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# Cocoaâ??s $130 billion reckoning

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Roughly 70 per cent of the worldâ??s cocoa is produced in Africa, primarily in West Africa, anchoring a global chocolate industry that depends heavily on a single, climate-exposed region. Yet cocoa supply chains face persistent and deeply rooted risks, including child and forced labour, chronic farmer poverty, land degradation, deforestation and escalating climate stress. Production is dominated by smallholder farmers, most cultivating less than five hectares, operating within fragmented systems where informal intermediaries limit visibility and traceability.

At the same time, new regulatory frameworks such as the EU Deforestation Regulation (EUDR) and the Corporate Sustainability Due Diligence Directive (CSDDD) are significantly increasing corporate due-diligence obligations, pushing companies to scrutinize sourcing practices at an unprecedented level of detail. For a sector historically built on opacity, the compliance bar is rising fast.

**What the Data Reveals: Scale Without Stability**

Data from Sedex, one of the worldâ??s largest ethical trade platforms, illustrates both expanding engagement and persistent vulnerability. Over the past decade, cocoa sites registered on Sedex have increased by 200 per cent, now representing approximately 280,000 workers globally. Since 2020, the number of audits conducted annually across cocoa sites has risen by 174 per cent, reflecting intensifying oversight.

Yet the average combined risk score across cocoa sites stands at a medium 5 out of 10â??a figure that masks significant structural fragilities. Growth in monitoring has not yet translated into proportional risk reduction.

**Labour and Water: The Highest-Risk Indicators**

Globally, working hours and water management emerge as the highest-risk indicators across cocoa operations. These findings point simultaneously to economic strain within labour systems and environmental pressure in producing regions.

Africaâ??s average combined risk score is 20.5 per cent higher than the global average, placing it firmly in the high-risk category. Other regions record an overall medium risk level but still exhibit critical weaknesses at the indicator level. Across both Africa and Asia, the most significant social risks relate to wages, working hours and health and safety. Asia records the highest working-hours risk, scoring 7.8 per cent higher than Africa across cocoa sites, underscoring how labour intensity and enforcement gaps vary regionally.

**Audit Findings: Compliance Gaps Persist**

Audit data reinforces the systemic nature of these challenges. Seventy-seven percent of non-compliances identified at cocoa sites relate to wages, working hours and health and safety. More concerning, 58 per cent of critical and business-critical non-compliances are linked specifically to health and safety failures, highlighting weaknesses in protective systems and operational safeguards.

Risk exposure is not confined to origin countries. In the past 12 months, China and the United States together accounted for 21.4 per cent of global cocoa non-compliances, split evenly between them, followed by Turkey and Mexico. Compliance vulnerabilities therefore extend across processing and downstream markets.

**CÃ´te dâ??Ivoire and Ghana: The Epicentre of Supply and Vulnerability**

CÃ´te dâ??Ivoire and Ghana together supply roughly 60 per cent of global cocoa, placing them at the centre of both opportunity and systemic risk. Farmers in both countries commonly earn below the poverty line and face mounting pressures including child labour concerns, swollen shoot disease, illegal mining encroachment and recurring climate shocks such as El NiÃ±o-driven droughts.

Both countries exhibit high inherent risk in regular employment conditions, wages and health and safety. However, their working-hours risk profiles diverge sharply. CÃ´te dâ??Ivoire registers extreme high risk, while Ghanaâ??s working-hours risk is 36 per cent lower, placing it in the medium range. These differences suggest that national governance frameworks and enforcement mechanisms can materially influence risk outcomes.

**Environmental Compliance: Documentation vs. Intent**

Environmental issues rank as the fourth most common category of non-compliance at cocoa sites. Eleven percent of non-compliances relate to water use and waste management, most frequently due to insufficient wastewater permits. A further 7 per cent concern reforestation, conservation and biodiversity, with the most common issue being a lack of awareness regarding local biodiversity regulations.

In many cases, environmental gaps stem less from deliberate environmental harm and more from weak management systems, inadequate documentation and incomplete understanding of regulatory obligations. The compliance challenge is therefore as much administrative as ecological.

**Faster Self-Assessment, Persistent Blind Spots**

Self-assessment data suggests growing digital maturity. In 2025, more than 60 per cent of cocoa sites completed their Self-Assessment Questionnaire (SAQ) in under one day, indicating faster risk identification processes. Most sites report having a designated individual responsible for environmental management.

However, a disconnect remains. Many sites are unaware of specific environmental requirements set by their buyers, creating compliance gaps despite internal accountability structures. Additionally, 15 per cent of sites report either negative impacts on indigenous or local communities or an inability to confirm impacts due to a lack of formal assessment, pointing to persistent weaknesses in community-level due diligence.

**Traceability: The Structural Weak Link**

Traceability remains the sectorâ??s most consequential vulnerability. In 2023, only 22 per cent of indirect cocoa supply was traceable to farm level. With an estimated 5 to 6 million farmers and up to 50 million people globally dependent on cocoa, limited traceability significantly increases exposure to regulatory breaches, reputational risk and climate- or disease-related supply disruptions.

As global regulations tighten, fragmented supply chains without farm-level transparency will face increasing commercial and legal pressure.

**The Strategic Inflection Point**

The cocoa sector is clearly in transition. Oversight is expanding, audits are increasing and digital tools are accelerating risk detection. Yet the structural pressures of poverty, labour strain, environmental stress and limited traceability remain deeply embedded.

For an industry worth an estimated $130 billion annually, the next decade will not be defined solely by yield improvements or price volatility. It will be defined by whether cocoaâ??s supply chains can evolve into transparent, resilient systems capable of withstanding regulatory scrutiny and climate uncertainty. The future of chocolate may ultimately depend less on flavour innovationâ??and more on governance.

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