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COMMENTARY ON COVID-19 AND THE FOOD SYSTEM

Vulnerabilities of the craft chocolate industry amidst the COVID-19 pandemic

**JAFSCD
Responds to
the COVID-19
Pandemic**



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Introduction

Craft chocolate is a model within the global chocolate industry, promoting accountability, transparency, and ethical practices, while often citing unfair labor or poor agricultural practices recognized in conventional chocolate. However, amidst the COVID-19 pandemic, the craft chocolate industry is particularly vulnerable, and specialty cacao farmers may be asked to pay the price.

Craft chocolate, also known as fine, flavor, specialty, artisan, or premium chocolate, is recognizable by high flavor attributes, quality, and origin specificity of the cacao utilized. Those in the craft chocolate industry often practice direct trade to source high-quality specialty cacao beans (Gallo, Antolin-Lopez, & Montiel, 2018). Specialty cacao beans are generally destined for use in craft chocolate production and traded directly, commanding a significantly higher price per ton compared to commodity cacao (Daniels, Läderach, & Paschall, 2012).

The disruptions caused by the COVID-19 pandemic are now exposing the unique vulnerabilities of craft chocolate, and specialty cacao and industry members may face inequalities exacerbated by the global crisis. Direct-trade strategies and small-business practices are particularly consequential to the viability of the craft chocolate industry.

Materials and Methods

The materials and methods for the following analysis are an example of how connectivity and access to information are critical to raise global awareness of the unique challenges for the specialty cacao industry.

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Craft chocolate and specialty cacao industry surveys reporting the ongoing COVID-19 pandemic were investigated along with industry announcements and bulletins found online. Additionally, specialty cacao farmer and craft chocolate industry interviews in Spanish and English were examined for first-hand accounts on industry vulnerabilities amidst the COVID-19 pandemic. A review of the literature and preliminary analyses of secondary data were aggregated using Google and the Google Scholar database for all publications related to COVID-19, specialty cacao, and craft chocolate as of September 2020 to complement references cited in the primary literature and unpublished studies.

Direct Trade

Many craft chocolate makers source specialty cacao from origin using direct trade agreements with farmers to produce higher-quality beans (McCabe, 2015). The unique standards for quality in craft chocolate production require considerably more diligence in maintaining control throughout the entire value chain, with some chocolate makers rejecting 94% of the beans sampled for craft chocolate production (Chuang, 2020). With international and domestic restrictions disrupting travel to cacao origins, reduced producer interactions have effectively removed a major quality control and communication channel.

Additionally, specialty cacao buyers often operate on private contracts (Giller, 2017) that may be difficult to honor with decreased revenue from the loss of craft chocolate sales. Reduced operations for these businesses would equate to a loss of buyers for farmers who may not be prepared to quickly find and negotiate new contracts with specialty cacao buyers at a comparable price. Producers are already facing uncertainty for export sales in the short term, with buyers asking to renegotiate existing contracts, and in the long term, potentially going out of business or waiting to recoup costs before making additional purchases (Martin & Ganem, 2020). The travel restrictions due to the pandemic affect the ability of craft industry members to sustain in-person trading relationships. An overreliance of specialty cacao producers on few buyers suggests that selling into craft chocolate supply chains is not a sustainable option for farmers, who may be less willing to invest in specialty cacao production due to constraints along the marketing chain, as previously observed in Ecuador (Díaz-Montenegro, Varela, & Gil, 2018).

Logistics and distribution systems were known to be difficult already before the pandemic, and government-mandated road closures and travel restrictions as well as accessibility to affordable petrol have intensified in many cacao-producing countries (Well Tempered, 2020). The specialty cacao industry also interfaces uniquely with less accessible communities, such as indigenous communities in the South American Amazon who have historically experienced disproportionate inequalities that are further revealed and exacerbated by the COVID-19 pandemic and may face greater difficulties delivering on contracts.

Small Business Proprietorship

The upfront investment in labor and capital required to produce craft chocolate is also much higher than that of industrial chocolate, due to craft chocolate makers operating on a much smaller scale, using manual labor to perform tasks that would be automated in industrial systems, with diverse flavor batches and high attention to detail (Giller, 2017). Craft chocolate businesses often partner with hotels and airport shops, which saw a decline in clientele due to reductions in tourism and travel. Small craft chocolate businesses are often reliant on foot traffic and industry events to reach customers and may not be equipped to rapidly transition to e-commerce strategies that allow for no-contact sales amidst the COVID-19 pandemic.

The results of a flash poll, entitled “Coronavirus and its impact on small chocolate businesses,” conducted by the Fine Chocolate and Cacao Institute (FCCI, 2020) included data gathered from 125

chocolate companies, primarily from North America (52.8%), with the rest coming from Europe (22.4%), and grouped South America/Caribbean (15.2%) and Asia/Australia regions (9.6%).

Major findings include that nearly 80% of craft chocolate businesses have been affected or expect to be affected at a level of “significant” or “existential threat” due to the global pandemic (FCCI, 2020). About 17% of these businesses experienced over a 90% decrease in sales (FCCI, 2020). Small chocolate businesses experienced a loss of sales due to reduced sales to customers in person (87%) and sales to businesses (79%) (FCCI, 2020). Additionally, 59% of respondents “are or anticipate increasing [their] digital marketing efforts” over the foreseeable future (FCCI, 2020, 15:02). These results do not reflect the fragility of the chocolate industry as a whole, but specifically the small fraction (less than 5%) that encompasses craft chocolate.

Conclusion

Specialty cacao producers are often asked to shoulder the burden of production, maintenance of consistent quality, and reliance on buyers while wielding the least amount of leverage and resources. Specialty cacao buyers have done well to encourage transparency and accountability systems, including publishing annual sourcing reports that describe on-farm production practices, highlight farmer profiles, and divulge prices paid to farmers for specialty cacao. Following in the footsteps of third-wave coffee industry members, offering cacao producers more robust contracts that guarantee sales and allow for more flexibility in accommodating quality issues along the supply chain may mitigate the burden on farmers.

Additionally, programs that support online communication and sales opportunities for craft chocolate industry members, such as the “Stay home With Chocolate” initiative (an online collaborative platform to boost craft chocolate businesses), have been successful in generating online outreach mechanisms for craft chocolate businesses. Online industry panel events featuring specialty cacao producers have also provided a platform for stakeholders to interact and share perspectives on the pandemic. The fragility of the craft chocolate industry has been recognized by industry members for years and the global crisis has further highlighted the need for investments in farmer relief, improved access to technology for business needs, and farmer empowerment for negotiations with buyers to mitigate risks.

Resources

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