

Cocoa bean shortage has chocolate prices soaring

By Leslie Josephs and Neena Rai

Consumers from California to Switzerland are developing a taste for dark chocolate, taking a bite out of global cocoa supplies and driving up candy prices in both high-end boutiques and mass-market drugstores.

The cost of one kilogram of chocolate in the U.S. is expected to hit a record \$12.25 this year, a 45 percent increase from 2007, according to market-research firm Euromonitor International.

Prices are on the rise due to a shortage of cocoa beans, which are roasted and ground to make chocolate. Market experts estimate that supplies will fall short of demand this year for the first time since 2010 and dry weather is expected to hurt the next harvest in West Africa, where 70 percent of cocoa beans are produced.

The supply shortfall is emerging just as Americans and Europeans are buying more chocolate, particularly the darker varieties, for both health and economic reasons. Dark chocolate often requires more cocoa beans per ounce than milk chocolate, which means that even small shifts in buying trends can have a big impact on the \$5.4 billion cocoa-futures market, traders and investors say.

Cocoa prices are up 21 percent so far in the third quarter, outperforming broad commodity indexes. Hedge funds and other money managers are making bullish bets on cocoa futures in unprecedented numbers, wagering that steady economic growth in the world's developed economies will continue to fuel the rally. Big consumption gains in emerging markets such as Brazil also are lending support to prices.

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