



# COCOA MARKET REVIEW

## **December 2024**

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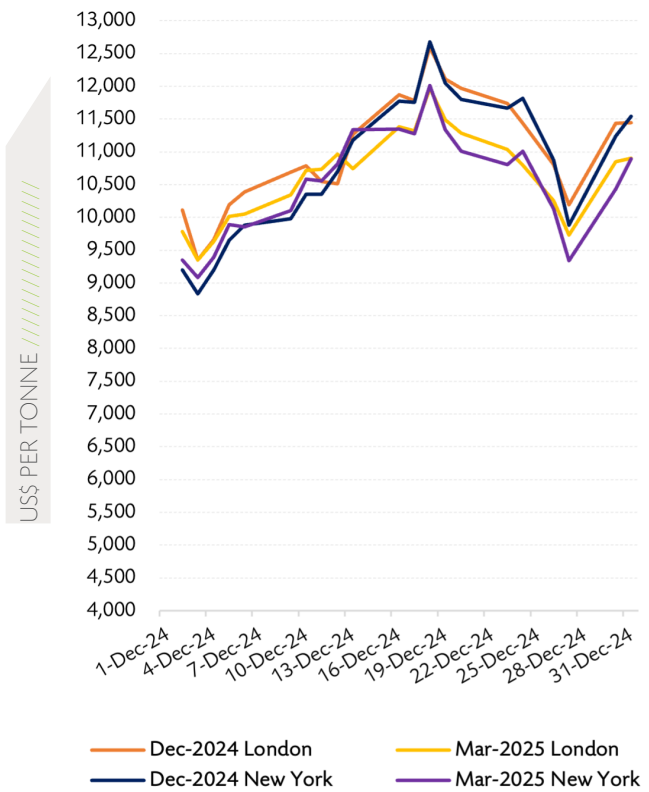
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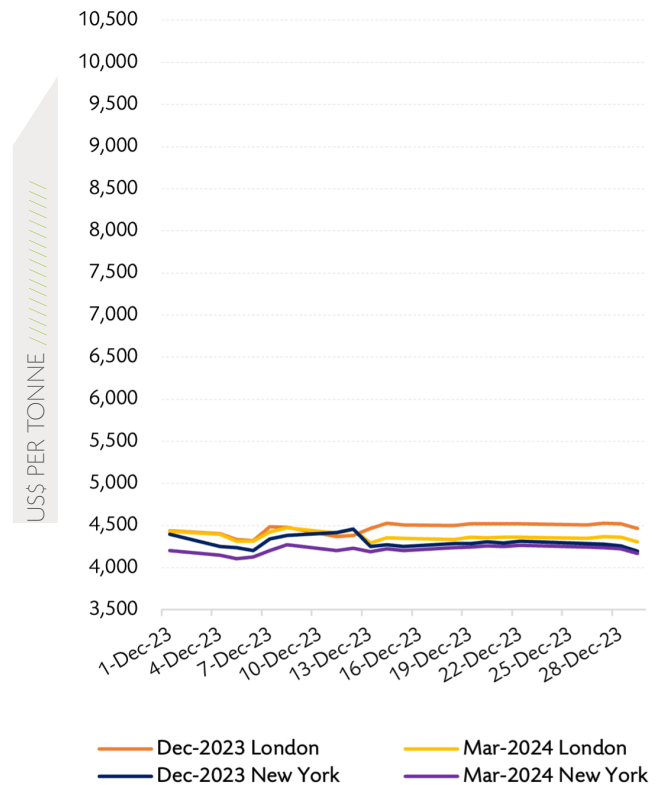
Cocoa futures finished December 2024 on a strong increase. Weather conditions have so far supported cocoa prices. Based on the nearby contract, compared to the start of the 2024/25 season, prices were up by 66% in London from US\$6,896 per tonne (on 1 October 2024) to US\$11,441 per tonne (on 31 December 2024). In New York, for the same time frame, prices of the nearby contract rose by 64% from US\$7,061 per tonne to US\$11,545 per tonne. Top producing countries are in the dry season that runs from November to March and current hot temperatures with less rains especially in Côte d'Ivoire and Ghana could have a negative toll on the 2024/25 global supplies of cocoa beans.

**Figure 1** and **Figure 2** illustrates price developments during December 2024 and December 2023 respectively.

**Figure 1: Prices of the first and second futures contracts on the London (ICE Futures Europe) and New York (ICE Futures U.S.) markets (at London close) during December 2024**



**Figure 2: Prices of the first and second futures contracts on the London (ICE Futures Europe) and New York (ICE Futures U.S.) markets (at London close) during December 2023**



Though arrivals, graded and sealed cocoa beans in Côte d'Ivoire and Ghana have outpaced that of the previous season, severe dryness in the top producing countries have caused concerns for the current season's output, and consequently price increases. Since the start of the 2024/25 season to 29 December 2024, cocoa arrivals at Ivorian ports were reported to be up by 27.4% at 1.054 million tonnes. In Ghana, the current season started on 11 September 2024 and by 12 December 2024, graded and sealed cocoa beans were reported to be up by 57.7% at 366,075 tonnes.

### Prevailing weather conditions

Though La Niña is reported to have emerged<sup>1</sup>, its impact is yet to be felt. Generally, La Niña reduces temperatures and increases rainfall, but this has not yet been observed in West Africa. Will La Niña for the current season end up being weak?

<sup>1</sup> <https://www.climate.gov/news-features/blogs/enso/january-2025-update-la-nina-here>

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As at the time of writing, the harmattan winds have also started. The less-than-ideal weather conditions since November coupled with the onset of the harmattan are supporting prices. As the current season's output is contingent on weather conditions, should there not be much improvement in the weather, then a fourth consecutive deficit may likely occur.

### Price structure depicts supply tightness

It is worth pointing out that during the first half of December, prior to the shift of the nearby contract from Dec-24 to Mar-25, the former contract in London was in backwardation while in New York, prices for the nearby contract generally remained in contango. The divergent price structure between London and New York can be attributed to fears of more severe supplies decline in London than in New York, when taking into account that West Africa supplies the London market and output from the region does not seem promising. Conversely, Latin America supplies New York and there are currently no major issues with supplies from the region. Thereafter, from the middle of December when the Mar-25 contract became the leading contract, cocoa prices in both London and New York remained in backwardation. This underscores the ongoing supply tightness for both the main and mid-crop output.

### What about demand?

Put into context, all of the above signals supply tightness and consequently cocoa price increases. This continues to be the driving force for the current state of the cocoa market. What, therefore, holds for demand? Amid the soaring prices of cocoa beans, chocolate manufacturers may end up raising the price of their products. For example, Lindt & Sprüngli<sup>2</sup> has announced price increases on the back of soaring cocoa prices. Will such price increases curb demand or will demand be resilient to cocoa price increases?

As at mid-January 2025, Q4.2024 grindings data published by key regional cocoa associations revealed a year-on-year decline – an indicator that cocoa demand is plummeting. The *European Cocoa Association (ECA)* grindings reported a reduction of 5.4% to 331,853 tonnes and the *Cocoa Association of Asia (CAA)* grindings reduced by 0.52% to 210,111 tonnes. Grindings for North America from the *National Confectioners Association* is yet to be released.

### Final comments

The significant rise in cocoa prices will inevitably affect demand. Nevertheless, there are some justifications for the price increases as the general view expected for the 2024/25 season is a fourth supply deficit. Until current market fundamentals show signs of improving production, cocoa prices may continue to be high. However, should demand continue its downtrend, then the market may head towards an equilibrium.

2 <https://www.france24.com/en/live-news/20250114-lindt-chocolate-to-raise-prices-again-this-year>

