

# **The Ghana Cocoa Report 2024: Ghana Cocoa Revenue: Economic Contributions, Challenges, and Future Opportunities**

Explore the key statistics, revenue trends, and future prospects of Ghana's cocoa market. Learn about the factors influencing cocoa revenue and strategic recommendations for growth.



## **Highlights**

Analysis of the role of cocoa revenue in Ghana's economy, including its contribution to GDP and foreign exchange earnings.

Examination of key factors impacting cocoa revenue, such as global prices, productivity, and policy interventions.

Strategic recommendations to optimize cocoa revenue through value addition, sustainability, and market diversification.

## **Content**

# Ghana Cocoa Revenue: An In-Depth Analysis of Economic Contributions and Future Trends

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## Research Methodology

This article utilizes data from the Ghana Cocoa Board (COCOBOD), the International Cocoa Organization (ICCO), and other industry reports. Quantitative data includes production volumes, export values, and price fluctuations, while qualitative insights come from interviews with economists, policymakers, and cocoa industry stakeholders.

## Top 10 Key Statistics and Facts about Ghana Cocoa Revenue

- 1. Annual export revenue:** Cocoa generated over **\$2 billion** in export revenue for Ghana in 2022.
- 2. Contribution to GDP:** Cocoa contributes approximately **8%** to Ghana's GDP, making it one of the country's most important export commodities.
- 3. Global ranking:** Ghana is the **second-largest** cocoa producer, accounting for around **20%** of global supply.
- 4. Number of cocoa farmers:** More than **800,000 smallholder farmers** rely on cocoa as their primary source of income.
- 5. Cocoa sector employment:** The cocoa industry supports about **2 million jobs** in Ghana, either directly or indirectly.
- 6. Farmgate price for 2023/2024:** The farmgate price is set at **¢1,308 per 64kg bag**, equivalent to about **\$1,820 per metric ton**.
- 7. Living Income Differential (LID):** The **\$400 per metric ton LID** introduced in 2019 by Ghana and Ivory Coast aims to enhance farmer incomes.
- 8. Export volume:** Ghana exported **900,000 metric tons** of cocoa in 2022, maintaining its position as a leading supplier.
- 9. Domestic processing:** Ghana processes about **30-40%** of its cocoa domestically, with companies like Cargill and Barry Callebaut leading the sector.
- 10. Inflation impact:** Rising production costs and inflation have eroded the purchasing power of cocoa revenue for farmers by **15-20%** in recent years.

## Critical Analysis of Ghana Cocoa Revenue

Cocoa is the backbone of Ghana's agricultural sector and one of its most significant sources of foreign exchange. As the second-largest cocoa producer in the world, Ghana derives substantial economic benefits from cocoa production, contributing significantly to its Gross Domestic Product (GDP) and employment levels. However, despite the consistent generation of export revenue, the industry faces several challenges that affect the optimization of cocoa revenue.

**Contribution to Ghana's Economy:** Cocoa plays a vital role in Ghana's economy, contributing **8%** to GDP and accounting for a significant portion of foreign exchange earnings. In 2022, cocoa exports generated over **\$2 billion**, making it one of the top contributors to national income. The importance of cocoa is underscored by the fact that over **800,000 smallholder farmers** depend on it for their livelihoods, supporting millions of families and communities.

The revenue from cocoa is not just important for farmers but also for the government. Through COCOBOD, the government sets farmgate prices, purchases cocoa, and

manages export operations. COCOBOD's activities ensure a stable revenue stream, enabling the government to fund various developmental projects and provide subsidies for farmers. However, Ghana's reliance on raw cocoa exports means the country captures less value compared to nations that engage in downstream processing.

**Global Price Volatility and Revenue Implications:** Cocoa prices are determined by global supply and demand, making Ghana's cocoa revenue highly vulnerable to international price fluctuations. Over the last decade, international cocoa prices have ranged between **\$2,000 and \$3,500 per metric ton**, reflecting shifts in production, demand, and speculative trading. This price volatility has direct implications for Ghana's export revenue and farmer incomes.

Ghana's introduction of the **Living Income Differential (LID)** in 2019, in partnership with Ivory Coast, was a significant policy move aimed at improving cocoa farmers' income. The **\$400 per metric ton** LID is added to the price of cocoa sold by Ghana and Ivory Coast to ensure that farmers earn a living wage. While this has provided some income stability, it has not completely insulated Ghana's cocoa sector from market volatility. Many global buyers have resisted the LID, leading to tensions in the market and highlighting the difficulties of protecting farmer incomes in a volatile global market.

**The Impact of Inflation and Rising Input Costs:** One of the major challenges facing the cocoa sector is the rising cost of inputs, including fertilizers, pesticides, and labor. Inflation has eroded the real value of cocoa revenue, reducing the purchasing power of farmers. Over the past five years, inflation and increased input costs have reduced cocoa farmers' incomes by **15-20%**, even as nominal prices have increased. This puts pressure on Ghana's smallholder farmers, many of whom operate on thin profit margins.

To mitigate these rising costs, COCOBOD has implemented various support programs, including subsidies for inputs and technical assistance for farmers. However, the reach of these programs is limited, and many farmers in remote areas struggle to access the support they need to maintain productivity and income levels.

**Domestic Processing and Value Addition:** One of the key opportunities for boosting cocoa revenue lies in value addition. Ghana currently processes between **30-40%** of its cocoa domestically, producing cocoa butter, cocoa powder, and chocolate. However, most of the country's cocoa is still exported as raw beans, limiting the potential for revenue generation.

Expanding domestic processing capacity would allow Ghana to capture more value within the country, creating jobs and boosting export revenue. Companies like **Cargill** and **Barry Callebaut** are leading efforts to increase domestic cocoa processing, but more investment is needed to develop a thriving processing industry.

**Sustainability and Certification Premiums:** Global demand for sustainably sourced cocoa is on the rise, with many consumers and chocolate manufacturers seeking products that are certified under sustainability programs like **Fairtrade**, **Rainforest Alliance**, and **UTZ**. Ghana has responded to this demand, with over **60%** of its cocoa production now certified as sustainable.

Sustainability certifications not only open doors to premium markets but also provide price premiums that can significantly increase cocoa revenue. For example, Fairtrade cocoa typically commands a premium of **\$240 per metric ton**, providing a vital income boost for participating farmers. Expanding access to certification programs and encouraging more farmers to adopt sustainable practices could help Ghana further optimize its cocoa revenue.

## Current Top 10 Factors Impacting Ghana Cocoa Revenue

1. **Global cocoa prices:** International market prices significantly influence Ghana's cocoa revenue, with volatility affecting income predictability.
2. **Living Income Differential (LID):** The LID has helped improve farmer incomes but faces resistance from global buyers, which can affect export volumes.
3. **Inflation and input costs:** Rising costs for fertilizers, pesticides, and labor have eroded the real value of cocoa revenue.
4. **Farmgate price setting:** Ghana's fixed farmgate price provides income stability for farmers but limits their ability to benefit from price spikes in the global market.
5. **Exchange rate fluctuations:** Movements in the Ghanaian cedi relative to the US dollar affect the value of export earnings.
6. **Sustainability certifications:** Increasing demand for certified cocoa offers opportunities for price premiums but requires investments in compliance and monitoring.
7. **Climate change:** Erratic weather patterns, rising temperatures, and pest infestations are reducing cocoa yields, impacting both production and revenue.
8. **Domestic processing:** Limited domestic processing capacity restricts Ghana's ability to capture more value from its cocoa exports.
9. **Global demand for chocolate:** Consumer preferences for premium and sustainably sourced chocolate influence the demand for Ghanaian cocoa.
10. **Government subsidies and support:** COCOBOD's input subsidy programs are vital for maintaining farmer productivity and reducing the impact of rising costs.

## Projections and Recommendations

1.

**Expand Domestic Processing:** Ghana should continue investing in expanding its cocoa processing capacity to capture more value domestically. This will reduce reliance on raw bean exports and allow the country to benefit from the growing global demand for cocoa products like chocolate and cocoa butter.

2.

**Promote Climate-Smart Agriculture:** Climate change is a significant threat to cocoa production. Investing in climate-smart agricultural practices, such as drought-resistant cocoa varieties and agroforestry, will help mitigate the impact of climate change on cocoa yields and revenue.

3.

**Enhance Access to Certification Programs:** Increasing access to sustainability certification programs will enable more farmers to participate in premium markets, capturing higher prices for their cocoa. Financial and technical support for smallholder farmers will be critical for expanding certification efforts.

4.

**Leverage Digital Tools:** The use of digital platforms to provide real-time information on prices, weather patterns, and farming techniques can help farmers make better decisions and optimize their revenues.

5.

**Strengthen Government Support:** Expanding access to subsidies for inputs and providing technical assistance to farmers will be crucial for maintaining productivity and mitigating the impact of rising costs.

## Conclusion



Ghana's cocoa market is a cornerstone of its economy, providing substantial export revenue and employment for millions of people. However, the sector faces significant challenges, including global price volatility, rising input costs, and the impacts of climate change. By expanding domestic processing capacity, promoting sustainability certifications, and enhancing farmer support systems, Ghana can optimize its cocoa revenue and secure a more prosperous future for its farmers.

## Notes

Data for this article were sourced from COCOBOD, ICCO reports, and industry publications on cocoa market trends.

Key statistics on cocoa production, prices, and export volumes were drawn from government and industry reports.

## Bibliography

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