

**GHANA RESEARCH NOTE**

**Outlook for the 2023/24 Cocoa Season**

1 Ghana’s cocoa farmers are **likely to welcome the 62.5% increase** in the farm-gate price that Cocobod is reportedly poised to announce for the 2023/24, a significant improvement on the modest 21% they were granted last year, even as inflation (y/y) sprinted past the 40% mark<sup>1</sup>. Moreover, the mooted price of GHC 1,300 per 16 lb. bag almost matches the **GHC 1,380 level demanded by the Ghana Civil Society Cocoa Platform** (GCSCP).

2 Nevertheless, two points need to be made about the mooted price increase. First, the new level would represent **less than 50% of the current price** for cocoa on the international market<sup>2</sup>. More importantly, the new level is **unlikely to eliminate the strategic threat** that Cocobod is trying to address - i.e., the growing volumes of Ghanaian cocoa that have been drawn into Côte d’Ivoire and Togo in recent years by the often significant cross-border price differential<sup>3</sup>.

9/12/23

Parameter	CFA	EUR	USD	GHS <sup>1</sup>	
FX rates	655.957	1.073	1.000	11.65	
ICE (NY) px	2,230,743	3,401	3,649	42,511	
<b>MAIN CROP - Oct '23</b>					<b>% Paid<sup>2</sup></b>
Ghana cocoa/MT	1,098,190	1,674.18	1,796.39	20,928	49.23%
CIV cocoa/MT <sup>3</sup>	900,000	1,372.04	1,472.20	17,151	40.35%
GH - CIV px/MT	198,190	302.14	324.19	3,777	
Arbitrage	22.02%	22.02%	22.02%	22.02%	

<sup>1</sup> Applying bureau de change exchange rate.

<sup>2</sup> I.e. Producer price as a share of world-market price.

<sup>3</sup> I.e. Pending the announcement of the 2023/24 price.

3 The scale of this problem was apparent at the end of the 2021/22 crop season when Cocobod reported that it had missed its 950,000 MT procurement target by a staggering 265,000 MT<sup>4</sup> – i.e., **a shortfall of 28%**. Anecdotal accounts point to **further disappointment from the current season**, though perhaps not on the catastrophic scale predicted<sup>5</sup> by Kwabena Duffuor towards the tail-end of the season’s “main-crop” stage.

4 With Cocobod focused on narrowing the price differential with its neighbour to the west, it appears oblivious of a threat lurking slightly further afield. Improbable though it sounds, Côte d’Ivoire has found itself **on the wrong end of a price arbitrage vis-à-vis Guinea**, where the producer price of FrG 17,500/kg (equivalent to CFA 1,263), represents **a 40% premium** over the local price.

No wonder that a significant amount of the cocoa harvested in CIV’s far western regions<sup>6</sup> this year found its way to the Guinean border, where buyers were happy to pay CFA 1,150/kg – i.e., a generous 28% above the level mandated by the Ivorian regulator<sup>7</sup>.

<sup>1</sup> Two months later, the authorities were to acknowledge the corresponding loss of purchasing power by approving a 30% increase - in salaries for public-sector workers.

<sup>2</sup> Although the guidelines of the Producer Price Review Committee actually specify a price target of “at least 70% of the net FOB price” for cocoa, this guideline has been completely disregarded for more than a decade.

<sup>3</sup> For example, the official price in CIV (i.e. CFA 900/kg), represents a 21.5% premium over the price mandated by Cocobod. Meanwhile, the aforementioned GSCP reports that, during the current season, its members have been offered premiums of between 30% and 40% from Togolese buyers sourcing Ghanaian cocoa.

<sup>4</sup> Although the authorities tried to explain the shocking figures as the result of “prolonged dry spells” and “environmental damage from *galamsey* activities”, neither excuse was remotely credible. Although sharing the same micro-climate, CIV had reported no adverse weather. Similarly, a mere 2% of the total acreage devoted to cocoa-production had been compromised by illegal mining activity.

<sup>5</sup> The one-time Finance minister lugubriously predicted that procurement total might fall as low as 500,000 MT – versus a target of 850,000 MT for the 2022/23 season.

<sup>6</sup> Based on the number of laden trucks intercepted en route to the border, this activity appears to be concentrated in the towns of Ouaninou, Sipilou, Zouan-Hounien and Danané.

<sup>7</sup> It will be recalled that in February, the height of the “main-crop” phase, Ivorian exporters reported a shortfall of as much as 150,000 MT. In response to the resulting price squeeze, the regulator temporarily froze purchases by firms – in practice the local affiliates of multinational

⑤ In the light of this experience, the Conseil Café Cacao might well implement a price hike that exceeds Cocobod's wildest expectations. For example, just matching Guinea's producer price for 2022/23 would completely overwhelm the effect of the 62.5% increase envisaged, leaving Ghana's producer price **15.5% below its neighbour's**. Were this arbitrage to be compounded by any settlement delays resulting from Cocobod's liquidity challenges<sup>8</sup>, **local farmers would find it hard to resist** the cash-in-hand on offer from Ivorian buying agents.

In other words, this remains a developing story.

---

operators - that had already sourced enough product to cover their forward sales contracts. As a spokesperson for Barry Callebaut observed at the time, *"The truth is that there is no longer enough cocoa for everyone"*.

<sup>8</sup> In addition to the brutal restructuring of its Cedi-denominated commercial paper, Cocobod has been having predictable difficulty in the international credit market raising the syndicated loan through which it hopes to finance its purchase of this year's crop.

This Report has been prepared purely for the purposes of information and neither constitutes, nor is intended to constitute an offer to sell or the solicitation of an offer to purchase securities. Although the statements of fact in this Report have been obtained from, and are based upon sources that Rhombus Advisors LLC believes to be reliable, the Firm does not guarantee their accuracy, and any such information may be incomplete or condensed. All opinions and forecasts included in this Report represent the Firm's judgement as of the date of the Report and are subject to change without notice.