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West Africa's Cocoa-driven Power Plays

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After two poor seasons in West Africa, cocoa supply remains volatile. Forecasts now point to another output drop in 2025/26 - driven by erratic weather, disease pressure, ageing trees and even mining encroachment - pushing prices to extreme levels and straining operations. This squeeze has created the political space for Accra and Abidjan to lean harder on price instruments (LID, origin differentials) and to accelerate local-processing ambitions.

At the same time, compliance requirements are about to increase. The EU's deforestation rule now kicks in for large companies on 30 December 2025, after a one-year delay, with smaller firms following in mid-2026. Buyers must provide geolocation down to plot level and file due-diligence statements (process changes that raise operating costs and reshape procurement) especially for "high-risk" origins.

Put together, a weather-driven supply shock, stressed grinding economics, and imminent traceability obligations are redrawing bargaining leverage. If Ghana and Côte d'Ivoire can sustain pricing while scaling, verifiable on-shore processing - and keep macro and governance risks contained - they will set the terms of trade for the next cycle. If not, compliance costs and supply fragility will hit margins and push buyers to diversify origin exposure.

Political and fiscal stability check (Ghana vs Côte d'Ivoire)

In Ghana, policy credibility has improved under the IMF programme. In July 2025, the IMF completed Ghana's fourth ECF review, unlocking about US$367m and taking total disbursements to roughly US$2.3bn, an anchor for budget financing and market confidence. Inflation has eased enough for the Bank of Ghana to cut its policy rate by 300 bps to 25% on 30 July 2025, signalling a gradual shift from crisis-fighting to disinflation management, though price risks persist. Operationally, power reliability remains a current risk for grinders and warehouses.

Sector arrears and ad-hoc load controls have produced outages, with the state utility even disconnecting parliament in a 2024 arrears dispute, an illustration of lingering stress in the system.

In Côte d'Ivoire, the macro indicators are steadier under West African Economic and Monetary Union (WAEMU) discipline. The IMF's June 2025 reviews project real GDP growth at 6.3% in 2025 and average inflation returning to the 1 to 3% WAEMU band, providing a more predictable backdrop for origin processing and trade finance.

Weather-damaged mid-crop arrivals and quality issues are being seen in industry data. Exporters warned in March 2025 that Côte d'Ivoire's mid-crop could fall 40% year on year. By July, GEPEX reported domestic grinds down 31% y/y on poor bean quality and tight supply. All pressuring margins and utilisation at origin, despite otherwise stable macro signals.

Price instruments and market leverage (LID, origin differentials)

The Living Income Differential (LID) was designed as a fixed US$400/ton uplift to farmer returns in Côte d'Ivoire and Ghana. In practice, when demand weakened, brokers marked down country "*origin differentials*", partially or fully offsetting the LID and diluting the intended floor. This raised questions about how much income protection the mechanism delivers through the cycle.

Transparency has, however, improved since 2024. The Côte d'Ivoire/Ghana Cocoa Initiative has been publishing origin differentials monthly, giving buyers and sellers a clearer read on payments/discounts and how they evolve relative to futures.

Enforcement remains pivotal to any pricing power. Ivorian regulators have warned exporters not to overpay at ports and ordered co-ops to liquidate stocks within set windows to curb hoarding, measures intended to keep the official scale meaningful amid tight supply. When domestic farmgate prices fall out of line with border markets or payments are delayed, beans leak across borders. Reuters reporting through 2024-2025 links this misalignment to spikes in smuggling and farmer withholding, undermining official flows and disrupting the credibility of price instruments.

Who's funding the shift (and on what terms)?

Working-capital for beans and semi-finished cocoa is increasingly coming from blended trade-finance structures, while sovereign and state-linked borrowing underwrite farmgate purchases.

On the exporter side, multilaterals have stepped in alongside commercial banks. In Côte d'Ivoire, the OPEC Fund approved a €50 million loan to Sucden as part of an IFC-led €350 million syndicated facility to finance sustainable cocoa sourcing and processing. This kind of structure lowers all-in funding costs for qualifying cargos but tightens reporting requirements and audits for participating traders.

By contrast, Ghana's seasonal purchases rely on COCOBOD's pre-export syndicated loans. In late 2024, officials said they expected about US$600 million from a reduced syndication for the 2024/25 season. Weeks later, COCOBOD disclosed it had defaulted on an US$800 million loan after a supply shortfall, forcing payment rescheduling and denting creditor confidence. The signal for counterparties is straightforward, higher margins, stricter covenants, and more frequent drawdown controls on future lines.

Plant-side investment is arriving through state projects with foreign contractors. Côte d'Ivoire's new Transcao complex in Abidjan was built by a Chinese engineering firm, reinforcing the role of Asian partners in origin-processing build-out, even when financing details are not fully disclosed publicly.

Distributional outcomes: do farmers benefit?

On paper, the Living Income Differential (US$400/ton) should lift household earnings. In practice, its impact has often been diluted by negative origin differentials and downstream purchasing tactics that claw back value, leaving farm incomes little changed, despite record futures prices. Oxfam's 2024 review found that companies largely maintained buying practices that offset the LID, hindering any real benefit to growers.

Payment timeliness and farmgate policy matter just as much as headline premia. In Ghana, delayed payments and financing frictions repeatedly pushed farmers toward informal channels in 2024-2025, while the authorities' subsequent price hikes still lagged inflation and currency effects, fuelling discontent and threats of cross-border sales. In Côte d'Ivoire, regulators warned exporters not to overpay at ports to prevent a bidding war. Price spikes also trigger behaviours that erode welfare, such as hoarding and smuggling. Reuters reporting links misaligned prices and delayed cash to increased leakage, which strips volumes from official channels and undercuts sector reinvestment.

To build investor and consumer trust, revenues from LID, origin differentials and processing must link to clear outcomes like minimum farmer incomes, financed replanting of ageing trees and deforestation-free production, with farmer support instead of penalties. UNDP's West Africa Coastal Areas programme stresses that sustainable cocoa depends on farmer livelihoods tied to forest protection, standards buyers can enforce through offtake terms and monitoring.

Conclusion

West Africa's cocoa power play is real but fragile. Policy tools (LID and origin differentials), fresh grinding capacity and stricter EU rules are pushing more value to origin. Yet, three constraints will determine outcomes, dependable feedstock, credible price enforcement and traceability systems that work at farm level. Côte d'Ivoire's macro setting and logistics upgrades support onshore processing, while Ghana's IMF anchor helps confidence. However, weak crops, quality slippage and periodic power/financing strains can still choke utilisation and throttle premiums. Compliance costs under EUDR will flow upstream unless buyers co-finance mapping and farmer onboarding. If they don't, leakage and reputational risk rise.