendations

1. Cocoa producing countries should aim to optimize the value of their exports instead than focusing only on their volumes.

Côte d'Ivoire, Ghana, Indonesia, Nigeria and Cameroon should equip themselves with tools (i.e. national census and/or survey of their cocoa resources) to assess the impact on prices of their cocoa agricultural policies.

Policy Recommendations

2. The cocoa and chocolate industry should complement their initiatives aiming at increasing productivity, with actions to promote farm diversifications.

This will avoid any long-term unintended consequences on prices. And it will make cocoa farmers more resilient to price volatility.

Policy Recommendations

3. More resources should be invested in the promotion of chocolate consumption. Emphasis should be placed on emerging economies.

By doing so the likelihood that the world cocoa market could fall in a structural surplus – leading to declining prices – would be reduced.

Conclusions

The sustainability of the world cocoa market lies on the political will of its stakeholders to implement measures accounting for the interests of one another.

The wealth of cocoa exporting and importing countries is intertwined.

- Exporting countries should aim not just to increase their world market shares, but consider the impact of their policies on world cocoa prices.
- Importing countries should refrain from pursuing policies that will inevitably lead to a collapse of cocoa prices.