COCOA PRICES SURGE AGAIN
UNDERSTANDING THE MARKET DYNAMICS

MARKET REPORT

2026

Trade & Investments

CONTENT

1. Executive Summary:

Cocoa prices are once more dominating agribusiness headlines. Following a period of structural correction after the historic peaks of 2024, the market has witnessed a sudden, sharp price reversal. This sudden upswing has disrupted the commercial assumptions of traders, processors, and consumer-packaged-goods (CPG) companies alike.

To evaluate this development objectively, we must analyze the structural shift in cocoa pricing since 2022, audit the specific supply shocks fueling the current July 2026 volatility, and map out institutional projections for global production and grindings.

2. The Macro Trajectory Of Cocoa Prices Prices (2022–2026)

The cocoa market has evolved from historical stability into one of the most volatile agricultural commodity complexes in the world.

Historical ICE Cocoa Price Super-Cycle (Approximate Visual Map)

```
$13,000 |                /\
        |               /  \
$8,000  |              /    \
        |             /      \      /\ (Current July 2026 Rebound)
$5,000  |            /        \    /  \
        |           /          \  /
$3,000  |  _________/           \/
        |  (2022-2023)   (2024)  (Early 2026)
        +---------------------------------------------------------------
```

I. **2022 to Mid-2023:** Cocoa operated in a predictable, range-bound environment, trading fundamentally between $2,200 and $2,500 per metric ton.

II. **The 2024 Supply Crisis:** Severe structural deficits emerged across the West African cocoa belt—primarily driven by Côte d'Ivoire and Ghana, which systematically account for roughly 60% of global supply. Drastic weather changes, aging tree stocks, and widespread Swollen Shoot virus infections triggered a historic structural squeeze. Intercontinental Exchange (ICE) futures spiked dramatically, briefly touching an all-time intraday record near **$12,900 per ton** in December 2024.

III. **The 2025–Early 2026 Downcycle:** High pricing inevitably catalyzed severe demand destruction and aggressive destocking by European and North American grinders. As speculative capital unwound its long positions and mid-crop harvests improved, the market underwent a massive correction. By February 2026, cocoa crashed by more than 75% from its peak, tracking down to the **$3,000–$3,400 per ton** range.

IV. **The July 2026 Rebound:** The narrative of structural equilibrium has broken down. Over the past several weeks, ICE futures have sharply reversed, climbing back above **$5,000 per ton** as the market prices in a fresh layer of West African risk.

3. Deconstructing the July 2026 Volatility

A closer look reveals that several of the assumptions circulating in general media require adjustment. The mechanics of the July spike rest on distinct fundamental catalysts:

A. **The El Niño Clarification:** While heavy off-season precipitation caused early farm access issues and elevated black pod disease risks, the overriding market fear for the upcoming 2026/27 main crop (starting in September) is actually the return of **severe dry weather**. The U.S. National Oceanic and Atmospheric Administration (NOAA) has flagged an elevated probability of a strong El Niño pattern developing for the second half of 2026. This threatens to severely restrict soil moisture in West Africa during critical pod-formation stages.

B. **Fact-Checking the Deficit Claims:** The claim that the International Cocoa Organization (ICCO) is projecting a record-breaking 478,000-tonne deficit for the *current* 2025/26 season is factually inaccurate. That massive deficit actually occurred during the catastrophic **2023/24 season** (closing at 489,000 tonnes). In contrast, recent ICCO bulletins confirm that the 2024/25 and 2025/26 supply balances have moved toward a tighter, modest surplus as production in West Africa experienced a brief recovery. The current price spike is driven by *forward-looking expectations* of crop failure for late 2026, rather than an active legacy deficit.

C. **The Tariffs Misconception:** There are no active 21% or 10% U.S. import tariffs on raw cocoa beans from Côte d'Ivoire and Ghana. Raw cocoa enters major global destination markets like the U.S. and EU tariff-free under most-favored-nation status. The real macroeconomic headwind stems from compliance costs associated with stricter sustainability regulations, such as the European Union Deforestation Regulation (EUDR).

D. **The Nuance of Farmgate Pricing:** It is critical to understand the mechanics of West African state marketing boards (Le Conseil du Café-Cacao in Côte d'Ivoire and COCOBOD in Ghana). These boards fix prices seasonally to cushion farmers from intraday market crashes. While it is true that both governments were forced to slash farmgate prices in early 2026 (Côte d'Ivoire cutting its mid-crop price down to 1,200 CFA/kg to realign with the global crash), these cuts were a *reaction* to the falling world market rather than a structural policy to discourage production. However, these lower prices have undeniably squeezed smallholder liquidity, reducing their ability to purchase fertilizers and defensive chemical treatments just as weather risks escalate.

4. Institutional Price Projections (2025–2027)

According to the World Bank's *Commodity Markets Outlook*, long-term beverage commodity indices are expected to cool, but the descent will be bumpy. It is important to note that the World Bank reports prices in calendar-year global averages ($/kg), which represents a smoothed baseline compared to volatile spot futures.

Year	World Bank Average Price Forecast ($/kg)	Equivalent Value per Metric Ton	Strategic Market Implications
2025	$7.80 / kg	~$7,800 / ton	Reflects the highly elevated, volatile carry-over from the 2024 crisis.
2026	$3.80 / kg	~$3,800 / ton	Represents a structural year-on-year average drop of over 50%.
2027	$4.20 / kg	~$4,200 / ton	Anticipates a modest, supply-supported recovery as global demand stabilizes.

4.1 Analyst Consensus Note:

While the World Bank sits at the more bearish end of the analytical spectrum, other leading commercial desks (such as J.P. Morgan and ING) maintain that structural vulnerabilities—including a **25% projected** year-on-year drop in initial Ivorian pod counts—will anchor a medium-term floor closer to $4,500–**$5,500 per ton**.

5. Commercial Implications for Sector Stakeholders

5.1 For Midstream Processors & Confectionery Manufacturers

The immediate burden falls squarely on procurement teams. Because chocolate manufacturers typically hedge their physical needs 6 to 9 months in advance, the historic 2024 price spikes are still actively flowing through corporate income statements.

The brief price relief in early 2026 has already been neutralized by the July rebound. CPG companies will be forced to rely even more heavily on recipe reformulations (substituting cocoa butter with palm or shea alternatives), aggressive shrinkflation, and direct retail price hikes to maintain operating margins.

5.2 For Sovereign Producers & Policy Makers

For West African regulators, the core challenge is managing structural volatility while ensuring smallholder viability. The steep farm-gate cuts implemented in early 2026 protected state marketing boards from insolvency when global prices plummeted. However, if the current July rebound sustains itself due to El Niño fears, regulators will face intense pressure to raise farm-gate prices again by late 2026 to prevent cross-border smuggling and localized economic hardship.

Ultimately, the structural fragility of a highly concentrated supply chain ensures that cocoa will remain an inherently volatile asset class, requiring robust hedging strategies from farm-gate to retail shelf.

6. Conclusion: Navigating a New Era of Structural Fragility

The dramatic trajectory of the cocoa market from 2022 to mid-2026 underscores a fundamental truth: the global cocoa supply chain is operating on a razor-thin margin of error.

The recent July price reversal has conclusively demonstrated that the brief market correction seen earlier this year was not a return to permanent equilibrium, but rather a temporary lull. With supply heavily concentrated in a West African corridor uniquely exposed to climate anomalies and regulatory overhauls like the EUDR, volatility has shifted from a cyclical symptom to a permanent structural feature of the market.

For midstream processors and consumer-packaged-goods (CPG) companies, the path forward requires abandoning reactive spot-market procurement in favor of aggressive, multi-layered hedging strategies and product diversification.

Concurrently, sovereign regulators face the delicate macroeconomic tightrope of maintaining farm-gate prices that protect smallholder liquidity without exposing state marketing boards to financial insolvency during downward market corrections. Ultimately, as the sector transitions into the latter half of 2026, resilience will belong to the stakeholders who treat these pricing spikes not as anomalies, but as the baseline for a more volatile, climate-exposed commodities era.