



Disclaimer

This report is proprietary to Banca Transilvania. The research report issued by BT containing strictly personal opinions of the authors and not representing official statements of BT are for information purposes only and are not intended to be used in the investment decision-making process or at any stage of the provision of investment services or activities. Content may be revised or changed without prior notice. Nothing contained in this report shall be construed as a promise or guarantee of the future performance of any financial instrument mentioned. Additional information regarding this disclaimer is available [here](#).

THE ECONOMICS OF SUMMER DELIGHTS. WHY ICE CREAM COSTS MORE THIS YEAR.

One of the enjoyments of summer is having a good ice cream, and ice cream is known to trigger positive feelings in the human mind not to mention memories. And yesterday, as I was walking home, I suddenly stopped in front of a new ice cream shop to get one. Chocolate is my favorite one. It was amazingly good, but my rational and economist mind started to kick in: why is it so expensive? I remember that last year I paid much less for a similar cup. The main “ingredients” to the price are cocoa, sugar and ... inflation.

In May 2024, the consumer price for **cocoa** was 6.3% higher than in May 2023 in the EU. Except for Slovakia and Cyprus, the rest of the EU countries recorded an increase in the inflation rate for cocoa. The highest rates were in Estonia, Croatia, and Austria. In Romania, in May, the inflation rate for cocoa was still high, 10.6% compared with the same month last year, after a peak of 13.5% this time last year.

The price of cocoa (as a commodity) was extremely volatile in the past 6 months. At the beginning of this year, cocoa was traded for 4040 USD/MT. At the end of April, it was traded at 8805 USD/MT. Today it is about 7731 USD/MT, 139% more than last year but 11% less compared with last month.

In the past two years, the price of cocoa has been subject to significant fluctuations, causing concern among producers, businesses, and consumers alike. Several key factors contribute to the high price of cocoa:

Cocoa production is highly sensitive to weather conditions. Cocoa trees thrive in specific tropical climates with adequate rainfall and consistent temperatures. Unpredictable weather patterns, such as droughts or excessive rainfall, adversely affect cocoa yields. Major cocoa-producing regions – like West Africa – have experienced droughts that have severely impacted crop production, leading to reduced supply and increased prices. Various pests and diseases also devastate cocoa plantations, reducing the overall yield.

The demand for cocoa products continues to rise globally, driven by increasing consumption of chocolate and other cocoa-based products. Emerging markets, particularly in Asia, are contributing to this growing demand. As more consumers indulge in cocoa products, the pressure on supply increases, pushing prices higher. There is a growing movement towards sustainable and ethical cocoa production as well. Consumers and businesses are increasingly prioritizing fair trade and environmentally friendly practices. While these initiatives aim to improve the livelihoods of cocoa farmers and protect the environment, they often come with higher costs. Fair trade premiums and investments in sustainable practices can drive up the price of cocoa.

Sugar. The consumer price for sugar is on a downward trend for a about a year, with Romania having the largest decrease in May with -12.4% compared with last year. In the EU, the average decrease is -6.2% while Switzerland still records an increase of 8.9%. The decrease comes after very steep increases during last year with an average of 39% at EU level and 37% in Romania.

Although not so volatile as cocoa, sugar prices have been volatile over the past two years due to a combination of factors.

The cost of inputs such as fertilizers, fuel, and labor has risen significantly having direct impact in the overall cost of production.

Major sugar-producing countries like Brazil, India, and Thailand have experienced droughts, floods, and unseasonal rainfall, which have disrupted crop yields. For example, Brazil, the world’s largest sugar producer, faced severe drought followed by unexpected frosts, which damaged sugarcane crops and reduced output. In countries like Brazil, sugarcane is used to produce both sugar and ethanol. When oil prices are high, more sugarcane is diverted to ethanol production, reducing the supply available for sugar production. This shift in usage can lead to a decrease in sugar supply and higher prices.

The sugar price as a commodity is traded close to the same value of 20USD/lb as it was at the beginning of 2023 and down 26% from its peak price.

In conclusion, now that I know why I paid more for my ice cream, as compared to last year, I will start my weekend with another cup on my way home and, as the charts showcase, I think that we will pay the same or less next year to indulge ourselves with some good ice cream.



Ioan Nistor

Chief Economist

” Rising cocoa and sugar prices impacted consumer goods. Volatility is still in cocoa while sugar is calming and on a downward trend. We see prices stable for the next period.