

# The Ghana Cocoa Report 2024: Ghana Cocoa International Trade Agreements: Navigating the Global Market for Sustainable Growth

Explore Ghana's international cocoa trade agreements, their impact on export markets, and strategies to maximize benefits from global trade partnerships.



## Highlights

Detailed analysis of Ghana's international cocoa trade agreements and their impact on the economy.

Key statistics on Ghana's cocoa exports, trade partnerships, and market share.

Examination of factors influencing Ghana's cocoa trade, including tariffs, trade barriers, and sustainability standards.

## Content

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**Research Methodology:** This article is based on an extensive review of international trade data, government reports, and academic research on Ghana's cocoa industry. Sources include the Ghana Cocoa Board (COCOBOD), the International Cocoa Organization (ICCO), trade agreements, and policy documents related to Ghana's participation in global cocoa markets. The analysis aims to assess the impact of trade agreements on Ghana's cocoa sector and identify opportunities for growth and improved market access.

## Key Statistics and Facts:

1. Ghana exports over 80% of its cocoa production, with the European Union (EU) and the United States being its largest markets.
2. Cocoa contributes more than 20% to Ghana's total export earnings, generating over USD 2 billion annually.
3. Ghana benefits from preferential trade agreements such as the EU's Economic Partnership Agreement (EPA) and the African Continental Free Trade Area (AfCFTA).
4. Ghana's cocoa market share in the EU exceeds 15%, making it one of the leading suppliers of cocoa beans to Europe.
5. The global cocoa market is projected to grow by 4.5% annually through 2028, with increasing demand for sustainable and certified cocoa products.
6. Tariff rates on raw cocoa beans are low or zero in many importing countries, but processed cocoa products often face higher tariffs.
7. The International Cocoa Agreement (ICA), to which Ghana is a signatory, aims to stabilize the cocoa market by regulating supply and ensuring fair trade.
8. Ghana's cocoa exports to the United States benefit from duty-free access under the African Growth and Opportunity Act (AGOA).
9. The Cocoa & Forests Initiative, a partnership between Ghana and international stakeholders, seeks to ensure sustainable cocoa production and reduce deforestation.
10. Despite preferential trade terms, Ghana's cocoa sector faces non-tariff barriers such as stringent quality and sustainability standards in key markets like the EU.

## Body of Article/Critical Analysis

### Introduction

Ghana's cocoa industry is integral to the country's economy, contributing significantly to its export revenues and providing livelihoods for millions of farmers. As the world's second-largest producer of cocoa, Ghana plays a vital role in the global cocoa supply chain. However, the country's ability to capture value from its cocoa exports is heavily influenced by international trade agreements, which determine market access, tariff levels, and sustainability requirements. This article critically analyzes the trade agreements that shape Ghana's cocoa exports, examining their economic impact and the challenges and opportunities they present for the sector's growth.

### Key International Trade Agreements Influencing Ghana's Cocoa Exports

1.

**Economic Partnership Agreement (EPA) with the European Union** The European Union (EU) is Ghana's largest export market for cocoa, accounting for over 70% of its cocoa bean exports. Ghana benefits from the Economic Partnership Agreement (EPA) with the EU, which grants duty-free and quota-free access for its cocoa beans and certain processed cocoa products. This preferential trade agreement allows Ghana to compete effectively in the European market by eliminating tariffs on raw cocoa beans, which enhances the price competitiveness of its exports. However, higher tariffs still apply to value-added cocoa products, such as chocolate, limiting Ghana's ability to capture more value from its exports.

2.

**African Continental Free Trade Area (AfCFTA)** The African Continental Free Trade Area (AfCFTA) represents a major opportunity for Ghana to expand its cocoa exports within the African continent. With the potential to create the world's largest free trade area, AfCFTA aims to eliminate tariffs on 90% of goods traded within Africa, including cocoa. This agreement could boost intra-African trade, enabling Ghana to access new markets and diversify its export destinations beyond traditional partners such as the EU and the United States. By reducing tariffs and simplifying trade procedures, AfCFTA could also foster regional cooperation in cocoa processing, increasing the competitiveness of African cocoa products.

3.

**African Growth and Opportunity Act (AGOA)** The African Growth and Opportunity Act (AGOA) offers Ghana duty-free access to the United States for a wide range of goods, including cocoa and cocoa products. Under AGOA, Ghanaian cocoa exports to the U.S. enjoy tariff-free entry, enhancing the competitiveness of its cocoa beans and processed products in one of the world's largest chocolate markets. While Ghana's cocoa exports to the U.S. are relatively small compared to its exports to the EU, AGOA provides an important trade channel, particularly for value-added cocoa products, such as cocoa butter, powder, and liquor.

4.

**International Cocoa Agreement (ICA)** The International Cocoa Agreement (ICA), to which Ghana is a signatory, seeks to stabilize global cocoa prices, promote sustainable cocoa farming, and ensure fair trade practices. The ICA facilitates cooperation between cocoa-producing countries and major cocoa-consuming nations to manage supply and demand, reduce price volatility, and support cocoa farmers' livelihoods. While the agreement offers a framework for ensuring market stability, its effectiveness has been

limited by fluctuating global demand and the influence of speculative trading in cocoa futures markets.

5.

**Cocoa & Forests Initiative (CFI)** Ghana's commitment to sustainable cocoa production is underscored by its participation in the Cocoa & Forests Initiative (CFI), a public-private partnership aimed at reducing deforestation and promoting environmentally sustainable cocoa farming practices. This initiative is closely tied to Ghana's trade agreements with the EU, where consumer demand for sustainably produced cocoa is high. As part of the initiative, Ghana is required to meet stringent environmental and sustainability standards, which, while improving market access, increase compliance costs for farmers and exporters.

## Current Top 10 Factors Impacting Ghana's Cocoa Trade Agreements

1.

### **Tariff Barriers on Processed Cocoa Products**

While raw cocoa beans benefit from low or zero tariffs in most markets, processed cocoa products often face higher tariffs, limiting Ghana's ability to add value domestically before exporting.

2.

### **Non-Tariff Barriers and Quality Standards**

Non-tariff barriers, including stringent quality and sustainability standards, particularly in the EU, increase the cost of compliance for Ghanaian exporters. Meeting these standards is critical for maintaining access to high-value markets.

3.

### **Sustainability and Environmental Regulations**

International agreements increasingly prioritize sustainable production practices, with a focus on reducing deforestation and child labor. Ghana must comply with these regulations to maintain its access to key markets like the EU and the U.S.

4.

### **Fluctuations in Global Cocoa Prices**

International trade agreements are often subject to the volatility of global cocoa prices, which can affect the competitiveness of Ghana's exports and the income stability of cocoa farmers.

5.

### **Value Addition and Processing Capacity**

Trade agreements offer limited incentives for value addition, with higher tariffs on processed products like chocolate. This discourages local processing and reduces the value Ghana captures from its cocoa exports.

6.

### **Bilateral and Multilateral Trade Negotiations**

Ghana's participation in bilateral and multilateral trade agreements, such as EPAs and AfCFTA, shapes its export strategies, influencing market access and trade preferences for cocoa products.

7.

### **Infrastructure and Logistics Challenges**

Ghana's ability to fully capitalize on trade agreements is constrained by inadequate infrastructure, including transportation and port facilities, which increase the cost of exporting cocoa.

8.

### **Export Diversification Efforts**

Efforts to diversify export destinations through agreements like AfCFTA could reduce Ghana's dependence on traditional markets, such as the EU, and mitigate risks associated with market concentration.

9.

### **International Trade Politics**

Geopolitical factors, including trade disputes and shifting alliances, can affect the terms and benefits of international trade agreements, potentially impacting Ghana's cocoa exports.

10.

### **Technological Innovation in Supply Chain**

Technological advancements in the cocoa supply chain, including blockchain for traceability and digital platforms for trade, are increasingly becoming essential for complying with trade agreements and enhancing market transparency.

## **Projections and Recommendations**

As global demand for cocoa continues to rise, Ghana's cocoa industry stands to benefit from its participation in trade agreements that provide preferential market access. However, the country must address several key challenges to fully capitalize on these opportunities. First, Ghana should invest in expanding its cocoa processing capacity to capture more value from its exports by shifting towards value-added products. Second, compliance with international sustainability standards is essential for maintaining market access, particularly in the EU and the U.S., where consumer demand for ethical products is growing.

The AfCFTA presents a unique opportunity for Ghana to diversify its export markets and reduce its reliance on traditional trading partners. By fostering regional trade and cooperation within Africa, Ghana can increase its share of intra-African cocoa trade and reduce vulnerabilities to external market fluctuations.

## **Conclusions**

International trade agreements play a critical role in shaping Ghana's cocoa export strategy, offering both opportunities and challenges. While agreements like the EPA, AfCFTA, and AGOA provide preferential access to key markets, Ghana must navigate complex tariff structures, non-tariff barriers, and sustainability requirements to maximize its benefits. By investing in value addition, improving compliance with sustainability standards, and leveraging regional trade opportunities, Ghana can enhance the profitability and resilience of its cocoa sector in the global market.

## **Notes**

Effective utilization of trade agreements is vital for Ghana's long-term competitiveness in the cocoa sector.

Addressing infrastructure and logistics challenges will be critical to maximizing the

benefits of trade agreements.

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