

Bean to bar makers highlight parallels with specialty coffee sector

That the bean to bar market is growing quickly is hardly in question: the question is, how quickly is it growing and where might it be in five years' time? The answer, it seems, is 'rapidly,' albeit from a small base, and as to where it might be in five years' time, bean to bar leaders that C&CI spoke to recently suggest it is on a similar growth curve – and could have as profound an effect on the market – as the speciality coffee sector has in the last decade.

Curtis Vreeland, an industry analyst who tracks the market and writes about it regularly, told C&CI that he believes the market is growing at a rate of 10-15 per cent per annum. The number of 'bar smiths,' as he describes them, is growing quickly, and the market is a very fluid one, with new entrants coming into it all the time. Mr Vreeland has 20 years of confectionery industry experience, including as principal of Vreeland & Associates where he specializes in market research/analysis and events management. He produces the company's *US Chocolate Market Report* that provides sales data on the overall market and ethical chocolate segment, as well as on trends and forecasts. He puts the value of the bean to bar market in the US at US\$75-100 million per annum and estimates that there are around 100 to 200 makers of bean to bar chocolate in the country.

Fast growth mirrors that of speciality coffee market

Todd Masonis, a co-founder of Dandelion Chocolate, which was formed in early 2010 in San Francisco, likens the current state of bean to bar market to where the craft or micro-brewing market was a few years ago – before it exploded in size. Dandelion Chocolate's CEO became a chocolate maker after 10 years in the tech industry, founding the company with long-time friend, Cameron Ring. After the two had sold their previous company, Plaxo, Todd began making chocolate from scratch. He also

The bean to bar chocolate market is in a similar situation to the specialty coffee sector and the micro-brewing industry a few years ago, say leading players in the sector – it is only going to grow, and its effect on the market will be larger than its small size suggests



The market for high quality bean to bar chocolate is growing quickly in the US and in Europe

began growing small cacao plants in his San Francisco apartment, practiced pan-roasting cocoa beans in the oven, and as he put it, "ate his way through the world's best chocolate shops."

Mr Masonis puts the number of serious bean to bar manufacturers in the US at not more than 100 – there may be more, he says if you count makers producing chocolate on a very small scale – and says he sees the same trends in the market now that took place in micro-brewing and in speciality coffee a decade ago. "There are a number of reasons that this market is growing," he told C&CI, citing consumer distrust of big brands and 'industrialised' products, and the growing interest among

Western consumers in knowing where their products came from. Dandelion Chocolate publishes a sourcing report on its web site for all of the chocolate it makes.

"We've been visited by big companies," Mr Masonis told C&CI. "My feeling is that one day bean to bar chocolate is going to be a disruptor in the chocolate industry, but not just yet. Some of the big companies are already trying to ride on this trend, but lot of people are mistrustful of the big corporations," he said. "Chocolate used to be about one flavour, but people have woken up to the fact that it has extraordinary complexity, and the awareness of how diverse chocolate can be is growing quickly."

Some growers especially sought after

As he notes, in a fast growing market like this one, some growers have become very sought after. The example everyone mentions is Maya Mountain Cacao (MMC), which sources premium cacao from smallholder farmers in Belize and in its own words "connects smallholder farmers with the ultra-premium chocolate industry." The company was founded by Emily Stone and Gabriel Pop, a Maya cocoa farmer, in collaboration with chocolate makers Alex Whitmore (Taza Chocolate) and Jeff Pzena (Cotton Tree Chocolate/Moho Chocolate) in 2010. Its business model leverages direct relationships – which almost all makers in the bean to bar market highlight – and innovation to shorten supply chains and as the company puts it "catalyze impactful social and environmental development in cacao-growing regions." The bean to bar market is very similar to the speciality coffee sector: apart from being a business,

MMC sees itself using high-value, organic cacao production “to drive sustainable development” in the Central American region. Such has been the company’s success that, as Mr Masonis put it – “if you want their cacao you have to go on the waiting list” – and MMC has recently moved into neighbouring countries in Central America in its search for top quality cocoa. Mayan cacao is far from being the only product that is sought after by leading bean to bar chocolate makers: Tanzania, best known as a coffee origin, is another origin that several makers mentioned to C&CI – but there are many others.

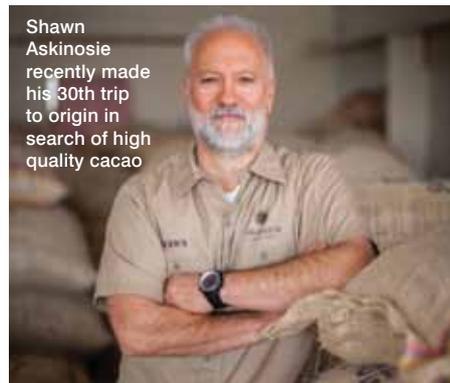
Relationship model

Tanzania is one of 30 origin visits that another leading light of the bean to bar market in the US – Shawn Askinosie of Askinosie Chocolate – has made in recent years. Like MMC, Mr Askinosie sees producing great chocolate going hand in hand with a commitment to sustainability and helping farmers in origin. He entered the bean to bar market about a decade ago after successful career as a lawyer, and sees only benefits from working with farmers on post-harvest processing techniques to help them turn their cacao into a great product that chocolate makers will scour the world for. Although for the time being the bean to bar market only accounts for a fraction of overall trade in cocoa he believes that it can have profound effects in origin of a type which will have ramifications in the trade as a whole. Like a lot of specialty coffee companies who have established close relationships with growers, Mr Askinosie’s company has not only worked with farmers in Tanzania to help them enhance what they grow, it has also engaged with local communities.

Tanzania’s Mbeya region hosts one of Africa’s finest cocoa bean co-operatives and since Mr Askinosie’s inaugural visit in 2010, the company has worked directly with farmers in Mbeya who grow and harvest Trinitario cocoa beans, which are typically used in fine, dark chocolate. “We worked with a woman-led farmer group in Tenende, Tanzania from 2010 to early 2014 and are now working with another farmer group in Mababu, Tanzania about 10 miles away, led by Mama Rahabu,” he explained, noting that, as a benefit of Askinosie Chocolate’s direct trade relationship with the region, local high school students have been given the opportunity to meet and work with cocoa farmers and other high school students in the Kyela district through an ‘experiential learning programme.’ Students also engage in community development projects



Todd Masonis, seen here with co-founder Cameron Ring, says the bean to bar market is following a similar path to the micro-brewing and specialty coffee sectors



Shawn Askinosie recently made his 30th trip to origin in search of high quality cacao



Spencer Hyman: “fermentation is super critical to the production of great cocoa and great chocolate”

Askinosie has begun, many of which involve the local school, Mwaya Secondary School. Attendance is consistently up and graduation rates have improved.

Farmers getting a better price

Given its small scale, the bean to bar market’s effects on farmers have generally been limited to existing producers of high quality cacao, but Mr Askinosie has noted that when local farmers who meet the quality requirements of the bean to market are rewarded financially, it had a trickle-down effect among other producers, who realise that they can secure better prices than they get on the commodity markets.

Asked whether there has been any consolidation in the bean to bar market in the US to date – or whether he anticipates

that there will be – he said consolidation hasn’t happened yet and most makers are too small to attract attention from the big players in the chocolate market. “I haven’t observed much consolidation,” he said, “but then look at the specialty coffee market 5-6 years ago. There hadn’t been much consolidation there either, then there was a trigger and leading players began being snapped up by bigger companies. We could be approaching that stage in the bean to bar market, but it’s hard to say when.” Chocolate in the US is a follower of coffee, he says. “The two are somewhat intertwined. Like the specialty coffee industry, initially there may have been a reluctance among consumers to pay a higher price for very high quality chocolate, but that has changed. “A lot of what has driven the growth in this market has been about educating the public and convincing consumers to pay US\$10 for a bar of chocolate.”

Like specialty coffee and micro-brewing – and like fine wine

Like Mr Masonis and Mr Askinosie, Spencer Hyman at Cocoa Runners – which selects chocolate from great makers and mails it to its members – says growing high quality cocoa is one thing, but how it is handled when its harvested is incredibly important too. “We seek out extraordinary makers using extraordinary cacao, but how farmers process the cocoa they grow is at the heart of it. Fermentation is super critical,” he says.

Mr Hyman – an e-commerce veteran whose varied career highlights include translating Monopoly into Japanese, being COO of popular music site Last FM and setting up parts of Amazon in the UK – started Cocoa Runners three years ago and likens the bean to bar business model to relationship coffee. He says that, like the market elsewhere, the market in the UK is growing quickly from a small base. “This isn’t the sort of product you can buy anywhere,” he says, “there just aren’t enough makers who have the kind of volume you need to go into a supermarket, for instance, but we are putting bean to bar chocolate into some leading independent coffee shops,” highlighting the growing association between the specialty coffee sector and the bean to bar market.

Mr Hyman said there are probably only five bean to bar makers who have the kind of volume required to feed a big chain with bean to bar chocolate right now. For his part, he likens the bean to bar market to that for fine wine. ■ C&CI