

Double blow for chocolate firms could hit production

Global cocoa prices have surged to a record high this week as bad weather conditions impact crops in West Africa.

Cocoa prices on the Intercontinental Exchange (ICE) in New York reached a new all-time high of \$5,874 (£4,658) a ton on Thursday, closing up 7.3% at \$5,805 (£4,604).

The cost of the core ingredient for making chocolate has almost doubled – rising about 90% – since the start of last year.

Chocolate production is concentrated among a few major players and some have their stock listed on the public markets.

US chocolate giant Hershey said on Thursday it is expecting a further slowdown in demand for its products from cash-conscious customers after its sales fell by 6.6% in the fourth quarter.

It also said higher cocoa prices are likely to limit its earnings this year.

No price guarantee

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Hershey gave no assurances about prices, with the company's chief executive Michele Buck saying in a call with analysts yesterday after its results: "We can't talk about future pricing."

She added: "Given where cocoa prices are, we will be using every tool in our toolbox, including pricing, as a way to manage the business."

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Volumes at its rival, Mondelez – which manufactures well-known brands including Cadbury, Toblerone and Milka – also fell last quarter.

The surge in prices is also filtering through to shoppers.

In December, consumer watchdog Which? said the [cost of some chocolate boxes had soared](#) by more than 50%.

Manufacturers largely blamed supply issues and poor production.

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The [El Nino](#) weather phenomenon is hurting cocoa production in the [Ivory Coast](#) and [Ghana](#) – the world's biggest and second-largest producers, respectively.

Cocoa crops are highly sensitive to weather changes.

Around 70% of the world's cocoa comes from West Africa so the commodity is very susceptible to price swings due to the weather.

An industry source told Reuters news agency traders fear the shortage will extend into next year, with missing volumes from this season's crop having to be filled with beans from the next.