

Trend Report: The Future of Chocolate.

CHOLACA.



pure liquid cacao



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Executive Summary

Modern historians estimate that humans have been eating cacao and chocolate in some form for around 2,000 years, yet high quality chocolate is still a burgeoning industry. Like the wine and coffee industries before us, the chocolate industry is poised for some big leaps and exciting changes in the next few years. The global market for cacao was estimated at around \$10 billion in 2018 and is expected to grow more than 7 percent by 2025 to nearly \$20 billion, making the cocoa industry a big player in the global market.

And Cholaca is, in many ways, leading the industry by keeping climate justice, wage equity, terroir, and consumer health in mind at all stages of our process to produce the highest quality chocolate available.

Climate justice is essential for continued chocolate production.

As climate change becomes more tangible and apparent every year, it is also becoming clear that the food industry as a whole must examine and bear responsibility for their part in it. Cacao has a huge opportunity to be an example and lead the way with regenerative farming practices and good land stewardship that in turn can help fight climate change. Good cacao practices are not only climate friendly, but also contribute a positive impact globally through the regrowth of natural rainforest.

“Cacao is probably the most perfect food on the planet.”

Ira Leibtag, Founder/CEO of Cholaca

“Cacao is probably the most perfect food on the planet,” says Ira Leibtag, founder and CEO of Cholaca, “and what’s good for chocolate is good for the world.” But the opposite is also true: what’s

bad for cacao is often an indicator of problems in the wider ecosystems and climate. Climate change studies have shown that, overall, cacao production will be adversely affected by higher temperatures and increased water evaporation associated with climate change.

This is because cacao grows best as part of a robust and interdependent rainforest ecosystem. For decades, as demand for cacao grew, farmers would clear cut large areas of forest to try to increase their yields by providing more sunlight for their cacao trees. But as we’ve discovered, the results are disastrous. Studies¹ have shown that, while additional sunlight can increase yields in the short term, removing the canopy degrades the soil quickly and soon requires use of additional chemical pesticides and fertilizers to maintain the crop, not to mention reducing that reducing the number of trees overall drastically reduces the amount of carbon that can be naturally sequestered, a leading cause of climate change.

¹ Abou Rajab, Yasmin, et al. “Cacao Cultivation under Diverse Shade Tree Cover Allows High Carbon Storage and Sequestration without Yield Losses.” PLOS ONE, vol. 11, no. 2, 29 Feb. 2016, p. e0149949, journals.plos.org/plosone/article?id=10.1371/journal.pone.0149949, 10.1371/journal.pone.0149949. Accessed 22 Sept. 2021.

And when the value of the cacao drops too low, farmers often turn their cleared land over to cattle ranchers, further exacerbating the problems and making it that much more difficult to return the land to its natural state.

In preserving the rainforest canopy and growing cacao in its natural setting, however, the scientists saw increased yields over time, higher quality soil, less need for chemical amendments, greater natural resistance to pests, and an increase in the trees' ability to capture and store carbon, which can help in the overall fight against climate change.

By working directly with farmers, Cholaca can help educate and encourage them to leave their land as natural as possible, retaining the surrounding rainforest canopy and ecosystem, and demonstrably improving their yield and the quality of their cacao. Not only is this good for the planet, but more and more, informed consumers are interested in products that go beyond greenwashing and actually contribute to a climate change solution.

It's about enlightened self-interest at every level. Better for the planet, the farmers, and the end consumers. "We're out to strengthen the biodiversity of the cacao and surrounding rainforest to support farmers, create the best quality cacao, and steward the land."

"It's regenerative, not just sustainable;" Ira Leibtag adds. "Cacao is the ideal candidate to be the centerpiece for this particular economic model, but other industries need to join us with other crops and products."

Wage equality: A critical move in the chocolate industry.

If what's good for cacao is good for the world, then what's good for cacao farmers is good for the chocolate industry. But commodity pricing has driven down quality and prices for decades. Around the world, these diminishing returns have had real consequences for cacao farmers, and, as a result, fewer young people are following their parents into the family business. In Ghana, for example, the world's second largest producer of cocoa, the average age of a cacao farmer is 52².

The vast majority of the world's cacao is produced by small family farms, and many are in remote regions making it difficult for them to get their harvest to market. This limits their options and ability to negotiate a fair price for their crops.

Moving toward wage equity and fair pay is a mandatory shift the chocolate industry must undertake if it wants to secure a future supply of quality cacao. Current pay for cacao farmers keeps them living below poverty. This current environment of marginalization is causing farmers to abandon cacao farming for cattle grazing and even coca farming, which not only diminishes the cacao industry but degrades the environment as well.

² Mohammed, Dawuni, et al. Cocoa Value Chain - Implication for the Smallholder Farmer in Ghana.

Helping cacao farmers produce higher quality beans, for which they can command a higher price, is part of the “enlightened self-interest” Ira Leibtag talks about. By working with our farmer partners to create better farming practices, which result in higher quality crops and better yields, and then paying accordingly for that better product we build a strong relationship with the grower and a compelling reason for them to continue to work with Cholaca year after year.

At Cholaca, we are proud to be able to say: Everything throughout the chain of the creation of this chocolate made the world better. And a big part of that is how we’re supporting the livelihood and the growth of our partner farmers to leverage their land and the natural resources they have.

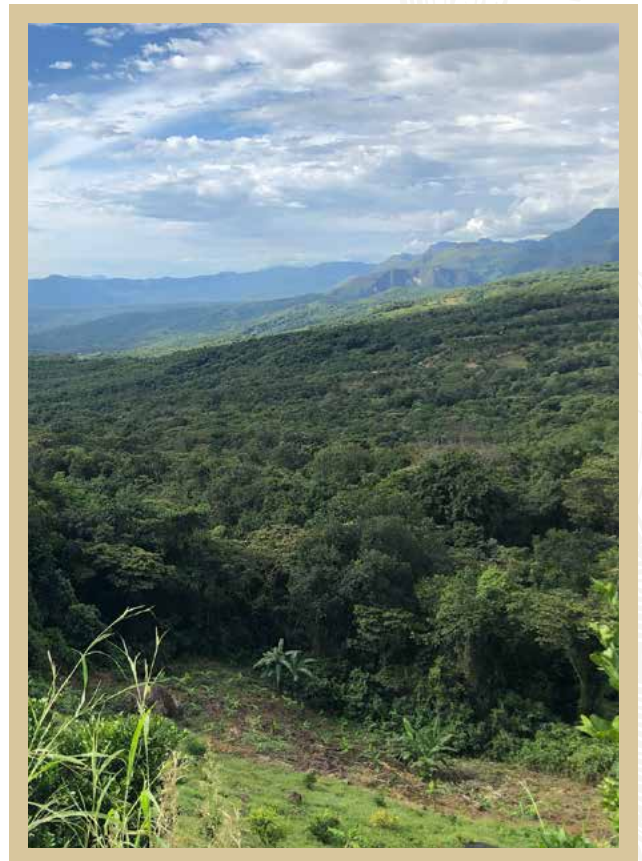
It’s a win/win for all parties involved.

Terroir is entering the conversation in the chocolate industry.

Much like wine and coffee, cacao is an agricultural product that is influenced by the season, the place, and the craft with which it’s processed. Consumers’ chocolate preferences are becoming more sophisticated and mass-produced, sugar-heavy chocolate confections are losing ground to craft chocolate indulgences as flavor profiles and tasting notes enter the conversation.

We see this emerging with the trend of single-origin chocolates, chocolate tasting parties and notes, and increased consumer demand for fine chocolates.

The Fine Chocolate Industry Association (FCIA) defines “fine chocolate” as having superior flavor, texture, and appearance as well as limited ingredients, high cocoa and low sugar content, and minimal processing. Fine chocolates currently represent roughly 5-10 percent of the overall chocolate market, but it’s a segment that is growing rapidly.



CLIMATE, SOIL AND EVEN TRADITION IMPACT THE TERRIOR OF CACAO

As the industry matures, different cocoa-producing regions are beginning to be recognized for their distinctive characteristics in flavor and experience.

Cholaca understands that to talk about terroir means talking about how the land and people are connected to the cacao produced there. Producing the highest quality cacao starts with the land and the farmers and then continues through the careful production process we undertake to process the beans as minimally as possible and

tease out the finest flavors and other properties needed to create fine chocolates.

In celebration of that, Cholaca has defined a new, unique cacao-producing region called Chaparral in Colombia, in partnership with the growers of the area. We are proud to introduce this cacao to the world and contribute to this trend toward recognizing the unique flavors and qualities of regional cacao and the exceptional chocolate produced with it.

Functional indulgences: The next big trend in consumer demand.

Finally, as consumers become more and more educated on the properties of their food, they are beginning to understand and demand higher quality products and more nutrition in their choices.

There's a wide body of research dating back more than a decade indicating that eating flavanol-rich cocoa over a long period of time helps improve cardiovascular health, lower

blood pressure in hypertensive patients, lower cholesterol, lower risk of heart disease and heart failure, and significantly lower stroke risk.

But not all cacao or cocoa is created equal, especially when it comes to the flavanol content of the finished product. Flavanols are unstable compounds and vulnerable to degradation during processing. To maximize the amount of flavanols in an end product, the cacao must be gently processed, never over-roasted.

Because of the way we ferment, dry and roast our cacao at Cholaca, we are able to retain naturally higher levels of flavanols that are typically lost in conventional processing methods. That same process also helps us make the best tasting, highest quality cacao liquor available. This allows our partners creating fine chocolates to use less sugar and other ingredients designed to hide the poor flavor of other cacao, and also allows them to make important structure function claims that can provide a substantial shelf differentiator and competitive advantage.



The future of chocolate is more responsibility, transparency, and a higher quality product for consumers.

More and more, consumers want to know where their food comes from. They want to feel connected to it and to reconnect with the land and people who produce it.

The future of cacao is moving toward greater transparency and connecting consumers with the entire production chain – from the land and rainforest where the cacao grows, to the people and communities involved in growing and processing it, to the functional benefits the finished product can provide to their bodies.

Cholaca understands that these trends are all interconnected and is dedicated to full production transparency and to helping create a connection to the people and places so integral to the creation of the highest quality cacao in the world.

We source, process, and produce high quality cacao products at scale, and we are committed to meaningfully supporting cacao farmers and regrowing rainforests.

Quality you can taste and a commitment you can see.
That's the Cholaca difference.

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