

MARKET SPOTLIGHT - COCOA GOES COO COO

A perspective of
cocoa market and
managing supply
through volatility

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By Jeff Roberts



Summary:

- Cocoa volatility in 2023–2024 reflects structural supply failure, driven by weather shocks, disease, aging trees, and decades of underinvestment in West Africa. The result was consecutive global deficits, depleted inventories, and record futures prices amplified by speculation.
- Sustained high prices are now catalyzing demand shifts and substitution, reinforcing the reality that price pressure corrects markets. Reduced- and zero-cocoa alternatives are accelerating and could permanently alter category dynamics.
- This volatility is not a shock but a consequence of an unsustainable sourcing model. Chronic farmer underpayment, labor issues, and geographic concentration suppressed reinvestment, weakened yields, and left the system fragile.
- True resilience requires financial sustainability at the farm level. When farmers can reinvest, productivity, quality, traceability, and supply all improve. In this context, “sustainability” or Environmental and Social Governance (ESG) operates as supply insurance, not compliance.
- The cliff in 2025 and early 2026 has left many buyers long and wrong. I’ve developed a Position Recovery framework that guides teams to *See Clearly* by auditing physical, financial, and commercial exposure, and to *Act Decisively* by rebalancing positions and managing all other costs to offset impact—without losing sight of the bigger picture.

Authors note:

In my early career I was charged with writing market reports on ingredients. I found this exercise extremely useful, not only as a means to inform internal and external stakeholders, but also to force myself to stay informed on the market.

To ensure this is more than just an opinion piece, I follow a few ground rules:

- Each spotlight cites at least three sources
- Each includes actionable perspectives—not just what’s happening, but how to manage
- Politically neutral: geopolitical events are discussed only in terms of market impact
- Market Spotlights are meant to spark discussion—please add to them, challenge them

These are my perspectives on potential actions and are for discussion purposes only. I’m not responsible for bad decisions (but I’m happy to take credit for the good ones).

Market Volatility

Figure 1: Monthly Cocoa Prices (High, Low, and Average), USD per Metric Ton

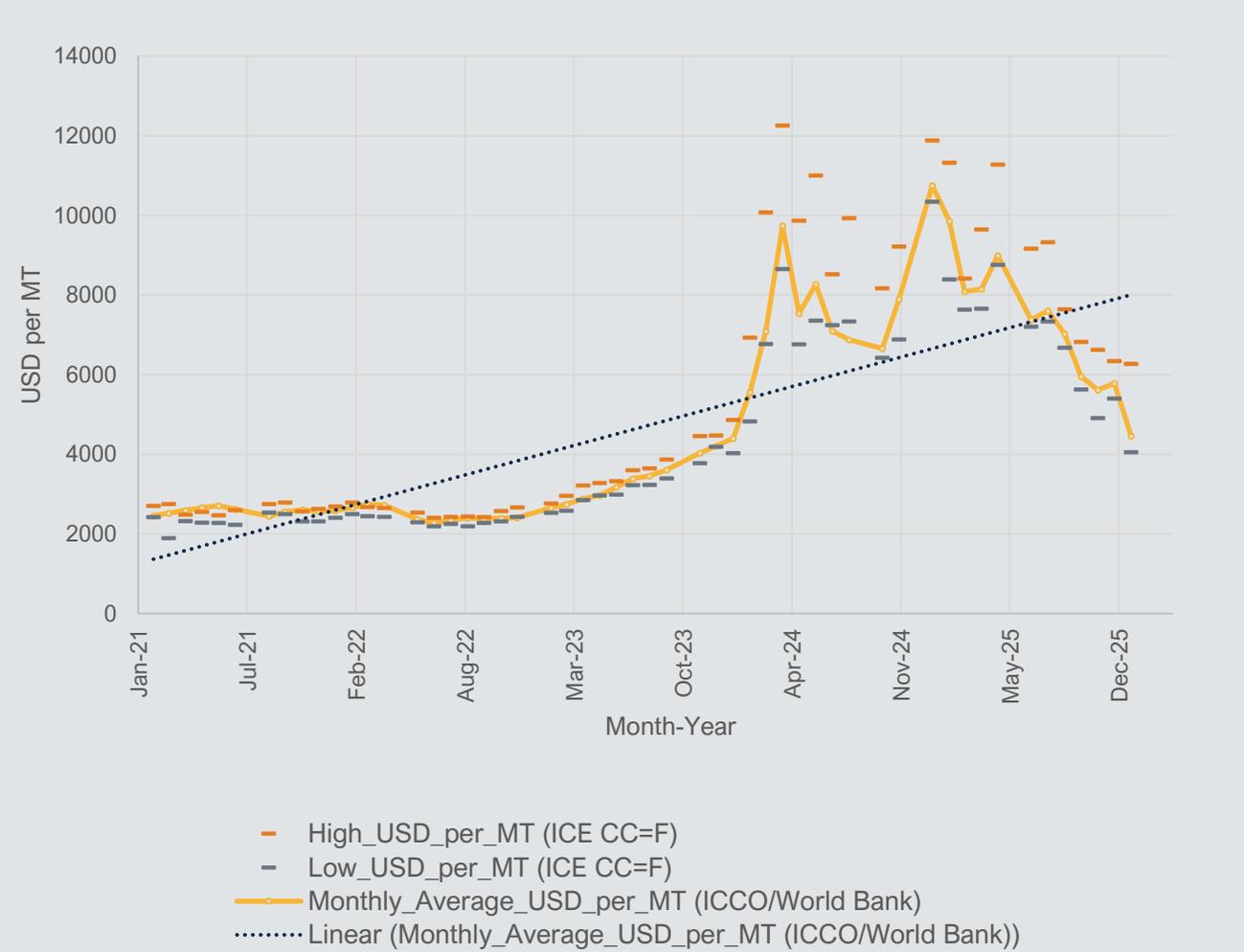


Figure 1. Monthly cocoa futures price ranges (High–Low) and ICCO average prices in USD per metric ton (Jan 2021–Jan 2026). High and Low values are based on ICE Futures cocoa contracts; average prices represent ICCO’s combined futures price indicator (ICE Futures Europe & U.S.).

2023–2024: The Surge

Cocoa prices rose sharply and became highly volatile beginning in late 2023 and throughout 2024 due to severe supply constraints in West Africa, where adverse weather conditions, widespread crop disease, and aging cocoa trees significantly reduced production in Côte d’Ivoire and Ghana. FoodNavigator-USA reports that these

disruptions resulted in consecutive global cocoa deficits and historically low inventories, which heightened market sensitivity and pushed ICE cocoa futures to record nominal highs. J.P. Morgan Chase similarly characterizes this period as one of the most acute cocoa supply imbalances in decades, noting that elevated risk premiums and speculative positioning amplified price volatility under already tight physical market conditions.

2025–2026: The Cliff

One of my mentors used to say, “the solution for high prices is high prices,” meaning that elevated prices eventually correct themselves through the responses of downstream buyers and consumers. (I’d argue the inverse is true as well.) Consider this: AI startup NotCo is promoting its capability to develop ingredients that mimic the flavor, texture, and mouthfeel of chocolate—while using 0% cocoa. Its AI analyzes a target chocolate and tests millions of ingredient combinations to match taste and performance (The Not Co., 2025).

It’s certainly not the first company to make “chocolate” or “chocolate-like” products with reduced or without cocoa, but it’s a clear proof point that enormous value exists in finding alternatives – and that opportunities arise whenever markets are under pressure. (Perhaps future market perspectives will reveal exceptions, but the general rule stands.)

The Bigger Picture

The cocoa supply chain is perhaps the clearest example of how **not** to build a resilient system, and any discussion of the cocoa market must confront its frankly troubling history. This is a market where child labor is rampant, where forced labor remains an issue, and where production has been effectively plundered and controlled by a handful of large European and U.S. conglomerates for 50+ years. I raise this to make a simple point: the prices many of us grew up with were only achievable under an unsustainable model—and that model was always going to break.

The recent volatility is a direct outcome of poor sourcing strategy. When farmers aren’t paid at levels that allow them to prosper, labor moves to other industries, cocoa trees age without reinvestment, yields decline, and overall production falls. This is not a complex dynamic, it is a predictable one.

Figure 2: Average Value and Profit Distribution of Chocolate Bar

On the right is an image from the *INKOTA-netzwerk* (2022) showing how the value of a chocolate bar is split across the value chain. This study is showing that \$0.10 out of an average \$1.03 chocolate bar price stays with cocoa farmers. Additionally, more recent *Cocoa Barometer* analysis tells the similar story: less than 6% of total value remains in Côte d'Ivoire and Ghana, despite those countries producing roughly 60% of the world's cocoa (*Voice Network, Cocoa Barometer 2022; Cocoa Barometer Update 2023*).



This translates to the average cocoa farmer earning just \$0.40–\$0.45 per day—roughly \$146–\$164 per year—underscoring the unsustainable state of the cocoa market (Freedom United, 2025, citing the *Cocoa Barometer*, 2022).

If you want a resilient supply chain, you must build a sustainable one—and financial sustainability is the foundation of sustainability. When suppliers are financially healthy, they can reinvest in their farms, improving efficiency and productivity. This allows them to expand supply, adopt better practices, and develop new capabilities. Over time, these investments strengthen the resilience and sustainability of the supply chain, benefiting both producers and buyers. Those capabilities extend beyond yield and cost, addressing traceability, food safety, quality, and origin-based branding. These investments do not simply stabilize supply; they create new markets and grow the entire category. In short, when suppliers thrive, the system—and everyone within it—thrives.

Managing Supply Throughout Volatility

Supply Chain Resilience (long term strategy)

Start with a full self-review to understand your business. Are you okay with some risk and managing through said risk? Many clients of mine choose this route, knowing there will be years where it doesn't work – but if you can get 6–7 (Gen Alpha where you at?) out of 10 years right, that's a W, gold, money in the bank.

A good rule of thumb for your strategy is “S.Q.P.” Your strategy should center on securing supply first, then securing quality, then controlling price (credit to a prior mentor – I didn't invent this).

Diversify your supply base. ~60–70% of cocoa comes from Ghana and Côte d'Ivoire, and that concentration risk is not hypothetical. Other sub-Saharan countries are investing seriously in cocoa (alongside fruit, coffee, palm, etc.) Liberia, Sierra Leone, and the DRC are developing supply – not quick wins, but real long term options if you engage early.

Latin and South America continue to see major investment. Ecuador, Peru, Colombia, and Brazil offer both quality and diversification. South-East Asia won't replace West Africa on volume, but considering Indonesia (and other SE Asia countries) as a long-term tertiary source is wise.

This can quickly become less a buying strategy and more a capital allocation decision, depending on where you sit in the supply chain. Resilience doesn't come from squeezing the spot market. It comes from upstream investment, multi-year partnerships, and treating ESG as supply insurance, not a compliance exercise. Control supply and quality, and price becomes something you manage – not something that manages you.

The “oh sh*t moment”

If you are in the cocoa business – or really any feedstock or commodity market – you've probably lived through being *long and wrong*. I've been there myself: you lock in supply, feel great as the ticker keeps climbing... and then the cliff.

The market drops 20%, 30%, even 50%, and suddenly you're sitting on 18 months of inventory priced 40–100% above spot.

Now what?

This exact dynamic is playing out in cocoa today, so I've built a simple framework to think through what to do next:

Figure 3: Position Recovery Framework

Position Recovery Framework

See Clearly
(the diagnostic)

Act Decisively
(the intervention)



Audit Positions

Determine your physical and financial positions, review contracts to understand exit opportunity



Rebalance Exposure

Passthrough prices where possible; Offload volume on spot markets or use price-smoothing tactics



Map Commercials

Collaborate with sales to identify where commodity fluctuations can be passed through to defend margins



Engage Suppliers

Leverage partnerships and any available negotiation levers – if you have an ace in the hole, play it



Benchmark Market

Verify if your current position (e.g., being "long and wrong") is an isolated event or an industry-wide condition



Offset Costs

Attack non-cocoa costs—logistics, manufacturing, ingredients, and SG&A—to balance cocoa position

Position Recovery (short-term strategy)

See Clearly means fully understanding your current position and how it compares to the external market. Start by auditing your exposure, what physical positions do you hold, and what financial positions are in place? For financial exposure, distinguish between loose agreements and hard contracts. In parallel, map your commercial position: how much volume is sold, over what time horizon, and against what pricing mechanisms. You may be covered 12+ months out on supply but already have 90% of that volume sold downstream—often not a bad place to be. Regardless of whether you operate B2B or B2C, work closely with sales and commercial teams to assess your ability to pass through price. In B2C businesses this is typically harder, which makes benchmarking the market and competitors' positions even more critical.

Once you know the landscape, you have to **Act Decisively** to manage the mess. You can rebalance your position by offloading volume in spot markets; do the math, because you may be able to sell at a loss, re-buy at a new market rate, and still come out ahead. Leverage partnerships and use any negotiation levers you have—if you have an “ace in the hole,” such as more volume, longer-term agreements, or access to a new market, use it. You can also work with suppliers to “spread price,” or average costs across lower-priced contracts, giving your commercial teams a flatter cost structure to work with. Finally, double down on optimizing non-cocoa costs like logistics, manufacturing efficiency, and other ingredient inputs. It might sound odd—or confuse finance—to fight a bad cocoa position with less travel, longer hardware replacement cycles, or running an MRO RFP, but you can't lose sight of the big picture.

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Notes on Adaptation

1. **Language Translation:** All text from the original INKOTA-netzwerk infographic was translated from German to English for accessibility. Example: “Ungerechte Gewinnverteilung” was translated to “Unfair Profit Distribution.”
2. **Currency Conversion:** Monetary values were converted from Euros (€) to US Dollars (\$) using a historical average exchange rate of 1.20 to reflect pricing in a U.S. market context.

$$\text{Value in USD} = \text{Value in EUR} \times 1.20$$

3. **Visual Adaptation:** The layout and graphic elements were recreated to maintain the original educational design while incorporating the updated text and figures.