

# The Malaysian Cocoa Industry

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## EXECUTIVE SUMMARY

*Cacao has been cultivated in Malaysia for almost two centuries, with the first pods being discovered in a garden in Malacca in 1778. The arrival of the fruit on these beaches is generally dated to 1770, when it was introduced by sailors from Sri Lanka, then known as Ceylon. In 2021, the worldwide cocoa and chocolate industry was estimated to be worth 46.91 billion USD. The market is expected to increase at a compound annual growth rate (CAGR) of 4.98% between 2022 and 2029, from USD 48.29 billion to USD 67.88 billion. This chapter will be comprehensive about the cocoa industry. It will widely cover the history of cocoa, the types of cocoa, and an understanding of cocoa throughout the overview of the cocoa industry in the world. This case study concludes by discussing the issues and threat of the cocoa industry in Malaysia from the economic perspectives.*

## INTRODUCTION

Cacao has been cultivated in Malaysia for almost two centuries, with the first pods being discovered in a garden in Malacca in 1778. The arrival of the fruit on these beaches is generally dated to 1770, when it was introduced by sailors from Sri Lanka, then known as Ceylon (Malaysian Chocolate & Cacao Culture, 2022). We may safely assume that the initial source of the Sri Lankan pods was the Brazilian Amazon. Malacca had been established at the time by the Portuguese and the Dutch, but the Malay people were eventually able to reclaim the city thanks to a conflict with the Netherlands. Over the following 150 years under British rule, Malaysia would become a global leader in cocoa output and would stay in the top 10 for decades. This trend was significantly disrupted by World War II, but it was eventually resumed

because of growing demand from Europe. This had a disproportionately large effect on the Malaysian Borneo states of Sabah and Sarawak.

The industrial era led to fundamental changes in chocolate and cocoa, impacting everyone from growers to end consumers. The first chocolate factory started in 1780 in Barcelona, Spain, soon afterward, Germany and Switzerland continued the unrelenting march toward the complete industrialization of cocoa. The cocoa plant's original cultivars have changed throughout time. The spread of European colonialism in Africa coincided with the introduction of the cocoa tree to Europe. Successful cocoa planting in Sao Tome and Principe led to the development of plantations throughout Africa. South American output gradually declined throughout the industrial era despite having spread to new producing regions along the Amazon River, while a new cocoa empire rose to power in Africa. In fact, Africa has been the world's largest cocoa producer since the turn of the 20th century.

In the global market cocoa beans, whether shipped whole or broken, unroasted or roasted, had a total worth of 8.6 billion USD in 2017, regardless of their preparation. 5,6 The worldwide market for cocoa beans is anticipated to increase at a compound annual growth rate (CAGR) of 7.3% between 2019 and 2025, reaching USD 16.32 billion by the end of the forecast period. The retail market value of the chocolate business was estimated to be 106.19 billion U.S. dollars in 2017, and it is anticipated that this value would increase to 189.89 billion U.S. dollars by the year 2026. In 2017, the chocolate sector accounted for 43% of the total cocoa consumption (Vivek et al., 2019). In Malaysia, the cocoa sector accounted for a contribution of RM1.64 billion to the GDP in the year 2020 alone. In the first six months of 2021, the cocoa sector contributed to GDP totaling 0.85 billion RM. In the year 2021, the total area of coca plantations is 5,955 hectares, and they produce 361 tonnes of the drug (Ministry of Plantation Industries and Commodities (MPIC), 2022).

## **COCOA INDUSTRY**

### **Scenario of Downstream in Cocoa in the Industry**

In 2021, the worldwide cocoa and chocolate industry was estimated to be worth 46.91 billion USD. The market is expected to increase at a compound annual growth rate (CAGR) of 4.98% between 2022 and 2029, from USD 48.29 billion to USD 67.88 billion. Demand is lower than expected in all locations compared to pre-epidemic levels because of the unprecedented and overwhelming worldwide COVID-19 pandemic. The research shows that international sales fell by 2.75 percent worldwide in 2020 compared to 2019 (Fortune, 2022).

Due to the rising popularity of chocolate treats throughout the world, this sector is showing signs of steady expansion. Overall consumption of cocoa-based products has increased as the original share of worldwide grindings has risen significantly. The expansion of the global cocoa and chocolate business is aided by the introduction of novel products across a variety of culinary industries. The most popular flavors for new beverages, baked goods, and candies are still chocolate. In the food and drink industry, it has also remained a staple. This pattern in business is expected to stimulate future market expansion.

Market participants are anticipated to invest in the trend to make money as customer perceptions of the excellence (ingredient quality) of single-origin and bean-to-bar chocolates are predicted to grow. Due to the growing focus on the bean-to-bar concept in recent years, the demand for specialty chocolate products and preimmunized offers has increased significantly. The single-origin cocoa craze is still driv-

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