

# Forbes

## Rising Prices Signal A 'Devastating' Global Chocolate Crisis: Should Government Act To Save Us?

Doug Bandow

10/14/2013

Attention in Washington remains focused on the government shutdown. But a far more important issue confronts America while the president and congressional leaders dither: rising chocolate prices. When will the government address this terrifying global crisis?

Chocolate comes from cocoa trees, which have been cultivated for thousands of years. The early Mesoamericans, including the Aztecs and Mayans, turned the beans into cocoa solids, liquid, and butter. The Mayans probably created the first chocolate drink; in fact, the word chocolate likely derives from Mayan words for hot and water. However, the Aztecs highlighted the value of cocoa when they ordered some conquered peoples to pay tribute in cocoa beans.

Both the Aztec and Mayan civilizations have gained a bad rap over the years because of military aggression and human sacrifice. But mass murder was a small price to pay for bequeathing chocolate to the rest of us.

The Mesoamericans were serious about their chocolate. The drink was bitter and fermented, since people then weren't familiar with sugar or milk. Still, early chocolate was used for important occasions. Indeed, cocoa seeds were offered as gifts for the gods and cocoa drinks were used in sacred ceremonies.

The Europeans became acquainted with chocolate after the Spanish conquistadors came and conquered. They were a loathsome lot, ready to spill blood in pursuit of gold and glory. However, they sent cocoa beans as well as gold to Europe; the earliest known shipment was in 1585 to Spain. For that we should forgive their other sins.

The Europeans also deserve credit for adding sugar and milk. The drink quickly became a favorite, causing the Spanish to produce cocoa with their newly enslaved Mesoamerican populations. The beans even became a plantation product. Slavery was a nasty, horrid practice, but it is chocolate that we are talking about.

Chocolate soon jumped the English Channel: a chocolate house was first opened in 1657. Rather than use chocolate for religion or royalty, the Europeans turned it into a common yet essential treat.

Hard chocolate finally arrived in the 18<sup>th</sup> century, apparently first in Italy. But it was the Industrial Revolution that delivered chocolate to the rest of us. A German company created the first chocolate bar in 1839. A British company followed in 1847; two years later John Cadbury began marketing a chocolate bar. The company that bears his name still exists. Is there another invention that benefited mankind so greatly?

But perhaps the most important innovation was yet to come. In 1867 a Swiss chocolatier, recently removed from candle-making, tried adding milk. With the help of Henri Nestle, milk chocolate soon emerged on the market. Nestle is another global brand name today. And then America's Milton Hershey did what Americans always do so well: created a mass market with cheap chocolate bars. Chocolate Hershey products are ubiquitous today.

How would we live without chocolate? Yes, there are a few malcontents and deviants who claim not to like chocolate. Aliens, perhaps, from another planet. Or people just deficient in what ultimately makes us human. But that's fine since it leaves more for the rest of us.

Dark chocolate is allegedly healthier, but it's really a waste of good cocoa when you can make milk or white chocolate. The latter two are the true elixir of life. Who needs food when one can feast on various forms and formulations of chocolate?

Indeed, for all of the genius of Thomas Jefferson, he failed to capture this aspect of humanity. I mean, what is "life, liberty, and the pursuit of happiness" without chocolate? Why bother? It deserved to be mentioned in the Declaration. Truly access to chocolate is a vital national, even global interest.

Now that access is threatened. The cost of one kilogram of chocolate has hit \$12.25, up 45 percent in 2007, the highest ever. Explained the *Wall Street Journal*: "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."

Indeed, business analysts, hedge funds, and money managers are expecting continued increases in prices that jumped 21 percent in the third quarter alone. Money managers have taken the largest number of long positions in chocolate since 2006. Everyone seems to believe, reported the *Journal*: "that steady economic growth will continue to fuel the rally. Big consumption gains in emerging markets such as Brazil also are lending support to prices."

Even America's weak recovery has sparked a consumer return to the chocolate market, with consumption rising for the first time since the economic and financial crashes of 2008. Jonathan Parkman of the London commodities brokerage Marex Spectron, said sales reveal "a better-than-expected recovery in core markets such as North America and Northern Europe."

The problem is worldwide. In Europe the cost of cocoa butter is up 70 percent from the beginning of the year. The expense of making a milk chocolate bar is up 31 percent. The same phenomenon is evident in Asia. “In the regions like Asia-Pacific or Latin America, we are seeing more middle class consumers buying chocolates compared with five or six years ago because they have the money to do it,” observed Francisco Redruello of Euromonitor International. In Asia chocolate prices are up 30 to 40 percent this year. “Most of our customers are not happy about it” said Richard Lee of Singapore-based Aalst Chocolate.

Not everyone is certain that rapid price increases will continue. Shawn Hackett of Hackett Financial Advisors complained that the current futures market reflects a “feeding frenzy” and speculators are “getting carried away.” One can only hope that he’s right. Otherwise the future of mankind will be in doubt.

The only downside in all of this is that demand is increasing fastest for dark chocolate. Chocolate manufacturers are expanding their line-ups of dark chocolate products. Admittedly darker is lower in calories and better in health. But it just doesn’t have the wonderful smooth, creamy taste of milk chocolate. It is sad to see scarce chocolate products being diverted to inferior uses.

This is a crisis. A real crisis. No nonsense about world peace, international poverty, income inequality, environmental degradation, runaway inflation, overwhelming debt, or other minor problems. Chocolate is going to cost more!

This will be bad enough for casual consumers, denying them access to the elixir of life, the nectar of the gods. It is far worse for chocolate addicts, otherwise known as chocoholics. After all, we can’t help ourselves. We are controlled by larger forces. We are helpless in the face of the taste of chocolate.

Blogger Kimi Harris offered some self-help advice, if one wants to call it that, but it included such strange ideas as “eat better chocolate, less often.” After all, “the better quality, the less you need.” Anyone who would say such things does not understand the miracle of chocolate—and certainly is not a chocoholic. Eat less? The better the chocolate, the more one wants to eat! You can never have enough chocolate. There is no such thing as too much chocolate.

So what’s a real chocolate lover to do? Really do, as opposed to joke about eating less chocolate.

It’s time for the government to act. After all, for what do we have the government if not to act in a crisis like this? Vital national interests are at stake.

First, we need a Department of Chocolate. Not just an agency or bureau. A full Cabinet-level department.

Second, we need to create a new welfare program to ensure that everyone has access to chocolate. Food stamps aren’t enough. Americans need a guaranteed ration of chocolate, irrespective of financial need.

Third, we need price controls on chocolate. They worked so well on oil in the 1970s. After all, why should greedy profiteers be able to take advantage of helpless chocoholics? We have a RIGHT to reasonably-priced chocolate.

Fourth, we need price supports for cocoa production. One unfortunate impact of price controls is to discourage production. But America's agricultural programs show the way forward. Today a panoply of payments, loans, and guarantees ensure that farmers not only produce, but over-produce. That might be a problem for other foods—witness massive cheese surpluses stored in government warehouses—but it is simply impossible to have too much chocolate.

Lest it seem uneconomic to underwrite cocoa production in the U.S., so what!? Washington today subsidizes water-intensive rice production in California's semi-arid San Joaquin Valley. Who cares about economics when it comes to something as important as chocolate?

Fifth, we need a military policy based on guaranteed access to foreign cocoa. The vast majority of cocoa is produced in West Africa; 43 percent comes from Ivory Coast alone. Forget access to foreign oil and the Persian Gulf. Energy is an international market. Moreover, new alternatives are coming online all of the time. In recent years fracking has dramatically expanded domestic natural gas production. Indeed, the U.S. has become the world's biggest energy producer.

However, we remain hopelessly dependent on foreign sources of cocoa. Indeed, there is no production in America at all. How did we allow ourselves to become so vulnerable to international cocoa disruptions and interruptions? Chocolate is far more important than oil!

Sixth, we need a new federal chocolate "czar" to coordinate a truly effective federal chocolate policy. America needs to simultaneously hold down excessive chocolate prices, ensure fair and adequate access to chocolate, guarantee the nation's access to foreign sources of this vital good, and ultimately develop a domestic industry. Only a bipartisan and multi-agency effort can deliver chocolate independence!

Indeed, the neoconservatives have long suggested that Uncle Sam concoct some new grand crusade as a means of promoting national greatness. How about guaranteed chocolate for all? A world-beating American chocolate industry? Promoting a new advanced chocolate civilization? These would reflect national greatness defined!

America's political leaders are being laughed at around the world. But for all the wrong reasons. They won't cut spending. They won't cooperate. They won't negotiate. They try to run the world. They are irresponsible. They don't represent special interests rather than the public interest. They are extraordinary morons.

All true.

But their worse political crime is failing to deal with the looming chocolate crisis. If they fail to act, future generations will never forgive them.