

The impact of climate change on cocoa prices

March 2024

Climate change and, specifically, severe weather events have seen global cocoa prices soar to almost \$10,000 a tonne this month – setting the scene for an expensive Easter for confectionary fans.

In early March we posted our [Chart of the Month](#), which highlighted that global cocoa prices had jumped to record levels of around \$6,500 a tonne. Yet in the two weeks since, cocoa futures in New York have surged a further 50% to nearly \$10,000 – a near tripling in prices over the last year alone.

The primary cause of rocketing prices is the increased incidence of extreme weather events. Long-term climate change has been exacerbated in the last couple of years by the periodic El Niño phenomenon in which rising sea surface temperatures affect weather patterns.

Around two-thirds of the world's cocoa crop is supplied by West African countries including Ivory Coast and Ghana. Last year, this region was hit by unusually heavy rainfall that created conditions in which black pod disease ravaged cocoa crops. This year, it has endured unseasonably hot and dry conditions that have depressed yields.

Compounding this disrupted supply picture is the fact that demand is steadily on the rise. The International Cocoa Organization's latest forecasts (February 2024) for 2024 include a 374,000 tonne deficit between global production and demand for cocoa 'grindings' to make chocolate.

While confectionary companies were partly insulated from cocoa price rises in 2023 due to stockpiles and fixed-price contracts, they are now increasingly exposed to this rising raw material cost. In our Chart of the Month, we speculated that this year's Easter eggs are likely to cost more as manufacturers protect profits, or perhaps trend towards mini-eggs as [shrinkflation](#) takes hold.

A report last week¹ from consumer advice group Which? confirmed things do indeed look tough for chocoholics this year. It found that chocolate prices are 12.6% higher than a year ago, with the worst offenders in terms of easter egg inflation including the Maltesers Truffles Luxury Easter Egg (up 62% to £13 at Waitrose) and the Ferrero Rocher Golden Easter Egg (up 50% to £15 at Tesco).

Which? also found evidence of easter egg shrinkflation as an alternative way of confectionary companies dealing with higher costs. The Mars Milk Chocolate 'large' egg is now 201g rather than 252g while the Smarties Orange Chocolate egg has shrunk from 226g to 188g.

While easter eggs may seem a luxury that many of us can reluctantly cut back on this year, the cocoa price rise is just one example of the hugely significant impact that climate change will have on agriculture.

Global warming is affecting temperatures and rain patterns globally, with the geographic areas that can sustain particular crops set to shift from their traditional homes and – in many cases – shrink. This will clearly have an impact on people living and working in areas threatened by displacement, as well as for consumers globally.

¹ <https://www.which.co.uk/news/article/easter-eggs-soar-in-price-aScks3N8LNOC>

With over half the UK population drinking coffee at least once a day, shifting weather patterns in South America, Africa and Asia are likely to hit home over the next few decades. The Economist recently reported on academic studies showing around 50% of the world's current coffee-growing land will be unsuitable by 2050.

Meanwhile, the Intergovernmental Panel on Climate Change (IPCC) last year warned that we are on track to exceed the 1.5C target for global warming (versus pre-industrial levels) by the 2030s, with the 2C limit also looking threatened. The impact on food systems is just one of the ways in which climate change is affecting the global economy and population, emphasising that the impetus to tackle greenhouse gas emissions should be greater than ever.

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